PORT of TYNE

COMMERCIALLY SUCCESSFUL CRUISE AND FERRIES VIBRANT CONTINUOUSLY IMPROVING CARS

ANNUAL REPORT AND ACCOUNTS 2010

OPPORTUNITIES INTEGRITY LOGISTICS EFFICIENT SUSTAINABLE SUCCESS ESTATES PROFESSIONAL CLARITY BULK AND CONVENTIONAL CARGO SUPPORTING LOCAL COMMUNITIES WELCOMING AND A GREAT PLACE TO WORK

CONVENTIONAL & BULK CARGO | CAR TERMINALS | CRUISE & FERRIES | LOGISTICS | ESTATES

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DIRECTORS OF THE BOARD

SIR I WRIGGLESWORTH DL
CHAIRMAN

SIR L ELTON DL
DEPUTY CHAIRMAN

A N MOFFAT
CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS

S BEECHINOR

H FLOREK

DR J W HARGREAVES CBE

S HARRISON

DR J HUDSON

N MUNDY

B REEVE

C R ROBSON

DR A G RUTHERFORD OBE

Principal Officers

A N MOFFAT
CHIEF EXECUTIVE OFFICER

S HARRISON
CHIEF OPERATING OFFICER

B REEVE
CHIEF TECHNICAL OFFICER

DR J HUDSON
CHIEF FINANCIAL OFFICER

STATEMENT BY THE CHAIRMAN

The aim is to provide its stakeholders with a vibrant, sustainable Port of Tyne in every aspect of its activities – in the environment, wealth creation, stakeholder relationships, port operations and in its relationship with the community. The vibrancy of the Port will be reflected in the level of business and other activities.

Values

The Port's values are Customer Focus, People Focus and Long Term Thinking. This means concentrating on the needs of customers; training, developing and rewarding all who work for the Port in a challenging, supportive and safe environment; and investing in the long term future and sustainability of the Port and its employees. It means seeking to behave with integrity, professionalism and openness.

Strategic Direction

Four principal strategies have been agreed: maximising existing market opportunities; identifying and exploitation of new market opportunities; the development and maintenance of infrastructure that will sustain business and help it grow; and finally efficient and effective use of resources.

Port of Tyne Structure, Responsibilities and Governance

The Port has statutory responsibility for conservancy and safe navigation of a 24 mile stretch of water, comprising of 21 miles of river from Wylam to the piers, plus 3 miles of sea outside of the piers.

The Port is focused and organised around five distinct business areas: Conventional and Bulk Cargoes, Car Terminals, Cruise and Ferries, Logistics and Estates.

Structurally the business comprises of the Port of Tyne Authority and two wholly owned subsidiaries, Port of Tyne Distribution Limited and Tyne Logistics Company Limited.

In July 2009 the Department for Transport (DfT) issued 'Modernising Trust Ports II', which included the request for certain trust ports, including the Port of Tyne, to analyse their corporate structures with a view to identifying opportunities to enhance efficiency and gain value from their assets.

The Board reviewed all relevant ownership models and analysed the advantages and disadvantages associated with each type against its existing Trust Port model. The Board concluded in its submission to the DfT that the Port of Tyne should continue to implement its transformational and business development strategies through its current Trust Port model. This was not a decision to 'retain the status quo' but rather a pro-active strategy to continue to implement initiatives intended to enhance the commercialisation and operational performance of the business.

The Parliamentary Under Secretary State for Transport in the new Government, Mr Mike Penning MP, has advised that he is 'content to accept your report as the basis for the future direction of your Port'.

The Board of the Port of Tyne is determined to demonstrate that the business's existing corporate structure can deliver enhanced value to all of its stakeholders by delivering against its plans, and so become an even more important contributor to the economic success of the region. The Board is also determined to continue to demonstrate that it competes successfully on a commercial basis against other ports, irrespective of their ownership.

The Port's values are Customer Focus, People Focus and Long Term Thinking.

Financial Review

Turnover during the year increased by 11% to £45.5 million as a result of increased activity levels across all of the business with the exception of imported coal that fell by 60%. Turnover however, has been unaffected by the fall in coal import levels due the existence of 'take or pay' contracts with power generators.

A record level of EBITDA was reported in 2010, increasing by 45% to £9.6 million. As a percentage of turnover EBITDA was 21%, increasing from 16% in the previous year.

Profit before tax has doubled in the year to £4.4 million, whilst cash flow from operating activities has also improved significantly by £5.0 million to £8.9 million.

The Port has continued to invest in the development of its infrastructure to secure future business opportunities. Capital expenditure incurred in 2010 totalled £16.2 million, the main items being: construction of the biomass handling and storage facilities, quay strengthening in preparation for berth deepening, drain diversion associated with Tyne Dock land preparation, initial capital outlay associated with the procurement of a new dredger and IT back up and virtualisation infrastructure investment.

Borrowings have increased by £5.2 million to £19.4 million at the 31 December 2010 due to funding required to support the construction of the businesses new biomass handling and storage facility that was commissioned in the final quarter of the year.

The table below outlines the performance of the business's Key Financial Indicators:

KEY FINANCIAL INDICATORS
£MILLIONS

	2010 £m	2009 £m	Change £m	Change %
Turnover	**45.5**	41.0	4.5	11%
EBITDA	**9.6**	6.6	3.0	45%
Profit Before Tax	**4.4**	2.2	2.2	49%
Cash Flow from Operating Activities	**8.9**	3.9	5.0	128%
Capital Expenditure	**16.2**	4.5	11.7	260%
Borrowings	**19.4**	14.2	5.2	37%

Turnover is provided in the following table for each of the Port's five business areas:

TURNOVER BY BUSINESS AREA
£MILLIONS

	2010 £m	2009 £m	Change £m	Change %
Conventional and bulk cargoes	**17.1**	16.9	0.1	1%
Car terminals	**5.4**	4.4	1.1	24%
Cruise and Ferry	**2.1**	2.1	0.0	1%
Logistics	**17.7**	14.3	3.3	23%
Estates	**1.5**	1.6	(0.1)	(7%)
	43.8	39.4	4.4	11%
Income from third party activities	**1.7**	1.5	0.2	10%
Total	**45.5**	41.0	4.5	11%

Included within the reported turnover above for each of the Port's five main business areas are the conservancy and pilotage income resulting from that business area's activities. Income from third party activities consists of conservancy, pilotage and other income associated with traffic emanating from third party river users.

Traffic Statistics

The Port of Tyne is a barometer and facilitator of economic activity regionally, nationally and internationally. 2010 saw the beginning of a recovery in global trade after the unprecedented decline experienced in the preceding year. This is reflected in the return to growth reported by the Port of Tyne in 2010.

Key volumes for both the River Tyne as a whole and for the Port of Tyne's business areas are shown in the adjoining table:

TRAFFIC STATISTICS TONNES

	2010 tonnes	2009 tonnes	Change tonnes	Change %
Total River Tyne Tonnages (000s)				
Port of Tyne - Conventional & Bulk Cargoes	**1,626**	2,268	(642)	(28%)
3rd Party - Conventional & Bulk Cargoes	**464**	428	36	8%
3rd Party - RoRo Freight	**306**	300	6	2%
	2,396	2,996	600	(20%)

The 20% reduction in volume was caused by the fall in coal imports. However, as noted above, the Port is still remunerated for the higher coal volumes that were contracted.

With reference to bulk cargoes, an increase in biomass, steel, scrap and grain tonnages was more than offset by a decrease of 1.1 million tonnes in coal imports. This was caused by the relatively high price of coal which resulted in the substitution of other fuels, such as gas, used for power generation.

The Port's car terminal business experienced a significant rise in activity following the recession impacted levels in the previous year. A 48% rise was reported in 2010 with levels dominated by Nissan volumes which utilise the Port's south bank car terminal facility.

Container volumes increased by 54% reflecting a rise in demand for parts used by Nissan at its Sunderland car production plant and also the demand for more consumer goods.

Total cruise and ferry passenger volumes grew by 2% in 2010, an improvement largely due to sustained marketing activity by DFDS and increased focus on land-based customer experience by the Port of Tyne, combined with the relative strength of the euro against sterling.

TRAFFIC STATISTICS TONNES

	2010 tonnes	2009 tonnes	Change tonnes	Change %
Port of Tyne Statistics (000s)				
Conventional and bulk cargoes (tonnes)	**1,626**	2,268	(642)	(28%)
Car terminals (number of cars)	**555**	374	181	48%
Cruise and Ferry (passenger numbers)	**586**	574	12	2%
Broken down by:				
Cruise	**32**	42	(10)	(24%)
Ferry	**555**	532	23	4%
Cruise and Ferry (vessel numbers)	**383**	369	14	4%
Broken down by:				
Cruise	**20**	24	(4)	(17%)
Ferry	**363**	345	18	5%
Logistics (containers teu's)	**57**	37	20	54%

Business Development

Energy remains central to the future development of the Port's business.

2010 saw the commissioning of a dedicated handling and storage facility for the importation of biomass, following a 10 year agreement with Drax Power. This development represents a major long term investment that will take full advantage of the business's excellent deep water berths, facilities and manpower. Nearly £20 million is being invested in the handling facility and the necessary infrastructure.

In the middle of the year the Port's car business portfolio was further extended following development of the 11 acre Höegh transhipment terminal, on the Port's south bank estate, thus extending the Port's car handling capacity.

JML, a tenant on the Port estate and an existing Logistics customer, demonstrated its satisfaction with the Port's services by transferring its retail operations from Dartford, generating incremental warehouse storage and container handling opportunities for the Port.

Land preparation associated with the infilling of the 14 acre Tyne Dock continued with drain diversion works. Further fill material has been secured to complete the infill in 2011 and it is anticipated that land will be available for operational use in 2012.

MGT Power continued to develop its plans announced in 2009, subject to planning approval, to build the 300MW Tyne Renewable Energy Plant on the North Bank Estate.

Contamination

The research commissioned by the Port of Tyne and its partners, ONE North East, Newcastle City Council and North Tyneside Council, into the quality and flow of sediment within the River Tyne estuary continued during 2010. Initial findings indicate that as well as localised contaminated sediments associated with specific river bank industries being evident, other material emanating from former mine working in the upper reaches of the South Tyne are also present within the river system. It is proposed that a second phase of the study be commissioned to examine in detail the options and solutions available to address these issues.

Economic Impact of the Port of Tyne

The impact of the Port of Tyne on the regional economy is measured on an annual basis through an Economic Impact Assessment. During 2010, ARUP reported that the gross value added (GVA), by the Port of Tyne and by Port related activities, to the regional economy was around £421 million (2009 - £367 million). Included in this is the significant impact of tourist spend resulting from passengers using the Port's International Passenger Terminal that facilitates the DFDS Newcastle to Amsterdam ferry service and the developing cruise traffic. The report also highlights that the Port, including an average workforce of 448 employees in 2010 (2009 – 460), supports 8,836 (2009 – 8,666) full time port related jobs in the wider community.

Stakeholders

The Port of Tyne, as a trust port, has stakeholders rather than shareholders. All profits are re-invested back into the business for the benefit of stakeholders.

Stakeholders in this context refers to all parties who have an interest in the activities of the Port. Its principal stakeholders can be categorised as customers (including all river users), employees, the government, the business community and the local community.

Stakeholder Benefit

The total Stakeholder Benefit delivered during 2010 was £6.7 million (2009 - £6.9 million). In the year £0.7 million was directly invested in the creation of stakeholder benefit, £6.0 million was generated in tax receipts for the Government and 'in kind' services were provided amounting to £29k.

The reduction in the year is attributable to a £1.0 million one-off contribution made in 2009 to North Shields Fish Quay in respect of refurbishment of the Western Quay. Excluding this, stakeholder benefit grew year on year.

Within the Port's financial statements, operating profit of £5.4 million is stated after the following direct investments in stakeholder benefit of £0.7 million (2009 – £1.4m). The principal components of this in 2010 were:

- The costs of operating and maintaining the Swing Bridge of £138k (2009 - £127k), which is no longer a commercially viable asset on a stand-alone basis.
- £10k rental support to the North Shields Fish Quay Company.
- £30k donation to the Port of Tyne charitable fund, administered by the Community Foundation.
- £116k (2009 - £92k) has been expended in sponsorship of events and activities in support of developing the local community such as the Mouth of the Tyne Festival, the Tyne Tunnel 2k wheelchair event, the University Boat Race, the Pride of South Tyneside Awards and supporting the Port's Writer in Residence programme and its annual 'Reflect' photography and film Awards.
- The Port actively supports its Regional and National Business partners, through subscription and membership of organisations that include the CBI Regional Council, the North East Chamber of Commerce, the EEF Regional Council, Business in the Community, the NewcastleGateshead Initiative and the Institute of Directors. During the year it invested £108k (2009 - £89k) in these activities.
- During the year a Profit Share Scheme was launched for all employees, allowing them to share in the performance of the business. The associated investment in 2010 was £212k.

The Port of Tyne also generated Government tax receipts in 2010 relating to employee taxation, company taxation and business rates amounting to £6.0 million (2009 - £5.5 million).

During the year 'in kind' activity included the continued waiving of conservancy charges (£29k) to Royal Navy vessels that are open to the public and the provision of marine safety services for charitable river-based events at no charge.

Employees

On average, there were 448 employees working directly for Port of Tyne in 2010. The employees are a key stakeholder group and their welfare and development is critical to achieving its aim of a vibrant and sustainable Port of Tyne.

In December 2010 a Profit Share Scheme was launched for all employees, allowing them to share in the performance of the business. Based on the well established John Lewis Partnership principles, the scheme recognises that staff working for the Port can have a direct impact on success and profitability of the business and can now expect to benefit accordingly.

As I referred to earlier in my statement, the Port has embarked upon a programme of transformation encompassing both commercialisation and culture change. I am delighted to report that employees have responded positively to the challenges and opportunities that this presents. On behalf of the Board I should like to thank them for their continued commitment and hard work, without which the business could not have succeeded in the way it has over the past year.

Board of Directors

During the year there were changes on the Board. I would like to thank Professor George Fleming and Tom Boardley who retired this year, and welcome Dr Jonathan Hargreaves and Dr Alan Rutherford who were appointed as Non-Executive Directors with effect from November 2010.

The Board and the support provided by its executive management team has been further strengthened during the year. Steven Harrison, Chief Operating Officer, joined the Board in January 2010 and Susan Wear joined the executive management team as Director of Corporate Affairs with responsibility for marketing and communications.

Outlook

During 2010 the Port returned to growth and continues to be well placed to maximise new trading opportunities especially those associated with a rapidly growing renewable energy sector.

The commissioning of the dedicated biomass handling and storage facility has placed the Port of Tyne at the forefront of this developing industry. Further enquiries have been received relating to the extension of such facilities from both existing and new customers.

Since the announcement in January 2010 by the Crown Estate of the award of development rights for the Round 3 offshore wind farm development the Port has been working to take advantage of this opportunity. Around 9GW of offshore wind energy plant will be sited in Dogger Bank, an area close to the North East of England coastline.

Nissan car production at its Sunderland plant has recovered strongly in 2010 and 2011 currently could be a record year. It is also on track to both manufacture the electric battery and assemble the first Nissan electric car, the Leaf, from 2013.

Forecast cruise volumes, whilst anticipated to remain steady in 2011, show significant growth in provisional bookings for the following year with increased volumes from both existing and new cruise operators indicated.

At the time of writing the impact of the Japanese earthquake and tsunami on the global economy is still to be understood, as is the effect on the Port of Tyne. There will undoubtedly be some consequences on the car industry and in particular Nissan as well as perhaps the wider power generation market.

Finally, the Port will continue to implement its transformational programme of commercialisation and cultural change. This is a key ingredient in delivering improved business performance and is also central to securing the future growth opportunities that will deliver enhanced value to the Port of Tyne's stakeholders.

Sir Ian Wrigglesworth
Chairman
2011

REPORT OF THE BOARD

The directors of the Port of Tyne present their annual report and the financial statements for the year ended 31 December 2010.

Principal Activities

The principal activities and statutory responsibilities of the Port of Tyne are disclosed in the Chairman's Statement, as are its aim, values, behaviours and main strategic directions.

The Chairman's statement also reviews the business's activities during the year.

The group profit for the financial year has been transferred to reserves and is made up as follows:

TRANSFER TO RESERVES £000s

	2010 £000s	2009 £000s
Profit before taxation	4,400	2,233
Taxation	(1,621)	(463)
Transfer to reserves	2,779	1,770

Investment Policy

The business's policy is to ensure that investments achieve long-term commercial viability and sustainability for the Port, its users, its employees and stakeholders.

The primary objective of the Port of Tyne is to generate commercial rates of return on its investments, while maintaining security of assets. The Port's investment policy is to generate a level of return on investments in excess of the rates of return suggested in the Treasury Green Book.

A report of 2010 capital investments is provided in the Statement by the Chairman.

In-house Services

The services provided by the Port of Tyne are done so using a mixture of in-house and out-sourced resource.

Ship to quay cargo movements are undertaken directly by the Port of Tyne, while movement of cargo thereafter uses both internal and external resources. The Port uses its own Engineering Department to maintain plant although some plant and machinery is supported by third parties where appropriate. Throughout 2010 the Port owned its own dredger and supplemented this with resource provided by third party dredging providers.

The Port monitors the efficiency of all of these services on an ongoing basis by reference to both commercial flexibility and cost effectiveness.

Corporate Governance

The directors have implemented a system of corporate governance which is consistent with best practice corporate governance procedures applicable to the private quoted corporate sector.

In 2001 the Port of Tyne was classified as a 'public corporation' by the Office of National Statistics and as a result, since that date, the Port's borrowings, albeit an insignificant part of the total, have been included within the Public Sector Borrowing Requirements.

In July 2009 the Department for Transport issued updated regulatory guidance, encouraging trust ports to adopt best practice constitution and reporting, entitled 'Modernising Trust Ports II'. The guidance also introduced the concept of master plans, disclosure and stakeholder benefits. The Board has reviewed the recommendations contained therein and has put in place procedures to ensure adoption of these guidelines.

In fulfilling its duties the Board has also had regard to the requirements of the Port Marine Safety Code which was updated in 2009.

The Board has also carried out a formal risk review and has maintained a programme of reviews to enable the Board to monitor and manage significant risks.

The Board

The Board meets on a monthly basis to review financial information and matters reserved for the Board and to exercise full control over the business. The roles of Chairman and Chief Executive Officer are separate and clearly defined. The Chairman and non-executive directors, who comprise the majority of the Board, are appointed by the Secretary of State for the Department for Transport and are subject to the process laid down in the Nolan Committee Report. The term of office is for a specified period, normally three years.

Principal Risks and Uncertainties

Risk management system

The Port operates an internal risk management system that captures material commercial, operational, financial, regulatory and people risks. Mitigating controls are designed for all material risks identified with resulting actions incorporated into business area business plans and extended to senior management personal objectives as appropriate. Material risks are formally reviewed, scored and ranked each year with monthly updates given to the Board of any changes to these risks during the year. The assessment of new risks arising is a standing item on the monthly Board agenda.

Key risks and uncertainties

Key economic risks and uncertainties are associated with changes in trade patterns, the impact of external factors upon major Port of Tyne customers and the competitive environment. Despite having diverse business interests covering bulk and conventional cargo handling, car terminals, cruise and ferry, logistics and estates, activity levels are impacted by movements in global commodity pricing and changes in the level of national and international demand for products and services, with the latter being strongly influenced by the relative strength of sterling against other major currencies.

Competition

Further uncertainties are connected with the strategies of both direct and indirect competitors. This could include the application of predatory pricing in an attempt to attract existing Port of Tyne customers and the provision of services to those already offered by the Port of Tyne.

Funding

Access to appropriate funding is central to the success of the business. In 2008 a Harbour Revision Order granted the Port of Tyne unlimited borrowing powers. Currently the business has three separate facilities totalling £36.5 million: a £15.7 million revolving credit facility with Barclays that runs until 2013, a £16.3 million fixed term facility also with Barclays that runs until 2019 and a £4.5 million fixed term loan with Dexia that matures in 2013. Borrowings under these facilities at 31 December 2010 totalled £19.4 million.

Pension Schemes

The Port operates two defined benefit pension schemes and whilst these schemes were both closed to new members in 2001, risks remain regarding the performance of the associated investment portfolios relative to the cost of providing ongoing pension benefits. Further details can be found in note 21 to the financial statements. Furthermore, in respect of industry wide pension schemes, the Pilots National Pension Fund (PNPF) and the Former Registered Dock Workers Pension Scheme (FRDWPS), the Port has no control over or clear forward visibility on the quantification of contributions. There is a risk that these future contributions may be substantial costs for the Port.

Board Committees

The Board operates a number of permanent committees:

(i) The Audit Committee comprises:
N Mundy (Chairman)
S Beechinor
G Fleming (until 30 Sept 2010)
C Fitzpatrick

The Audit Committee assists the Board in discharging its responsibilities to maintain the integrity of the financial statements and the effectiveness of the systems of internal control including risk management. It monitors the effectiveness of the internal and external auditors and the objectivity of the external auditor.
C Fitzpatrick is an independent member of this committee and is not a director of the Authority.

(ii) The Remuneration Committee comprises the non-executive directors of the Finance Committee. Its duties are detailed further under the heading 'Board Remuneration'.

(iii) The Finance Committee comprises:

L Elton (Chairman)
I Wrigglesworth
C R Robson
H Florek
A N Moffat
J Hudson

The Finance Committee assists the Board in fulfilling its oversight responsibilities by reviewing financial information, financial plans, the annual operating and capital budgets and investment management activities.

Internal Control and Risk Management

The directors are responsible for the business's system of internal control. Such a system provides reasonable but not absolute assurance against material loss or misstatement.

Key procedures that have been established include an organisational structure with clear operating procedures, lines of responsibility and delegated authority. In particular, there are defined procedures for:

- capital investment covering appraisal and authorisation.
- financial reporting within a comprehensive financial planning and accounting framework.
- internal audit to monitor the system of internal control and risk management.
- the procurement of goods and services.

The directors have reviewed the effectiveness of the system of internal control for the accounting year and the period to the date of the approval of the financial statements in accordance with the principles included in the Combined Code and other relevant guidance.

Going Concern

After making due enquiries, the directors have reasonable expectation that the Port of Tyne Authority has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Board Remuneration

The Remuneration Committee determines the remuneration and benefits of executive directors. Fees for non-executive directors' duties are determined by the Board on the advice of the Remuneration Committee.

The remuneration of the executive directors consists of a basic salary, a performance related incentive, benefits in kind, and a contribution to the business's pension scheme. The remuneration of executive and non-executive directors is reviewed annually and recommended increases are generally at the same percentage rate as applies to all employees.

Incentive Schemes

A performance related incentive scheme is in place for a limited number of senior managers linked to both business and personal objectives.

A profit share scheme was launched during 2010 for all employees, enabling them to share in the performance of the business.

Benefits in Kind

Benefits in kind relate mainly to the provision and use of motor vehicles and to health care.

Service Contracts

The service contract of A N Moffat is terminable on twelve months' notice and that of S Harrison, B Reeve and J Hudson are terminable on six months' notice.

Details of remuneration (excluding pensions) are given below.

SERVICE CONTRACTS
£

	Basic salary £	Board fees £	Other benefits £	Total 2010 £	Total 2009 £
Non-Executive Directors:					
I Wrigglesworth	-	40,855	-	**40,855**	40,717
N Mundy	-	11,182	-	**11,182**	11,310
L Elton	-	18,617	-	**18,617**	20,358
G Fleming (until 30 Sept 2010)	-	8,386	-	**8,386**	11,310
C R Robson	-	11,182	-	**11,182**	11,310
H Florek	-	11,182	-	**11,182**	11,310
S Beechinor	-	11,182	-	**11,182**	11,310
T Boardley (until 30 June 2010)	-	5,591	-	**5,591**	11,310
A Rutherford (from 1 Nov 2010)	-	1,863	-	**1,863**	-
J Hargreaves (from 1 Nov 2010)	-	1,863	-	**1,863**	-
Executive Directors:					
M M Denton-Hawkes (until 9 Oct 2009)	-	-	-	**-**	161,422
K Wilson (until 3 Aug 2008)	-	-	-	**-**	22,269
B Reeve	104,800	-	13,059	**117,859**	128,773
A N Moffat	183,400	-	23,509	**206,909**	225,635
J Hudson	95,000	-	15,321	**110,321**	76,280
S Harrison (from 1 Jan 2010)	115,000	-	15,824	**130,824**	-
Total for 2010	498,200	121,903	67,713	**687,816**	
Total for 2009	436,926	128,935	177,453		743,314

All remuneration is stated exclusive of VAT where the Authority has been invoiced by third parties.

Envirocentre Limited, of which G Fleming is a director, received £50,523 (2009 – £82,586) for the provision of environmental consultancy services, undertaken at normal commercial rates. Of this amount £418 (2009 – nil) is included within trade creditors at the year end.

Hilary Florek PR, of which H Florek is a director, received £25,626 (2009 – £86,723) for work undertaken at normal commercial rates. Of this amount £179 (2009 – £58,843) was incurred on behalf of the business and recovered on a cost pass through basis, with the remainder being for the provision of marketing services, charged at normal commercial rates. Of this amount £2,220 (2009 – nil) is included within trade creditors at the year end.

Pensions

All of the executive directors are members of the Group Personal Pension Scheme, a defined contribution scheme, to which the business contributes a percentage of pensionable salary excluding death in service benefit, which is provided separately.

Further details are given in the table on the right:

GROUP PERSONAL PENSION SCHEME
£

	Employers contribution rate %	Total 2010 £	Total 2009 £
A N Moffat	20%	**36,680**	38,175
B Reeve	16.48%	**17,271**	17,271
J Hudson	15%	**14,250**	9,890
S Harrison (from 1 January 2010)	15%	**17,250**	-

Directors of the Port of Tyne

The directors of the Port are listed on page 3.

Directors' interests in contracts

Except as already disclosed on page 13, there are no contracts subsisting with the Authority in which any member of the Authority is materially interested.

Employees

The average number of employees of the business and its subsidiaries during 2010 was 448 (2009 – 460).

The Port supports the principle of equal opportunities in employment and is opposed to any form of direct or indirect discrimination on the grounds of a protected characteristic (age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, religion or belief, sex, sexual orientation, race). This applies to both employees and those who seek employment with the Port. Every possible step is taken to ensure that individuals are treated equally and fairly and that decisions on recruitment, selection, training, promotion, career management and every other aspect of employment are based solely on objective and job related criteria.

The business is aiming to achieve 'Investors in People' accreditation within the next twelve months.

Health and Safety

The Port remains committed to improving health and safety performance throughout its business.

The number of working days lost due to injury reduced by 68% to 114 days in 2010 from 352 days in 2009 and the number of reportable accidents reduced from 12 in 2009 to 3 in 2010. The total number of injuries rose from 72 in 2009 to 84 in 2010.

There were no prosecutions or other enforcement actions taken by the HSE or by any Local Authority against the Port of Tyne in 2010. One improvement notice, which was immediately implemented, was received from the Health and Safety Executive (HSE) in connection with formalised training for the planning of complex heavy lifts and the training has since taken place.

Management systems for health and safety continue to be improved and an electronic system to record and monitor risk assessments has been introduced in the last year. The business is targeting ISO18001 Health and Safety certification in 2011.

Environmental Policy

The Port of Tyne plays an important part in the economic, environmental and social life of the surrounding communities.

The business achieved ISO 14001 Environmental Management Systems certification during the year, having been assessed by Lloyds British Quality Assurance. This demonstrated compliance with relevant environmental legislation, a commitment to the prevention of pollution and the implementation of a programme of continual improvement and environmental monitoring. The Port encourages employees to play a major role in the implementation of the environmental objectives.

The Clean Tyne Project comprises of a partnership, established in 1989, between the Port of Tyne, SITA Trust, Gateshead Council, South Tyneside Council, North Tyneside Council and Newcastle City Council. Its aim is to ensure the water quality in the River Tyne continues to improve and also to raise public awareness of associated environmental issues. The Port has operated the Clearwater since 2007 on behalf of the partnership. During the year, the crew of the Clearwater removed 300 tonnes of predominantly timber debris from the River Tyne and, after recycling wherever possible, only 2% went to landfill.

Policy and Practice on Payment of Creditors

The business is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted. Payments to suppliers are made in accordance with these terms, provided that suppliers also comply with all other relevant conditions. At the end of the financial year, the weighted average payment terms of the Port's suppliers was 34 days (2009 – 43 days).

Political and Charitable Contributions

The group made no political contributions during the current or prior year. Donations to UK charities amounted to £35,209 (2009 – £34,233). In 2010, the Port has continued to invest in a variety of local community projects and give support to regional business partners as detailed on page 8.

Disclosure of Information to the Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the business's auditors are unaware; and, having made enquiries of fellow directors and the business's auditor, each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Port of Tyne Authority's auditors are aware of that information.

Auditors

A proposal to re-appoint Ernst & Young LLP as auditors was approved by the Audit Committee in March 2011.

By order of the Board of Directors

Andrew Davison LL.B
Secretary
2011

Maritime House
Tyne Dock
South Shields
Tyne and Wear NE34 9PT

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Board of Directors of the Port of Tyne Authority are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and Authority and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and Authority will continue in business.

The Board of Directors is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and Authority and enable them to ensure that the financial statements comply with Section 42 of the Harbours Act 1964, as amended by the Transport Act 1981. They are also responsible for safeguarding the assets of the group and Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors is responsible for the maintenance and integrity of the corporate and financial information included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

To the Directors

We have audited the financial statements of the Port of Tyne Authority for the year ended 31 December 2010 which comprise the Group Profit and Loss Account, the Group and Authority Balance Sheets, the Group Statement of Total Recognised Gains and Losses, the Group Statement of Cash Flows and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Authority's members, as a body, in accordance with the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981 and for no other purpose. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors of the Port of Tyne Authority and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Section 42 of the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981. We also report to you whether the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Authority has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Board of Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises the Statement of the Chairman. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors of the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the group and the Authority as at 31 December 2010 and of the group's profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the United Kingdom Harbours Act 1964, as amended by the United Kingdom Transport Act 1981; and
- the information given in the Directors' Report and the Statement of the Chairman is consistent with the financial statements.

Notes:

1. The maintenance and integrity of the Port of Tyne Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Mark Hatton
(Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
(Statutory Auditor)
Newcastle upon Tyne
2011

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £000	2009 £000
Turnover – continuing operations		**45,552**	40,971
Operating costs		**(32,159)**	(32,042)
Gross profit		**13,393**	8,929
Administrative expenses		**(7,783)**	(5,831)
Group operating profit – continuing operations	4	**5,610**	3,098
Loss on disposal of fixed assets		**(162)**	(100)
Total operating profit		**5,448**	2,998
Net interest and other expenses	3	**(1,048)**	(765)
Profit on ordinary activities before taxation		**4,400**	2,233
Tax charge on profit on ordinary activities	6	**(1,621)**	(463)
Profit for the financial year	19	**2,779**	1,770

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £000	2009 £000
Profit for the financial year	**2,779**	1,770
Unrealised gain / (loss) on revaluation of investment properties	**31**	(9,442)
Actuarial gain / (loss)	**1,049**	(5,314)
Deferred tax on actuarial gain / (loss)	**(283)**	1,488
Total gains and losses recognised in year	**3,576**	(11,498)
Adjustment in respect of property revaluation	–	(36,260)
Total gains and losses recognised since last annual report	**3,576**	(47,758)

RECONCILIATION OF MOVEMENT ON RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £000	2009 £000
Profit for the financial year	**2,779**	1,770
Net gain / (loss) in respect of actual movements on pension fund	**766**	(3,826)
Net unrealised gain / (loss) in respect of investment property revaluation	**31**	(9,442)
Net additon to / (withdrawal from) reserves	**3,576**	(11,498)
Opening reserves	**88,971**	100,469
Closing reserves	**92,547**	88,971

GROUP BALANCE SHEET

AS AT
31 DECEMBER 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	8	**124,480**	113,249
Goodwill	7	**614**	648
		125,094	113,897
Current assets			
Stocks	10	**300**	260
Debtors – due within one year	11	**14,365**	11,895
– due after one year	11	**1,074**	1,660
Investments	12	**25**	25
Cash at bank and in hand	13	**44**	2,822
		15,808	16,662
Creditors: amounts falling due within one year	14	**(12,656)**	(8,851)
Net current assets		**3,152**	7,811
Total assets less current liabilities		**128,246**	121,708
Creditors: amounts falling due after more than one year	15	**(18,686)**	(15,127)
Provisions for liabilities	17	**(6,681)**	(5,932)
Deferred income			
Grants and capital contributions	18	**(6,865)**	(7,362)
Relocation contributions	18	**(2,497)**	(2,657)
		(9,362)	(10,019)
Net assets excluding pension liability		**93,517**	90,630
Net pension liability	21	**(970)**	(1,659)
Net assets including pension liability		**92,547**	88,971
Reserves			
Profit and loss account	19	**64,668**	61,123
Revaluation reserves	19	**27,879**	27,848
Reserves		**92,547**	88,971

The financial statements were approved and authorised for issue by:

I Wrigglesworth
Chairman
2011

A N Moffat
Chief Executive Officer
2011

AUTHORITY BALANCE SHEET

AS AT
31 DECEMBER 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	8	**123,140**	111,664
Investments	9	**1,280**	1,280
		124,420	112,944
Current assets			
Stocks	10	**300**	260
Debtors – due within one year	11	**11,790**	9,613
– due after one year	11	**1,074**	1,926
Investments	12	**25**	25
Cash at bank and in hand	13	**7**	2,304
		13,196	14,128
Creditors: amounts falling due within one year	14	**(13,354)**	(8,426)
Net current asset		**(158)**	5,702
Total assets less current liabilities		**124,262**	118,646
Creditors: amounts falling due after more than one year	15	**(18,464)**	(14,804)
Provisions for liabilities	17	**(6,650)**	(5,898)
Deferred income			
Grants and capital contributions	18	**(6,865)**	(7,362)
Relocation contributions	18	**(2,497)**	(2,657)
		(9,362)	(10,019)
Net assets excluding pension liability		**89,786**	87,925
Net pension liability	21	**(970)**	(1,659)
Net assets including pension liability		**88,816**	86,266
Reserves			
Profit and loss account	19	**60,937**	58,418
Revaluation reserves	19	**27,879**	27,848
Reserves		**88,816**	86,266

The financial statements were approved and authorised for issue by:

I Wrigglesworth
Chairman
2011

A N Moffat
Chief Executive Officer
2011

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £000	2009 £000
Net cash flow from operating activities	22	**8,927**	3,868
Returns on investments and servicing of finance	23	**(882)**	(389)
Taxation		**411**	336
Capital expenditure and financial investment	23	**(17,190)**	(2,243)
Net cash (outflow) / inflow before management of liquid resources and financing		**(8,734)**	1,572
Management of liquid resources	23	**–**	1,170
Financing	23	**4,955**	535
(Decrease) / Increase in cash in the year	24	**(3,779)**	3,277

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £000	2009 £000
(Decrease) / Increase in cash in the year		**(3,779)**	3,277
Cash inflow from decrease in liquid resources		**–**	(1,170)
Cash inflow from financing		**(4,955)**	(535)
Movement in net debt in the year resulting from cash flows	24	**(8,734)**	1,572
Net debt at the start of the year		**(12,717)**	(14,289)
Net debt at the end of the year	24	**(21,451)**	(12,717)

NOTES TO THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost basis, modified to include the revaluation of investment property assets.

AT 31 DECEMBER 2010

1. ACCOUNTING POLICIES

All accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost basis, modified to include the revaluation of investment property assets.

Basis of consolidation
The group financial statements include the financial statements of the Authority and its subsidiary undertakings made up to 31 December 2010. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the group profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the Authority is exempt from the requirement to present its own profit and loss account.

Going concern
The financial statements have been prepared on a going concern basis. After making due enquiries, the directors have reasonable expectation that the Authority has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Goodwill
Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised and written off on a straight line basis over its estimated economic life.

Turnover
Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Turnover is recognised when services are physically provided to the customer and represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of consideration due.

Amounts receivable under annual bulk handling contracts including Take or Pay guaranteed annual tonnage clauses are recognised as physically handled. Any contractual amounts due as a result of a shortfall against the guaranteed tonnage due under these contracts in any given contractual period are recognised only when there is a contractual right to receive the amount due.

Amounts receivable under operating leases, including any benefits or incentives given, are recognised on a straight line basis over the period of the lease to the first contractual break date, even if the payments are not made on such a basis.

Where payments are received in advance of services provided, the amounts are recorded as Deferred Income and are included as part of Creditors due within one year.

Cash and liquid resources
Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

Tangible fixed assets
Freehold land and buildings (other than investment properties), which include owner occupied property assets and specialised marine assets, are held at historic cost.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Infrastructure (including roads, piers and swing bridge)	–	15 to 100 years
Operational buildings (including quays)	–	25 to 50 years
Dredging	–	25 to 100 years
Commercial vehicles	–	3 to 15 years
Vessels	–	20 years
Cranes and grabs	–	15 to 25 years
Lifts, hoists and weighbridges	–	5 to 30 years
Conveyors, bridges and levellers	–	5 to 25 years
Other engineering equipment	–	3 to 45 years
IT, CCTV and fire systems	–	3 to 10 years

No depreciation is provided on freehold land.

Investment properties
Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of investment properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 'Accounting for investment properties'.

Government grants and capital contributions
Capital based government and EC grants and other capital contributions are included within deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Relocation contributions
Relocation contributions received were credited to a deferred income account and released to profit and loss account in the case of capital expenditure over the life of the related asset or, in the case of revenue expenditure, as the related expenditure was incurred.

Stocks
Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Groups taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leasing agreements
Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits
The Authority operates and participates in a number of funded and unfunded pension schemes.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as the net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The capital cost of unfunded pensions is charged to the profit and loss account in the accounting period in which those pensions are granted.

The Group participates in a number of multi-employer defined benefit pension schemes. Where the Group is unable to determine its share of the assets and liabilities on a consistent and reliable basis it accounts for these schemes as defined contribution schemes.

2. PILOTAGE

The following information is provided in accordance with the provisions of Statutory Harbour Undertakings (Pilotage Financial Statements) Regulations 1988:

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £000	2009 £000
Income from pilotage (included in turnover):		
Pilotage services	**1,634**	1,430
Use of pilotage exemption certificates	**204**	180
	1,838	1,610
Expenditure:		
Provision of pilotage services (included in operating costs)	**1,157**	1,087

3. NET INTEREST AND OTHER EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2010

		2010 £000	2009 £000
Interest receivable	– other	**214**	314
Other finance costs (note 21)		**(219)**	(283)
Interest payable	– on bank loans	**(976)**	(696)
	– finance charges in respect of finance leases	**(66)**	(99)
	– other	**(1)**	(1)
		(1,048)	(765)

4. OPERATING PROFIT

This is stated after charging/(crediting):

FOR THE YEAR ENDED 31 DECEMBER 2010

		2010 £000	2009 £000
Auditors' remuneration – Ernst & Young LLP:			
Group	- audit	**43**	38
	- fees paid to the auditor and its associates in respect of other services	**228**	5
Authority	- audit (included above)	**30**	26
Depreciation and other amounts written off tangible fixed assets:			
Owned		**4,584**	4,445
Leased		**187**	187
Amortisation of goodwill		**34**	34
Hire of plant and machinery – rentals payable under operating leases		**1,559**	1,466
Loss on disposal of tangible fixed assets		**162**	100
Amortisation of grants		**(497)**	(497)
Amortisation of relocation contribution		**(160)**	(159)

5. STAFF COSTS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Wages and salaries	**14,980**	14,220	**11,472**	10,721
Social security costs	**1,407**	1,381	**1,058**	1,037
Pension costs:				
– Net current service cost within operating profit (note 21)	**363**	252	**363**	252
– Net past service debit / (credit) within operating profit (note 21)	**4**	(657)	**4**	(657)
– Other pension costs	**300**	282	**257**	232
	17,054	15,478	**13,154**	11,585

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

FOR THE YEAR ENDED 31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	No.	No.	**No.**	No.
Directors of the Authority	**12**	11	**12**	11
Operational management and administration	**67**	71	**38**	39
Engineering	**67**	74	**67**	74
Marine Services	**63**	62	**63**	62
Bulk cargo	**63**	69	**63**	69
Cruise and Ferries	**29**	29	**29**	29
Logistics	**147**	144	**51**	47
	448	460	**323**	331

Details of the emoluments of the directors of the Authority are given in the Directors' Report on page 13.

6. TAX

(a) Tax on charge on ordinary activities
The tax charge is made up as follows:

FOR THE YEAR ENDED
31 DECEMBER 2010

	2010 £000	2009 £000
Current tax:		
UK corporation tax on the profit for the year	**872**	131
Adjustments in respect of prior periods	**–**	1
Total current tax (note 6(b))	**872**	132
Deferred tax:		
Origination and reversal of timing differences	**917**	126
Adjustment in respect of previous years	**42**	–
Effect of tax rate	**(190)**	
Deferred tax on FRS 17 movement	**(20)**	205
Total deferred tax (note 17)	**749**	331
Tax on profit on ordinary activities	**1,621**	463

(b) Factors affecting current tax charge for the year:
The tax assessed for the year is less than the standard rate of corporation tax in the UK of 28% (2009 – 28%). The differences are explained below:

FOR THE YEAR ENDED
31 DECEMBER 2010

	2010 £000	2009 £000
Profit on ordinary activities before tax	**4,400**	2,233
Tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	**1,232**	625
Effects of:		
Expenses not deductible for tax purposes	**580**	191
Capital allowances for period more than depreciation	**(785)**	(295)
Adjustments to tax charge in respect of previous periods	**–**	1
Marginal relief	**(4)**	(15)
Other short term timing differences	**(151)**	(375)
Current tax for the year (note 6(a))	**872**	132

(c) Factors affecting future tax charges
Following announcements in the Emergency Budget of 22 June 2010, it was proposed that the full rate of corporation tax be reduced by 1% per year for four years from April 2011, ultimately bringing the corporation tax rate down to 24%. The reduction to 27% was enacted at the balance sheet date therefore deferred tax has been provided at this rate.

7. INTANGIBLE FIXED ASSETS

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises.

Goodwill associated with the acquisition of Tyne Logistics Company Limited is being amortised over twenty years.

AS AT
31 DECEMBER 2010

Group	**2010 £000**	2009 £000
Cost:		
At beginning of the year	**682**	682
Relating to acquisitions in year	**-**	–
At the end of the year	**682**	682
Amortisation:		
At beginning of the year	**34**	–
Charge for the year	**34**	34
At the end of the year	**68**	34
Net book value:		
At beginning of the year	**648**	682
At the end of the year	**614**	648

8. TANGIBLE FIXED ASSETS

AS AT 31 DECEMBER 2010

Group	Freehold land and buildings £000	Investment property £000	Infra-structure £000	Dredging £000	Craft plant and machinery £000	Capital works in progress £000	Total £000
Cost or valuation:							
At beginning of the year	62,106	47,133	6,042	5,377	41,204	1,824	163,686
Additions	8,997	–	116	–	5,890	1,230	16,233
Transfers	1,438	–	18	–	368	(1,824)	–
Disposals	(189)	–	(195)	–	(299)	–	(683)
Revaluation	–	31	–	–	–	–	31
At end of the year	72,352	47,164	5,981	5,377	47,163	1,230	179,267
Depreciation							
At beginning of the year	22,555	–	2,891	3,549	21,442	–	50,437
Charge for the year	2,092	–	118	81	2,480	–	4,771
On disposals	(86)	–	(64)	–	(271)	–	(421)
At end of year	24,561	–	2,945	3,630	23,651	–	54,787
Net book value:							
At 31 December 2010	**47,791**	**47,164**	**3,036**	**1,747**	**23,512**	**1,230**	**124,480**
At 31 December 2009	39,551	47,133	3,151	1,828	19,762	1,824	113,249
Leased assets included in the above:							
Net book value at 31 December 2010	**–**	**–**	**–**	**–**	**1,437**	**–**	**1,437**
Net book value at 31 December 2009	–	–	–	–	1,624	–	1,624

8. TANGIBLE FIXED ASSETS (CONTINUED)

AS AT
31 DECEMBER 2010

Authority	Freehold land and buildings £000	Investment property £000	Infra-structure £000	Dredging £000	Craft plant and machinery £000	Capital works in progress £000	Total £000
Cost or valuation:							
At beginning of the year	62,106	47,133	6,042	5,377	38,278	1,823	160,759
Additions	8,998	–	116	–	5,859	1,231	16,204
Transfers	1,438	–	18	–	368	(1,824)	–
Disposals	(189)	–	(195)	–	(271)	–	(655)
Revaluation	–	31	–	–	–	–	31
At end of the year	72,353	47,164	5,981	5,377	44,234	1,230	176,339
Depreciation							
At beginning of the year	22,555	–	2,891	3,549	20,100	–	49,095
Charge for the year	2,093	–	118	81	2,204	–	4,496
On disposals	(86)	–	(64)	–	(242)	–	(392)
At end of year	24,562	–	2,945	3,630	22,062	–	53,199
Net book value:							
At 31 December 2010	**47,791**	**47,164**	**3,036**	**1,747**	**22,172**	**1,230**	**123,140**
At 31 December 2009	39,551	47,133	3,151	1,828	18,178	1,823	111,664
Leased assets included in the above:							
Net book value at 31 December 2010	**–**	**–**	**–**	**–**	**942**	**–**	**942**
Net book value at 31 December 2009	–	–	–	–	1,037	–	1,037

Included within land and buildings is an amount of £1,368,000 (2009 – £645,000) relating to land which is not depreciated.

Freehold land and buildings (other than investment properties), which include owner occupied property assets and specialised marine assets, are held at historic cost.

Investment properties, which are all freehold, continue to be valued on an open market existing use basis and a full revaluation was performed as at 31 December 2010 by CB Richard Ellis.

The net book value of revalued assets can be analysed as follows:

AS AT
31 DECEMBER 2010

Investment properties	2010 £000	2009 £000
At historical cost basis	**19,285**	19,285
Surplus on revaluation	**27,879**	27,848
Net book value	**47,164**	47,133

9. FIXED ASSETS INVESTMENTS

AS AT
31 DECEMBER 2010

Authority	Shares in group undertakings £000
Cost:	
At beginning and end of year	1,280

The undertakings in which the group's interest at the year end is more than 20% are as follows below:

Subsidiary undertakings	Country of incorporation	Principal activity	Percentage of ordinary shares held Group	Percentage of ordinary shares held Authority
Port of Tyne Distribution Limited	UK	Distribution	100%	100%
Port of Tyne Logistics Limited	UK	Dormant	100%	100%
North East Ports Limited	UK	Dormant	100%	100%
Port of Tyne Plc	UK	Dormant	100%	100%
Tyne Logistics Company Limited	UK	Container handling	100%	100%

10. STOCKS

AS AT
31 DECEMBER 2010

	Group		Authority	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Raw materials and consumables	**300**	260	**300**	260

11. DEBTORS

AS AT
31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	£000	£000 restated (note 14)	**£000**	£000 restated (note 14)
Trade debtors	**13,051**	9,298	**10,716**	7,190
Amounts owed by group undertakings	**–**	–	**–**	382
Other debtors	**1,939**	3,001	**1,914**	2,988
Prepayments and accrued income	**449**	788	**234**	512
Corporation tax	**–**	468	**–**	467
	15,439	13,555	**12,864**	11,539

Authority debtors include £nil owed by group undertakings which fall due after more than one year (2009 – £266,000).

At 31 December 2010 other debtors in both the group and the Authority include £1,074,000 in respect of capital contributions which fall due after more than one year (2009 – £1,660,000).

12. INVESTMENTS (HELD AS CURRENT ASSETS)

AS AT
31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Investments	**25**	25	**25**	25

Included within Authority current asset investments is an amount of £nil (2009 – £25,000) which crystallises after more than one year.

13. CASH AND SHORT-TERM DEPOSITS

AS AT
31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Cash at bank and in hand	**44**	2,822	**7**	2,304
	44	2,822	**7**	2,304

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

AS AT
31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
		restated		restated
Bank loans (note 15)	**1,587**	160	**1,586**	160
Obligations under finance leases (note 15)	**246**	277	**147**	139
Bank overdraft (note 15)	**1,001**	–	**935**	–
Trade creditors	**1,464**	769	**725**	19
Taxation and social security	**707**	616	**498**	415
Other creditors	**629**	499	**554**	464
Accruals and deferred income	**6,151**	6,468	**5,425**	5,871
Corporation tax	**871**	62	**511**	–
Amounts owed to group undertakings	**–**	–	**2,973**	1,358
	12,656	8,851	**13,354**	8,426

Included within accruals and deferred income is deferred income of £1,218k in the Group (2009: £1,357k) and £995k in the Authority (2009: £1,181k). In the prior year this figure was shown as a reduction to trade debtors.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

AS AT 31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Bank loans	**17,838**	14,031	**17,838**	14,031
Obligations under finance leases	**848**	1,096	**626**	773
	18,686	15,127	**18,464**	14,804

In September 2009 the Authority exercised the option to extend the Dexia loan drawn down in 2004 for a further 4 years. A replacement loan of £4,531,000 was drawn, repayable by quarterly instalments of £40,000 with a bullet repayment of £3,931,000 in July 2013. Interest is charged at 4.81%. The agreement is secured on land at Maritime Industrial Estate, North Shields.

In July 2006 the Authority entered into a revolving credit facility (RCF) with Barclays Bank PLC up to the sum of £15,700,000. The purpose of the facility was to help finance the large scale development programme beginning in 2007. Monies drawn are secured on the Tyne car terminal up to the amount of the facility utilised. Interest is charged at a rate of LIBOR + 0.5625%. At 31 December 2010 the amount drawn on the facility was £1,325,000 (2009 – £9,700,000). The LIBOR element of the rate is hedged using an interest rate swap at 3.96%, based on the projected nominal value of the loan.

In November 2009 the Authority entered into a multiple advance medium term loan facility with Barclays Bank PLC up to the sum of £16,300,000. The purpose of the facility was to finance the new facility for handling biomass in 2010. Monies drawn are secured initially on a number of assets at Tyne Dock, South Shields, this is intended to pass on to the facility itself in the near future. Interest is charged at a rate of LIBOR + 1.9057%. At 31 December 2010 the amount drawn on the facility was £13,768,000 (2009 – £nil). The LIBOR element of the rate is hedged using an interest rate swap at 4.95%, based on the projected nominal value of the loan.

The business has a bank overdraft facility which is secured on the Tyne car terminal up to the value of the agreed overdraft.

Obligations under finance lease are secured against the assets to which they relate.

Analysis of debt:

AS AT 31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Debt can be analysed as falling due:				
In one year or less, or on demand	**1,832**	437	**1,732**	299
Between one and two years	**1,884**	409	**1,778**	307
Between two and five years	**10,583**	14,580	**10,477**	14,362
In five years or more	**6,220**	138	**6,210**	135
	20,519	15,564	**20,197**	15,103

The maturity of obligations under finance leases, which are included within the figures above, is as follows:

AS AT
31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Within one year	**305**	347	**185**	185
In the second to fifth years	**930**	1,093	**695**	742
Over five years	**13**	143	**0**	139
	1,248	1,583	**880**	1,066
Less: future finance charges	**(154)**	(210)	**(107)**	(154)
	1,094	1,373	**773**	912

16. BORROWING POWERS

In July 2008 a Harbour Revision Order granted Port of Tyne Authority unlimited borrowing powers.

17. PROVISIONS FOR LIABILITIES

The amounts provided for deferred tax and the full potential charge calculated at 27% (2009 – 28%) are set out below:

AS AT
31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
At the beginning of the year	**5,932**	5,807	**5,898**	5,793
Charge to profit and loss account	**749**	125	**752**	105
At the end of the year	**6,681**	5,932	**6,650**	5,898

17. PROVISIONS FOR LIABILITIES (CONTINUED)

The elements of deferred tax are as follows:

AS AT 31 DECEMBER 2010

	Group		Authority	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Difference between accumulated depreciation and amortisation and capital allowances	**8,106**	7,577	**8,042**	7,503
Other short term timing differences	**(1,425)**	(1,645)	**(1,392)**	(1,605)
Deferred tax liability	**6,681**	5,932	**6,650**	5,898

18. DEFERRED INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

Group and Authority	**2010 £000**	2009 £000
(a) Grants and capital contributions		
At beginning of year	**7,362**	7,859
Released to profit and loss account	**(497)**	(497)
At end of year	**6,865**	7,362
(b) Relocation contributions		
At beginning of year	**2,657**	2,816
Released to profit and loss account	**(160)**	(159)
At end of year	**2,497**	2,657

19. RESERVES

(a) Profit and loss reserve

FOR THE YEAR ENDED
31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
At the beginning of the year	**61,123**	63,179	**58,418**	60,775
Profit for the year	**2,779**	1,770	**1,753**	1,469
Net recognised gains and (losses) in respect of FRS 17	**766**	(3,826)	**766**	(3,826)
At end of year	**64,668**	61,123	**60,937**	58,418

(b) Revaluation reserves

FOR THE YEAR ENDED
31 DECEMBER 2010

Group and Authority	**Investment Property 2010 £000**
At the beginning of the year	**27,848**
Revaluation in year	**31**
At end of year	**27,879**

The movement on total group reserves is represented by the total gains and losses recognised since the last annual report.

20. COMMITMENTS

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

FOR THE YEAR ENDED
31 DECEMBER 2010

	Group		Authority	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Contracted	**1,483**	14,525	**1,483**	14,525

20. COMMITMENTS (CONTINUED)

(b) Annual commitments under non-cancellable operating leases are as follows:

AS AT
31 DECEMBER 2010

	2010 £000	2009 £000
Operating leases which expire:		
Within one year	**117**	788
In the second to fifth years inclusive	**1,477**	866
Over five years	**–**	–
	1,594	1,654

21. PENSION SCHEME

(a) Funded schemes – The Authority's defined benefit schemes.

The Authority participates in a number of pension schemes of the defined benefit type. The assets of these schemes are held in separate trustee administered funds and contributions are made in accordance with the advice of qualified actuaries. The major schemes are the Port of Tyne Authority Superannuation Scheme and the Port of Tyne Authority Docks Pension Scheme.

Contributions to these schemes are determined on the basis of triennial valuations using the projected unit method. The most recent actuarial valuation of the Superannuation Scheme submitted to the regulator was at 31 December 2007. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 5% per annum, that salary increases would average 3.5% per annum and that present and future pensions would increase at a rate of 3.0% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the Superannuation Scheme was £18,700,000. The actuarial value of the assets was sufficient to cover 97% of the benefits that had accrued to members, after providing for expected future increases in earnings.

The most recent actuarial valuation of the Docks Pension Scheme submitted to the regulator was carried out at 31 December 2007. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments of between 6% and 6.25% and the rates of increase in salaries of 3.5% and pensions of 3.0%.

At the date of this valuation the market value of scheme assets was £4,165,000 which represented 110% of the benefits that had accrued to members, after providing for expected future increases in earnings.

There were £64,937 outstanding contributions at the end of the financial year relating to the defined benefit schemes (2009 £55,268).

The valuations of the Port of Tyne Authority Superannuation Scheme at 31 December 2007 and the Port of Tyne Authority Docks Pension Scheme at 31 December 2007 have been updated on an FRS 17 basis as at 31 December 2007, 2008, 2009 and 2010.

The liabilities of both Schemes under FRS 17 were calculated using the projected unit method with the following financial assumptions:

For the Superannuation Scheme mortality is assumed to be in line with 105% of standard table SIPA with improvements fully projected in line with the medium cohort method.

For the Docks Scheme, the mortality is assumed to be in line with 115% of standard table SIPA with improvements fully projected in line with the medium cohort model.

FOR THE YEAR ENDED
31 DECEMBER 2010

	2010 % per annum	2009 % per annum	2008 % per annum
Future price inflation	**3.4**	3.6	2.6
Discount rate	**5.4**	5.7	6.5
Increase in earnings	**3.9**	4.1	3.1
Increase in pensions	**3.4**	3.6	2.6

21. PENSION SCHEME (CONTINUED)

(a) Funded schemes – The Authority's defined benefit schemes (continued)

Both schemes are closed to new entrants. Under the Projected Unit Method, the current service cost will increase as the members of the Scheme approach retirement.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

AS AT 31 DECEMBER 2010

	Port of Tyne Authority Superannuation Scheme £000	Port of Tyne Authority Docks Pension Scheme £000	2010 £000	2009 £000
Present value of funded defined benefit obligations	(20,016)	(6,432)	**(26,448)**	(25,676)
Fair value of plan assets	19,967	5,152	**25,119**	23,372
Surplus	(49)	(1,280)	**(1,329)**	(2,304)
Related deferred tax asset	13	346	**359**	645
Net liability	(36)	(934)	**(970)**	(1,659)

Movements in present value of defined benefit obligation

FOR THE YEAR ENDED 31 DECEMBER 2010

	Port of Tyne Authority Superannuation Scheme £000	Port of Tyne Authority Docks Pension Scheme £000	2010 £000	2009 £000
At 1 January	(19,848)	(5,828)	**(25,676)**	(19,783)
Current service cost	(173)	(190)	**(363)**	(252)
Prior service (cost) / credit	(4)	0	**(4)**	657
Interest cost	(1,115)	(344)	**(1,459)**	(1,274)
Contributions by members	(111)	(67)	**(178)**	(177)
Actuarial gain / (loss)	101	(103)	**(2)**	(6,065)
Benefits paid	1,134	100	**1,234**	1,218
At 31 December	(20,016)	(6,432)	**(26,448)**	(25,676)

21. PENSION SCHEME (CONTINUED)

(a) Funded schemes – The Authority's defined benefit schemes (continued)

Movements in fair value of plan assets

AS AT 31 DECEMBER 2010

	Port of Tyne Authority Superannuation Scheme £000	Port of Tyne Authority Docks Pension Scheme £000	2010 £000	2009 £000
At 1 January	18,948	4,424	**23,372**	22,060
Expected return on plan assets	935	305	**1,240**	991
Actuarial gain	771	280	**1,051**	751
Contributions by employer	336	176	**512**	611
Contributions by members	111	67	**178**	177
Benefits paid	(1,134)	(100)	**(1,234)**	(1,218)
At 31 December	19,967	5,152	**25,119**	23,372

Expense recognised in the profit and loss account

FOR THE YEAR ENDED 31 DECEMBER 2010

	Port of Tyne Authority Superannuation Scheme £000	Port of Tyne Authority Docks Pension Scheme £000	2010 £000	2009 £000
Current service cost (net of members contributions)	(173)	(190)	**(363)**	(252)
Prior service (cost) / credit	(4)	0	**(4)**	657
Interest on defined benefit pension plan obligation	(1,115)	(344)	**(1,459)**	(1,274)
Expected return on defined benefit pension plan assets	935	305	**1,240**	991
Total (expense) / credit relating to the scheme as a whole	(357)	(229)	**(586)**	122

The expense is recognised in the following line items in the profit and loss account:

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £000	2009 £000
Administrative expenses	**(367)**	405
Other finance costs	**(219)**	(283)
Total expense relating to the scheme as a whole	**(586)**	122

The fair value of the plan assets and the return on those assets were as follows:

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 Fair Value £000	2009 Fair value £000
Equities	**5,777**	5,142
Government bonds	**3,517**	3,038
Corporate bonds	**3,265**	2,805
Property	**0**	–
Index-linked bonds	**11,053**	10,284
Other	**1,507**	2,103
	25,119	23,372
Expected return on plan assets	**1,240**	991
Actuarial gains	**1,051**	751
Actual gain on plan assets	**2,291**	1,742

21. PENSION SCHEME (CONTINUED)

History of plans

The history of the plans for the current and prior periods is as follows:

AS AT 31 DECEMBER 2010

Balance sheet	**2010 £000**	2009 £000	2008 £000	2007 £000	2006 £000
Present value of scheme liabilities	**(26,448)**	(25,676)	(19,783)	(23,947)	(23,433)
Fair value of scheme assets	**25,119**	23,372	22,060	22,814	22,031
Related deferred tax asset/(liability)	**359**	645	(638)	317	421
Net (liability) / asset	**(970)**	(1,659)	1,639	(816)	(981)
Experience adjustments					
Experience adjustments on scheme liabilities	**1,387**	(512)	(921)	(482)	(270)
Experience adjustments on scheme assets	**878**	751	(1,373)	(44)	(213)

The cumulative amount of actuarial gains and losses recognised since 1 January 2003 in the Statement of Total Recognised Gains and Losses is a net loss of £1,131,000 (2009 – net loss of £2,180,000).

(a) Funded schemes – The Authority's defined benefit schemes (continued)

The company expects to contribute approximately £511,000 to its defined benefit plans in the next financial year (2009 – £541,000).

Since the actuarial valuation of the Superannuation Scheme at 31 December 2007 the Authority has taken action, on the advice of the actuary, to simultaneously continue to make an annual top up payment into the scheme and to also introduce a pensionable salary lag, such that it trails actual salary increases by 1.2%.

The actuarial valuation of the Docks Scheme as at 31 December 2007 revealed a surplus position, consequently no annual top up payment is currently being made into this scheme, nor have benefits been reduced as above.

(b) Funded schemes – other defined benefit schemes

Former Registered Dock Workers Pension Scheme (FRDWPS):

The Authority contributes to other funded defined benefit schemes. Some of the employees of Port of Tyne Authority are members of the former Registered Dock Workers Pension Scheme. This is a national scheme providing defined benefits based on pay near retirement. The contributions paid by the Authority are accounted for as a defined contribution scheme as the Authority is unable to identify its share of the assets and liabilities of this scheme. The Authority's contribution to this scheme in the year amounted to £11,708 (2009 – £15,000). At the date of the most recent actuarial valuation of the entire scheme (5 April 2010) there was a surplus of £5.6 million relative to the funds technical provisions, corresponding to a funding ratio of 101%. When allowance is made for the shortfall in future contributions to the entire scheme of £7.5 million there was an overall net shortfall of £1.9 million. This corresponds to a total service funding ratio of 99.7%. Given that this is a national scheme, of which Port of Tyne is only a small contributor, then at the current time it is considered that the potential future impact of this scheme on the Port of Tyne is likely to be minimal.

Pilots National Pension Fund (PNPF):

The Pilots National Pension Fund (PNPF) is an industry wide defined benefits scheme. As at 31 December 2004, the date of the most recent full triennial valuation carried out by an independent actuary, the scheme had assets with a market value of £339 million, representing 76 per cent of the benefits accruing to members after allowing for future increases. No current valuation information for this scheme is yet available. The scheme rules do not provide a mechanism for allocating the past service deficit associated with this scheme to the participating bodies.

In Feb 2010, the PNPF Trustees' Application for guidance on its powers was heard in the High Court. The Trustees were seeking guidance, on amongst other things, as to whether certain Competent Harbour Authorities (including the Port of Tyne who did not employ pilots but merely authorised their self employed status) were liable to contribute to the Scheme deficit.

On the 28 June 2010 the High Court judgement was delivered which gave the Trustee "wide" powers to put together a recovery plan which might, in due course, require that the Port of Tyne contribute towards the deficit. The wording of the High Court ruling does not limit the powers of the Trustees in seeking contributions from Participating Bodies such as the Port of Tyne.

An Appeal has now been lodged in the Court of Appeal by various ports and will be heard in May 2011 but a ruling is not expected until the Autumn of 2011. The Trustees have indicated that they will not seek to finalise a current valuation or engage with participating bodies over recovery of the scheme deficit until these appeals have been determined.

Subject to the outcome of the appeal, it is likely to be some time before the Trustee is in a position to agree a Recovery Plan and agree a schedule of contributions. Neither the quantum of the current scheme deficit, the basis of allocation that would be used by the Trustee nor a schedule of contributions is currently known. For this reason, it is not possible to quantify at this time what the financial effect might be upon the Port of Tyne. On this basis, the scheme is accounted for as a defined contribution scheme and no provision for PNPF scheme contributions that may in future be payable by the Port of Tyne has been recognised at this stage. However, the potential deficit in the PNPF scheme and the allocation of contributions to Participating Bodies could potentially create a material liability for the Port which will only be quantified and accounted for at a future date.

(c) Funded schemes – defined contribution schemes

The group operates and participates in a number of defined contribution schemes for which the charge for the year was £289,489 (2009 – £253,809).

There were £73,159 outstanding contributions at the end of the year relating to these defined contribution schemes (2009 – £37,136).

(d) Unfunded arrangements

The Authority has commitments for unfunded pension liabilities in respect of former employees. The amount charged for the year is £23,726 (2009 – £23,000). Contributions amounting to £nil (2009 – £nil) were payable to the scheme and are included in creditors.

22. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £000	2009 £000
Operating profit	**5,448**	2,998
Depreciation, amortisation and impairment charges	**4,805**	4,667
Loss on sale of tangible fixed assets	**162**	100
Release of grants and capital contributions	**(498)**	(498)
Release of relocation contribution	**(159)**	(159)
Increase in stocks	**(39)**	(29)
Increase in debtors	**(2,879)**	(2,212)
Increase / (decrease) in creditors	**2,310**	(511)
FRS17 charge	**(223)**	(488)
Net cash inflow from operating activities	**8,927**	3,868

23. ANALYSIS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £000	2009 £000
Returns on investment and servicing of finance:		
Interest received	**214**	314
Interest paid	**(1,096)**	(703)
	(882)	(389)
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	**(17,290)**	(2,337)
Sale of plant and machinery	**100**	94
	(17,190)	(2,243)
Management of liquid resources	**0**	1,170
Financing:		
Debt due beyond one year:		
New loan	**13,768**	1,200
Amounts repaid	**(8,813)**	(665)
	4,955	535

24. ANALYSIS OF NET DEBT

FOR THE YEAR ENDED 31 DECEMBER 2010

	At beginning of year £000	Cash flow £000	At end of year £000
Cash at bank and in hand	2,822	(2,778)	44
Overdrafts	–	(1,001)	(1,001)
	2,822	(3,779)	(957)
Current asset investments	25	0	25
Secured loans	(14,191)	(5,234)	(19,425)
Finance leases	(1,373)	279	(1,094)
	(12,717)	(8,734)	(21,451)

25. CONTINGENT LIABILITIES

Defined Benefit Pension Schemes

The Port of Tyne currently makes, or in due course may be required to make, contributions to two industry wide defined benefit pension schemes which have various funding levels. The Port's ability to control these schemes is limited and therefore any impact on the Port's future cash flows and cost base from these schemes is uncertain. Further details on these schemes are set out in note 21, section b).

Grants

Grants and Capital Contributions are received by the Group from time to time in respect of various projects. There is a risk that if the Group fails to meet all of the qualifying criteria for retention of these Grants and Capital Contributions then an element of the amounts received may be subject to clawback at a future date.

In 1998/99 the Port received a grant of £689,000 towards development of the Rail Terminal facilities in order to facilitate the transfer of goods from road to rail transport. Whilst the rail facilities are well utilised, the specific targets for transfer from road to rail for the cargo types originally envisaged have not been reached. As a result the DfT have accepted a plan for alternative rail traffic and extended the grant measurement period to include volumes of biomass moved by rail using the Port's Biomass Handling Facility. The DfT have set a target of 1 million tonnes of biomass to be shipped by rail by the 31 December 2012. It is likely that the volumes of biomass moved by rail will allow the conditions of the grant to be met, and management do not consider that a provision relating to repayment of any of this grant is required. However in the event that the conditions are not met then it is possible that a proportion of the grant may be repayable on a pro-rata basis relative to the volume of grant related traffic through the facility.

26. RELATED PARTY DISCLOSURES

Under FRS 8 the Authority is exempt from the requirement to disclose related party transactions with its subsidiary companies, as they are eliminated on consolidation.

Envirocentre Limited, of which G Fleming is a director, received £50,523 (2009 – £82,586) for work undertaken at normal commercial rates. Of this amount £418 (2009 – nil) is included within trade creditors at the year end.

Hilary Florek PR, of which H Florek is a director, received £25,626 (2009 – £86,723) for work undertaken at normal commercial rates. Of this amount £179 (2009 – £58,843) was incurred on behalf of the Port of Tyne Authority and recovered on a cost pass through basis, with the remainder being charged at normal commercial rates. Of this amount £2,220 (2009 – nil) is included within trade creditors at the year end.

27. CONTROLLING PARTY

Control of the Port of Tyne Authority is vested in the Board of Directors.

PORT of TYNE

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EMAIL: ENQUIRIES@PORTOFTYNE.CO.UK

WWW.PORTOFTYNE.CO.UK