

ANNUAL MEMBERS' REPORT 2015

for North East Process Industry Cluster (NEPIC) Limited
www.nepic.co.uk



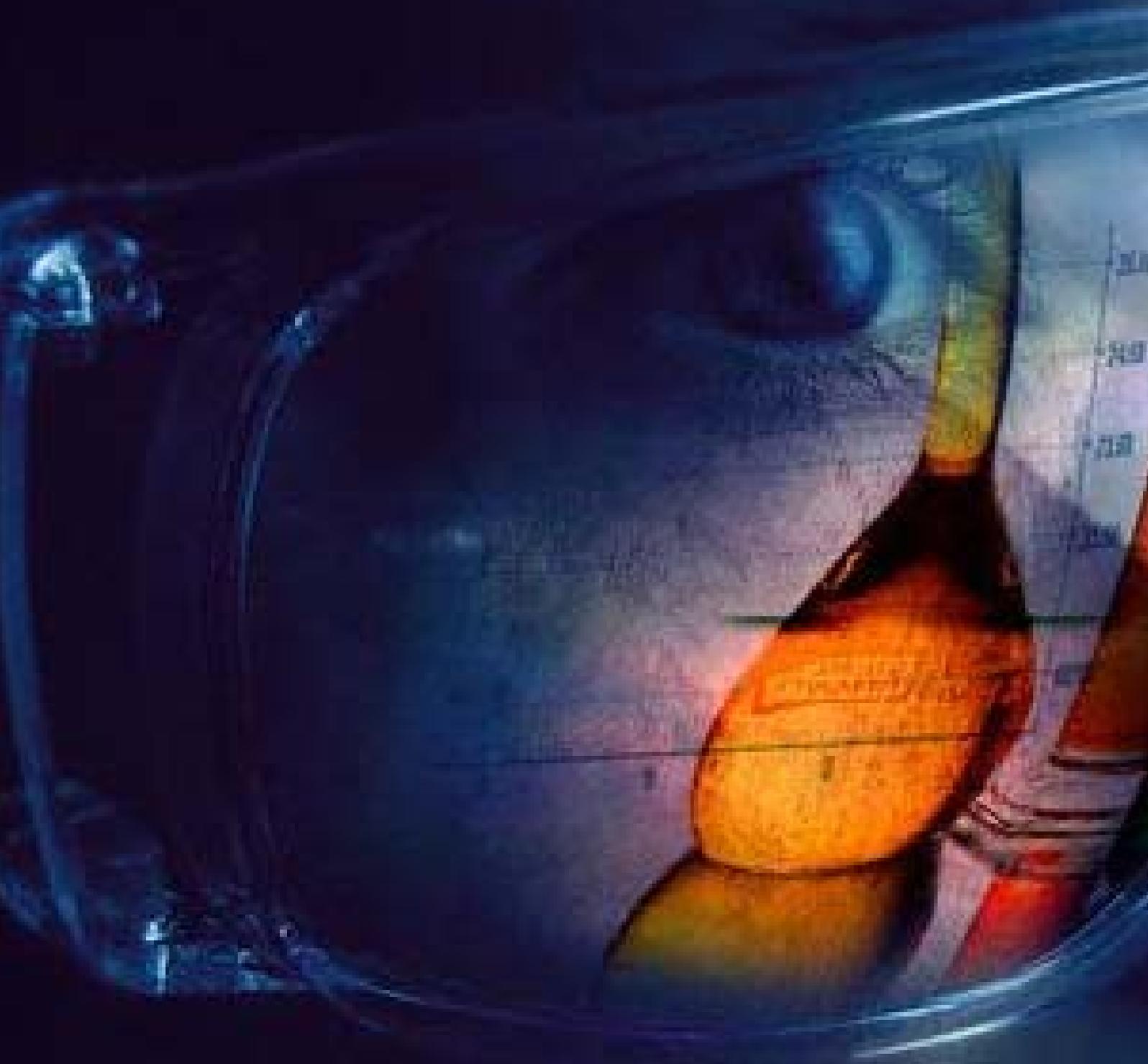


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CHAIRMAN'S STATEMENT

IN 2015 NEPIC REPORTED ACHIEVING £3 BILLION OF GROSS VALUE ADDED TO THE REGION THROUGH ITS ACTIVITIES SINCE ITS INCEPTION IN 2004.

I am delighted to be taking over as Chair of NEPIC at what is undoubtedly a challenging time for the process industries. We are seeing many members having excellent success and the North East is now the fastest growing regional economy in the UK.

However, we are also seeing real pressure through exchange rates, energy costs and intense competition. The loss of the SSI steel works in Redcar and the resulting effect on other members is a grim reminder of these realities.

I worked in the chemical industry for over twenty years in various sectors ranging from petrochemicals and plastics to fine chemicals and personal care. My recent five years as MP for Redcar gave me a real insight into how governments interact with industry.

I worked closely with Business Secretary Vince Cable and was pleased to see the launch of the Chemicals Growth Partnership and various initiatives such as CPI's new National Biologics Manufacturing Centre now taking shape near Darlington station.

I very much believe that our cluster has a great opportunity to build on the historical success of the region, attract further new investment and enhance the prospects for all members.

To achieve this I think our decision makers in companies, development agencies, government and other bodies need to sometimes take a longer

term view. This really is a case where the whole can be greater than the sum of the parts and everybody can benefit by more than they put in.

That could be by supporting cluster events, larger companies building local supply chains, jointly lobbying on matters of common interest or playing a full role in selling the industries to young people and supporting skill development.

There are some real challenges ahead including the potential effects of the European referendum. Business people are usually right to avoid party politics but some issues are bigger and of major potential impact to business stakeholders. NEPIC will be seeking the views of members on the issue.

People in the process industries are often reluctant to adopt a public face and can sometimes see the negatives in situations more than the positives. However, if we are proud to speak out and show our region to be positive, ambitious and welcoming we will see the benefits in cluster growth and prosperity.

Along with the excellent core team at NEPIC, I will do everything I can to drive that success.

Ian Swales

Ian Swales
Chairman



5,000 JOBS
BROUGHT TO NORTH
EAST ENGLAND'S
CHEMICAL-PROCESS
SECTOR OVER THE
PAST 10 YEARS.

THE CLUSTER HAS
750 PARTICIPATING
MEMBER COMPANIES
& IS GROWING THE
REGION AT A RATE
OF £0.5 BILLION GVA
PER ANNUM.

CHIEF EXECUTIVE'S STATEMENT

NEPIC IS HAVING BOTH A LOCAL & GLOBAL IMPACT & OUR REGION IS NOW ADMIRERD FROM AFAR AS ONE OF THE BEST LOCATIONS FOR CHEMISTRY-BASED PROCESS INVESTMENT.

I hope that you can take a little time to read our annual report and the other documents associated with the cluster AGM. As you know, NEPIC is a not for profit, private limited company, partly owned by you through your membership. Consequently the NEPIC executive team deeply appreciate that we are working on your behalf.

What this means in reality is that we are doing our utmost to work diligently to help you as an individual business, as well as on behalf of the sector with all its important sub-sectors. Clearly, with a small executive team, this is a significant challenge; to represent hundreds of companies and such a diverse process sector supply chain.

I am told at times that it can be difficult to see the results of our collaborative action in the turmoil of day-to-day business activity and the constant flow of news that now fills our everyday lives. Occasionally it is necessary to stand back and take stock and our AGM is always a good time to do that.

As an organisation we now have 11 years of results to show the positive impact of our activities. I can therefore state, with authority, what the impact of our collaboration has been. Over the last 11 years together we have had a significant and positive effect on many individual local businesses as well as the process sector as a whole.

The one thing that we do that enables me to talk with some

certainty about our economic impact is that from our very point of establishment we have been assiduous in our Cluster management activity to measure and keep records of what we do and the impact that we have had.

Furthermore most of our outputs, impacts and key performance measures have been the subject of many third party audits over the last 10 years. So the numbers I tell you about are REAL.

NEPIC has helped to deliver 83 investment projects to the region totaling £4.2 billion and our supply chain companies have benefited hugely from this, not only during construction but also the subsequent operation of these new facilities.

The cluster has helped to create 5,033 jobs and every single one of these jobs is certified by a company director like you, attesting that NEPIC contributed to an activity that led to these jobs being secured.

NEPIC over the last 11 years has helped to bring £3 billion of Gross Value Added to our local economy through the above jobs, investments and other business growth activities. This impact has grown to over £0.5 billion per annum.

From the above, together we can be rightly proud of the collective results of our members and the cluster executive, especially on our impact on the local economy and the wider sector.

But what about individual businesses? Particularly local SMEs that make up the vast majority of local companies.

Again, I can say with absolute certainty over the last 3 years through our Business Acceleration Project - a growth project developed by NEPIC itself - we have engaged with 430 local SMEs and utilised the knowledge and expertise of 200 industry mentors. This work has enabled more than £50 million of new business and consequently added 870 jobs to those SMEs involved.

Clearly, from the above summary, our cluster strategy objectives have been delivering. During 2015 our strategy has been updated by our industrial leadership team. The new strategy continues to focus on activities to support growth in the sector. This focus has persistently ensured that the Cluster has maintained a strong portfolio of new investment opportunities and delivered many more jobs than have been lost by local plant closures.

Today, this portfolio still stands at 29 active investment projects that have a success probability of greater than 50%. The combined value of these projects exceeds £5 billion.

We are of course acutely aware of the problems that have arisen from the recent closure of the Redcar Steel works, with the immediate job impact on 2,000 jobs. Indeed, we are helping find places for ex-SSI apprentices and also looking at the future of the site.

During the month in which this closure was announced, Sirius announced the planning approval of their polyhalite mine and production facilities with 2,000 construction jobs and 1,000 roles during operation.

The MGT Power Biomass Plant was also announced with 1,500 jobs during construction and about 500 operational jobs; these jobs can be added to those created

by commissioning of the Wilton 11 and Air Products waste-to-energy activities. These projects clearly demonstrate why we must work collectively to continue to attract such investment to our region.

The NEPIC Cluster is about industrial rejuvenation, sustainability and growth. We need your continued support to ensure that this work is actually done because we are at the forefront of promoting the process sector of North East England and the UK overall.

Through your membership we are having both a local and global impact and our region is now admired from afar as one of the best locations for chemistry based process investment and that was not the case 10 years ago.

We look forward to your continued participation in the Cluster. Please also encourage companies in your supply chain to get involved. The stronger and more collaborative we look from outside the region, the greater the opportunities will be to capture more investment and grow local businesses.

Stan Higgins

Stan Higgins
Chief Executive

REGIONAL SUMMARY

2015 HAS BEEN A YEAR OF HIGHS AND LOWS FOR THE REGION'S PROCESS SECTOR. WE HAVE WITNESSED MAJOR SUCCESSES & A SUMMER OF INVESTMENT ANNOUNCEMENTS.

HOWEVER, THE DEVASTATING NEWS THAT SSI WAS TO MOTHBALL & THEN CLOSE THE REDCAR WORKS, PUTTING AN END TO 170 YEARS OF STEELMAKING ON TEESSIDE, HIGHLIGHTS THE STARK REALITIES THAT WE FACE AS A SECTOR.

In July we witnessed two major landmark projects announced and heading for Teesside. Together they equate to £7.4 billion of investment and have the potential to generate 5,600 direct and indirect jobs for the region over the next 20 years.

First came planning approval for the Sirius Minerals £2 billion York Potash mine and mineral transportation system following a 4 year investment that to-date has totaled £150 million. Planners' ruled it was "transformational" for the region's economy.

By extracting polyhalite from deep beneath the North York Moors, this project is set to generate 2,000 direct and indirect jobs and pump billions into the economy. The polyhalite mine will be a world first and is one of the largest investments in recent years in the North East.

Polyhalite is a form of potash and is a vital ingredient in fertilizer to maintain good crop yields and strong harvests. Polyhalite uniquely combines four of the six essential nutrients plants need - potassium, magnesium, sulphur and calcium. A key factor in rising potash demand is linked to feeding the world's growing population.

The mine will take 5 years to build and produce for 100 years. Sirius have stated that they will strive to ensure that at least 80% of their workforce are employed from the local area and have developed a skills strategy to achieve this outcome including an apprenticeship programme.

Meanwhile, as reports were flooding in about the planner's decision in the North, Teesside Industrialists were heading to London to launch the region's industrial carbon capture and storage (ICCS) blueprint – a UK first. Teesside Collective was launched in January of this year and is a cluster of North East energy-intensive partners that hope to have an operational ICCS project on Teesside by 2024.

The project would initially capture CO₂ from utility supplier Sembcorp Utilities UK, fertiliser producer GrowHow, polyester manufacturer Lotte Chemical and industrial gas firm BOC and store it permanently in aquifers beneath the North Sea. The captured CO₂ is estimated at 2.8 million tonnes per year and equates to a quarter of Teesside's total emissions.

Once operational, the system will be expanded to allow other Teesside industrial emitters to join the scheme, where it is expected up to £5 million tonnes per annum of CO₂ could be captured and transported down a shared pipeline.

Teesside Collective estimate that the total cost of the work will be £5.4 billion and that the scheme will support 1,200 during construction. Upon expansion the project is expected to support an extra 2,600 new jobs in new plants on Teesside and bring an extra £2 billion to the economy.

In terms of timeframes, front end engineering and design work will be carried out between 2015-18



SINCE 2004, 83
PROCESS SECTOR
INVESTMENT
PROJECTS HAVE BEEN
DELIVERED IN THE
REGION VALUED AT
£4.3 BILLION

THE YORK POTASH
MINE & PROPOSED
ICCS PROJECT HAVE
THE POTENTIAL TO
GENERATE 5,600
DIRECT & INDIRECT
JOBS

A FURTHER 29
PROJECTS ARE
CURRENTLY ACTIVE
TOTALLING AN
ADDITIONAL £4.5
BILLION

and planning, development and permitting over the following two years. Construction is expected to begin in 2020 and the scheme to be on-line, capturing and storing carbon through the network by 2024. Expansion is scheduled for 2025-2035.

Furthermore, the UK's largest biomass plant at Teesport has almost cleared its final hurdle - giving the green light for hundreds of Teesside jobs. Work on MGT Power's landmark £650 million plant at Teesport could start by the end of the year after investment firm Macquarie Group signed a deal to finance the scheme.

The long-awaited Teesside Renewable Energy Plant will create 600 construction and 100 permanent jobs. The plant has been in development for more than seven years, but bosses now expect to reach financial close by the end of the year and diggers are expected on-site soon after.

However, the days of wine and roses felt a distant memory as news hit our screens regarding the potential mothballing of the Teesside SSI steelworks. Within weeks, confirmation of what was feared - closure of the plant, 2,000+ jobs lost, huge supply chain ramifications and the end of steelmaking for the region.

So what exactly led to this tragic sequence of events? Global steel market conditions ultimately led to the fires going out at the Redcar steel plant following two major hiccups in recent months.

First, uncertainty over oil prices has slowed down global investment in the oil and gas industry, which normally takes 10% of world steel output. Steel workers in the US have been particularly badly hit and tens of thousands lost their jobs in 2015.

Secondly, China's faltering economic growth has also slowed investment in its construction industry, which means that many

new and relatively efficient Chinese steel works have a much reduced domestic market. The resulting surplus has flooded world steel markets - slashing prices. Until quite recently, China was building a new steel works almost every month to supply its booming economy. These two issues are having immense supply chain effects, but there are further complications.

The slowdown in steel manufacture also has knock on problems for the suppliers of iron ore. Ore prices have dropped by 30% in 2015; worse, some users of the ore are tied into long term contracts - compounding their losses.

This brings us to the crux of the problem. Without an integrated industrial strategy and policies to make it happen, we have energy intensive industries that find it hard to compete in global markets.

In other countries, including many in the EU, special arrangements are in place to ensure industrial energy requirements are treated favourably. Furthermore, greater levels of energy and process integration are encouraged so that energy and utilities are utilised and shared more efficiently, and materials are manufactured and used symbiotically.

The Government's stance on being unable to support companies directly due to EU rules is correct. However, an industry strategy that funds a better understating of infrastructure and integration requirements of industry, leading to greater efficiency in energy and material symbiosis, would identify pinch points and projects that are allowable for funding within the EU.

We at NEPIC believe that a UK integrated industrial manufacturing strategy is essential to underpin the process industry. This will help ensure that we are, and we remain globally competitive in the short, medium

and longer term. A high-level analysis of the Tees Valley process industry is the first step in aiding this process. For more information on our work in the area, see Future Projects.



STRATEGIC REVIEW

OUR STRATEGIC INTENT IS TO WORK TO IMPROVE OUR OWN SUSTAINABILITY & THAT OF OUR MEMBER COMPANIES, WHILST GROWING THE ECONOMY OF THIS REGION.

NEPIC has now passed the £3 billion mark in terms of Gross Value Added it has brought to the economy of the North of England since its inception in 2004. The annual gain now exceeds £0.5 billion per annum. These numbers arise from the written and third party audited testaments by company directors who have validated NEPICs input to their projects and businesses.

oversee the work of the Cluster Executive Team. The two of the main developments have been the announced retirement of our Chair Paul Booth and the appointment of Ian Swales in his place. This was done concurrently with a planned strategic review to which both Paul and Ian contributed, along with other members of the NEPIC Leadership Team.

During 2015 the NEPIC Industrial Leadership Team met regularly, on a quarterly basis, to guide and

Table 1 below details the objectives set during NEPIC 2015 strategy review:

Table 1: Strategy Objectives 2015

i.	Increase the sustainability of Members' businesses through value chain collaboration & engagement. Strategy Items 1, 3, 4, 6 & 7.
ii.	Create supply chain opportunities through value propositions in investment, infrastructure and innovation projects including upstream and downstream of the process sector.
iii.	Enable companies to build the skills of their employees. Strategy Items 1, 3 & 8.
iv.	Sign post members to effective suppliers and identify new approaches to apprenticeships and other up-skilling opportunities. Increase the collective skills activity of the industry.
v.	Attract investment. Strategy Items 1, 4, 5 & 7.
vi.	Champion North East England and its infrastructure. Assist with the de-risking of investment propositions for investors. Proactively and reactively work to increase the profile of the region and its industry by being both the ears and voice of the industry.
vii.	Influence stakeholders and investors through communication and the collective voice of the sector. Strategy Items 1, 4, 5, 6 & 7.
viii.	Enable member companies to effectively communicate on behalf of the industry.
ix.	Whenever possible work in partnership with other industry bodies to reinforce key messages from the sector. Provide a unified voice for the sector.
x.	Promote Membership benefits. Strategy Item 1, 2, 3, 4, 5, 6, 7 & 8.
xi.	Provide practical support and tangible benefits to cluster members benefits particularly to SME members whose growth & participation is essential to strengthen the local supply chain.

The Cluster Strategy was then fine-tuned as follows:

The strategic intent is that NEPIC will work to improve its own sustainability and that of our member companies and also grow the economy of its region. The Cluster will do this by:

1. Ensuring an effective Cluster Executive is in place, trained and financed
2. Growing cluster participation, increasing membership numbers and interactions
3. Building collaborative business and technical projects to address sector issues
4. Promoting collaborative business & technical projects to address sector issues
5. Improving stakeholder communications and maintaining dialogue with sector bodies
6. Increasing the engagement between companies across its supply chain, particularly SMEs
7. Building deeper international relationships through other process sector clusters
8. Guiding and supporting members in up-skilling activities

QUALITY MARK & INTERNATIONAL RECOGNITION

European Secretariat for Cluster Analysis (ESCA) Gold Label

The programme of assessing and labelling of clusters has increased further across Europe. Over 1000 clusters have been assessed and NEPIC remains one of under 50 that has gained Gold Label status. To maintain our Gold Label, NEPIC will have to undergo another audit in March 2016.

Achieving Gold Label status led to NEPIC Chief Executive, Stan Higgins, becoming the European Cluster Manager of the Year 2014 -2016 and has raised the profile of the Cluster across Europe and elsewhere in the world. As a result, NEPIC has had increased interaction with clusters in just about every country within the EU.

There have been many benefits to members; in addition to gaining international insights and business innovation and investment opportunities, NEPIC has also received financial support to give cluster management assistance to the establishment of cluster organisations in Korea, India, Norway and Finland.

Sustainable Process Industry Resource and Energy Efficiency (SPIRE)

NEPIC has also become a member of the European SPIRE public private partnership, effectively a club of those organisations and companies in the chemical process industry that are keen on creating collaborative technical and business projects and seeking funding through Horizon 2020. NEPIC has been involved in developing several ideas that fit the cluster strategy and indeed secured one study – Sharebox, which is aimed building a

significant data platform for sharing of resources, a global tool for industrial symbiosis.

2015 MEMBERSHIP SURVEY

78 out of 350 members responded to a satisfaction survey during 2015. 96% responded that they were satisfied (or very satisfied) with the Cluster's performance. 56% said they interacted with NEPIC regularly and only 29 occasionally, while 91% said that they had attended a NEPIC event during the previous 12 months.

The survey responses suggest that networking, raising their company profile, gaining sector knowledge and business leads were the main reasons for attending NEPIC events. Their individual responses suggested that they wanted more of the same going forward – and as a result we have introduced our new monthly members meeting, Cluster Connect.

Regarding NEPIC representation of our members' interests and the sector as a whole, 97% reported that they were satisfied or very satisfied with our performance and stated that attracting

investment, supply chain growth and providing a voice for the sector continues to be of high importance to them.

The 2016 Membership Survey will be conducted in Quarter 1, 2016.

NEPIC MEMBERSHIP FEES

NEPIC has maintained its membership fees at the same level for the last 5 years.

Unfortunately current membership income no longer covers the cost of the core team and much of the executive time is now aimed at raising funds to maintain a cluster staff sufficient to deal with over 700 participants.

The Cluster leadership team therefore supported a proposal to increase membership fees to be formally proposed at the next AGM, alongside with a clear list of membership benefits, value and support statements from beneficiaries.

Fee proposals and membership benefits can be found on page 18 of this report.



£120,000 DONATED
TO PRIMARY
SCHOOLS & YOUNG
ACHIEVERS FOR
STEM RELATED
PROJECTS.

ANNUALLY 3,000
BUSINESSPEOPLE
ATTEND NEPIC
NETWORKING & BEST
PRACTICE EVENTS.

BUSINESS ACTIVITY & OUTPUTS

STRATEGIC INITIATIVES CARRIED OUT BY THE CLUSTER ON YOUR BEHALF TO ENSURE OUR VOICE IS HEARD & PROJECTS UNDERTAKEN TO ENSURE WE ARE, AND REMAIN GLOBALLY COMPETITIVE.

STAKEHOLDER REPRESENTATION & LOBBYING

The Cluster works on behalf of its members to inform stakeholders of all types about the sector. This is a task of both listening and communicating. To ensure effective communication, NEPIC maintains an accurate CRM database with ~9,000 contacts across the sector. Many stakeholders have come to rely on information from NEPIC – such stakeholders are detailed in table 2 below.

Having the resource and understanding of what has to be communicated effectively to each of these groups has become a major task.

The articles, broadcasts, social media and marketing material produced by NEPIC now runs into the 100's each year. The regular representations and information requests that we receive from this diverse range of informed groups reflects the fact that NEPIC has become an important "voice of the industry".

KEY PERFORMANCE INDICATORS – KPIs

A range of KPIs are reported quarterly to the NEPIC Leadership team they are linked to activities associated with the Cluster strategy.

A selection of the KPIs as reported in September 2015 are detailed in Table 3.

Table 2: Stakeholder Mapping

<p>MEMBERS</p> <ul style="list-style-type: none"> Operating Companies Employees (workforce) Future Leaders Supply Chain & Tiers Customers Trade Unions Members' Suppliers Current & Future Investors 	<p>POLITICIANS & CIVIL SERVICES</p> <ul style="list-style-type: none"> EU & EU Commission National Government Depts. Civil Servants Quangos Politicians & Lobbyists LEPs & Local Authorities Non-Governments Organisations
<p>WIDER INDUSTRY</p> <ul style="list-style-type: none"> Future Investors, Banks & Financiers Trade Magazine Publishers Corporate Head Offices Trade & Professional Associations Related Industries, particularly Skills Other Clusters Targeted Countries & Locations 	<p>GENERAL PUBLIC</p> <ul style="list-style-type: none"> Academia, Schools & Colleges General Public – Local & National Digital & Social Media Media & Press: Regional & National Local Radio & TV World

Table 3: Key Performance Indicators, September 2015

HEADLINE KPIs	QUARTER 2, 2015	QUARTER 1, 2015	TARGET
Live Investment Projects	49	49	50
Annual GVA Generation	£0.46 billion	£0.42 billion	£0.5 billion
Cumulative GVA Generation 2004 onwards	£3.04 billion	N/A	£3.0 billion
Participating Organisations	770	751	600
Full Members	363	356	350
BASME* Companies	422	416	400
DEELOCSI** Companies	120	120	120
Published News Items	31	15	52

REGULAR DISCOURSE WITH MPS & OTHER OFFICIALS

NEPIC keeps up a regular discourse with local MPs and each December holds an event to encourage engagement with industrialists. This year the discussion will take place on the 9th December in Westminster a few days before our AGM.

BOC-Linde have kindly helped fund this event for several years and we hope their new UK MD will be attending this year. There are many current issues that impact on the process Industry in our region and the topics we intend to raise at this session include:

1. Benefits for the UK chemical process industry arising from the Northern Powerhouse.
2. How the Apprenticeship Levy might work.
3. The urgent need for an integrated manufacturing strategy and linking strategies for UK manufacturing, energy production and energy intensive industries.
4. How we might be able to prevent situations such as the

closure of SSI in the future through a more circular and integrated industry / manufacturing supply chain.

5. The impact of improved integration and symbiosis on our energy intensive process industries.
6. Re-shoring of UK manufacturing supply chains.
7. The proposed Special Protection Zone on Teesmouth by Natural England – see below.
8. Carbon taxation and the potential Carbon Capture & Storage scheme
9. On-going consultations for business users and energy intensive industries.

RESPONDING TO REGULATORY PROPOSALS:

NATURAL ENGLAND TEESMOUTH SPA PROPOSAL

During the second half of 2015, Natural England have been consulting industry about the

implementation of new regulations for the protection of species around Teesmouth, which will result in the creation of a new Special Protection Area.

NEPIC has worked with the companies impacted to discuss and compare their approach to this potential risk to their ability to operate. This collaborative approach has certainly influenced Natural England's stance.

We believe this work will ultimately lead to a more operable solution for all stakeholders which ensures wildlife is protected whilst industrial development takes place.

NEPIC TEESIDE PROCESS INDUSTRY INTEGRATION- REINTEGRATION PROJECT

This is a project, NEPIC believe, as in other countries, Government local and national should have been helping us to deliver on behalf of the sector.

We have been lobbying for this for the last 4 years because until this study is undertaken no single beneficiaries can be identified and until then industry itself will not finance it.

The study is intended to identify areas of energy and heat efficiency improvement, materials symbiosis as well as potential new feedstocks. Once complete the full study will enable companies to enumerate efficiency and business projects that will be financed by industry.

Indeed, it may have identified projects that could have helped the Redcar steel works survive. Without deeper integration some companies and key sites in the UK process sector will remain vulnerable.

In the summer of this year a mechanism has been created to fund at a high-level analysis of the

Tees Valley process industry. Project partners include NEPIC, Tees Valley Unlimited and MPI.

The project was initiated in September 2015, with industry leadership for the study coming from Huntsman (John Shipman) - Wilton, GrowHow (Keith Brudenell) - Billingham, BOC (Jay Brooks) - Teesport and ConocoPhillips (Nick Lee). There are 54 companies that we hope will affirm/reaffirm their involvement in the project and respond to the project survey.

NORTH EAST LOGISTICS SURVEY

Due to the inaccuracies in the Standard Industry Classification codes and lack of good data at a regional level, it has been very difficult to estimate the impact of materials movements on the regions transport / logistics network.

Thanks to the support of PD Ports, NEPIC has embarked on a materials movement survey across industry in the North East region to help inform planning for infrastructure improvements going forward. We hope all of our members both receiving and dispatching goods will participate in this beneficial study.

NEPIC EUROPEAN UNION SURVEY

The Cluster will be asked to comment on the EU Referendum in/out debate. In preparation for this, NEPIC will survey its members to determine the messages we should portray on behalf of the sector.

RESPONSIBLE BODY & GOVERNANCE OF PUBLIC FUNDS

In addition to setting the Cluster's strategy, the Leadership Team has also been the responsible body for



BASME PROGRAMME
DELIVERS £50
MILLION IN NEW
BUSINESS & 870 NEW
JOBS IN THREE YEARS.

A TOTAL OF 550
NORTH EAST SMES
ENGAGE WITH NEPIC
THROUGH SUPPLY
CHAIN GROWTH
PROGRAMMES.

200 SENIOR
INDUSTRIALISTS
SUPPORT REGIONAL
SUPPLY CHAIN SMES,
BRINGING GROWTH
THROUGH
MENTORING

governance purposes of the Cluster's publically funded projects. Therefore these projects are always prominent on the Leadership Team's agenda.

These include:

BUSINESS ACCELERATION FOR SMES – BASME – PROGRAMME

This is a project developed by NEPIC in-line with its leadership strategy of strengthening the local supply chain and assisting local SMEs. The Regional Growth Fund initially supported a 3 year BASME programme that commenced in April 2012 but has since been extended to the end of 2015 without any increase in funding.

All agreed types of mentoring have been used during the project including mentoring from larger NEPIC companies, from one SME to another, through the use external experts and NEPIC staff visits and group events. The mentor list now has over 200 names. The total value of in kind support to the BASME project now stands at over £3m vs £1.4m in the budget.

At the July 2015 update to DCLG, the Government Department monitoring the project, 210 SMEs had received one to one mentoring. When all types of mentoring are taken into account including workshops, the number of SMEs mentored exceeds 300.

Further mentoring sessions where engineering SMEs meet several senior managers from the industry are planned for the remainder of the year and beyond.

The project overall reached its target of 400 SMEs formally signed up to the programme many months ago and currently has 430 SME engagement contracts in place.

These BASME companies have so far gained ~£50 million of new business and report that they have already added 870 jobs vs. a final project target of 1,000.

This programme has been is a real success story for NEPIC and the BASME project delivery team.

DELIVERING ENERGY EFFICIENT LOW CARBON SUSTAINABLE INDUSTRIES – DEELOCSI GROW GREENER – PROGRAMME

This 3 year European Regional Development Funded project commenced in 2012 and was completed in September 2015.

The project focussed on regional SMEs and improving their energy and process efficiency, as well as preparing them for a growing requirement from 'top tier' companies for suppliers to demonstrate green credentials.

SMEs that can clearly demonstrate this data and show a commitment to improving their carbon footprint place themselves ahead of competitors and ultimately win more new business. 120 companies took advantage of the project, 30 of which had their energy efficiency and green management credentials accredited. All project outputs were met or exceeded, including the creation of 25 jobs and the safeguarding of a further 120.

An energy management course, designed by the DEELOCSI project team for e-learning, will continue to be available until April 2016. In addition the 8 modules, which include Drivers for Energy Management, Energy Sources, Energy Uses, Energy Measurement and Auditing, Energy Reductions, Energy Performance, Renewable Energy and Carbon Footprint, have been sent to all 120 SMEs engaged on the project so that they can access and hopefully develop additional skills/learning into the future as a project legacy.

NNFCC have carried out an independent evaluation and this report and recommend that it should be continued if funding can be identified.

INNOVATION ACTIVITY

In September 2015, NEPIC held a very successful Innovation Showcase Event at Durham University. For the first time we brought together the region's five universities to showcase their pioneering technology and innovation capabilities to North East businesses, offering potentially game-changing developments and business growth solutions.

Ninety presentations were made in total to the 200 delegates - a split 50:50 academics and industrialists. Feedback from the event has been excellent and we will continue to seek ways of keeping members informed about on the latest innovation opportunities available in this region.

NEPIC also partnered with the Royal Society of Chemistry to bring another innovation-led event to the region. The Chemistry of Collaboration took place in November 2015 and focused on potential collaborations between larger companies and SMEs.

NORTH EAST INNOVATION CENTRES OF EXCELLENCE, RESEARCH INSTITUTIONS & UNIVERSITY SPECIALISMS

A NEPIC report on the capabilities and facilities available for technical innovation across North East England was compiled during 2015 and launched in in September. The report, which is an excellent statement of capability, is available to all members as an innovation guide, as well as being aimed at those interested in investing in the region.

INNOVATE UK & RSC

The cluster has been helping Innovate UK and Royal Society of Chemistry stage innovation forums in the region and also helped to identify the support companies to receive financial support from Innovate UK as part of the Process

Industries North East Launchpad.

NELEP HEALTHCARE & LIFESCIENCES WORKING GROUP

NELEP, as with other LEPs, has a smart specialisation approach to economic growth. This involves helping high potential areas of economic activity to make an even greater economic impact. NELEPs areas are passenger vehicle manufacture; subsea & offshore technology; life sciences & healthcare and creative, digital, software and technology. NELEP has set up working groups to formulate strategies to grow each of these four areas.

NEPIC have joined the Lifesciences and Healthcare working group to make sure our members in the pharmaceutical companies are well represented and that this process group is not forgotten as a major current economic force and a sector with the potential for significant further growth. This is exemplified by further expansion plans being unveiled at NEPIC member, MSD, in Cramlington to cope with this facility becoming an even more important centre of global manufacturing for the MSD/Merck organisation.

MEMBER EVENTS & INDUSTRY THRUST TEAMS

Networking and the sharing of business growth opportunities and best practice are at the core of our activity – and each year NEPIC delivers a calendar of events to focus on such matters. Over the last 12 months, NEPIC has held a wide variety of networking events.

Over 500 delegates attended our Annual Meet the Members Conference and Exhibition at Wynyard Hall in June; as already mentioned some 200 attended the Innovation Showcase Event and a further 700 guests attend



NEPIC RECEIVES A STAGGERING £3.5 MILLION IN IN-KIND CONTRIBUTIONS ANNUALLY FROM INDUSTRY.

NEPIC IS ONE OF 50 GOLD LABEL CLUSTERS FROM THE 3,000 CLUSTER ORGANISATIONS OPERATING IN THE EU.

NEPIC's social events including the Annual Awards Dinner and Annual Golf Day. The BASME Annual Conference also draws in over 200 delegates.

These events have been interspersed with smaller meetings and workshops on topics such as asset management, safety, marketing and social media, collaboration plus technical forums and quarterly Bioresources meetings. We also introduced Cluster Connect in 2015, our new monthly members' meeting, which is proving extremely valuable and attracts 30-50 people per session. Annually NEPIC event attendees exceed 3,000.

NEPIC Industry Thrust Teams continue to give members the opportunity to work collectively on issues. The Teesside integrated Manufacturing Group, the Bioresources and Low Carbon teams, Client Engineering Managers, GDP and Investment Team remain very active.

MEMBER MARKETING & PR CONSULTANCY

NEPIC successfully carries out PR and Marketing work on behalf of its members. From designing literature and display stands and marketing campaigns to performing market research activities.

The NEPIC customer centric marketing studies have proven to be very effective for companies that have undertaken the work through the cluster. All participants have reported back on the effectiveness of our work and indeed most returned for further additional studies as a result.

For those that were struggling to get traction in the sector, we have worked with them to develop new marketing tactics that have brought immediate benefits in terms of access and sales. The cluster has also undertaken market surveys.

INWARD & INDIGENOUS INVESTMENT

Attracting and supporting investment is one of NEPIC's fundamental roles, with a huge indirect impact on local supply chain members and the future sustainability of the sector across the region. Many local companies particularly in the engineering sector and logistics, have grown their businesses on the back of the cluster's success in this activity.

NEPIC's advice to investors includes helping to identify funding, legal support, suitable locations, materials & energy symbiosis, supply chain opportunities, planning advice, design & construction capabilities, construction & operations resources, effective contract types and we also keep abreast of local and national union and wage agreements.

Over the last 10 years we have helped to deliver 83 investments into the region totalling £4.3 billion. A recent review of our project portfolio and purging out of investments with less than 50% probability of success reduced our active portfolio down to 27 active projects. At the same time we "archived" 32 projects that we believe are now dormant. The remaining projects approach £5 billion, even when keeping the very large Sirius Minerals Project down to £1.5 billion. We have been active recently helping MGT Power, York Potash, Sembcorp-SITA Wilton 11, SNF and numerous others. Such projects can help to offset some of the recent job losses announced in the region.

INTERNATIONAL PROMOTION OF MEMBERS' CAPABILITIES

NEPIC has built up an excellent reputation in India with the Indian Chemical Industry. Stan Higgins is the only monthly foreign correspondent in the sector's Chemical News Magazine and NEPIC remains the delivery partner

for the ICC Annual Outlook conference. Such relationships give our members unprecedented access to the top people in the sector in this rapidly growing market. All members that travel to India with NEPIC as part of our annual, sector specific market visit have identified new business and many have successfully developed partnerships and sales there.

NEPIC's focus on building relationships in Europe is giving a wide exposure to members' capabilities. NEPIC has been working closely with partners across Europe but particularly in Germany, Spain, Poland, Norway and Finland with visitors coming to the region over the last year.

SKILLS & EDUCATION

NEPIC received an excellent response from the cluster to a recent apprenticeships survey. From the data collected we have estimated that there are over 2,000 technical apprentices in our industry in the region, despite 32% reporting to have no apprentices. NEPIC is keen to support these organisations to recruit apprentices. It is still possible to partake in this short, three question survey via: www.surverymonkey.com/r/NEPICApprentices

NEPIC has been working with Middlesbrough College STEM Centre which recently opened. NEPIC has helped develop its staff build vital relationships with industry and the centre development has been led by industrialists on the STEM Centre Advisory Board, of which NEPIC and NEPIC member companies are key members. NEPIC has also assisted students in finding apprenticeships across technical and other disciplines.

We continually respond to member companies' requests for advice regarding training and recruitment of new staff, especially apprentices. In addition we deal with enquiries from young people about careers and work

placements in our industry - offering information, advice and guidance. Furthermore, we continue to assist member companies with staff redeployment.

We recently circulated a call for help with ex-SSI apprentice placements to NEPIC members and the response was phenomenal. Within a 10 days, 21 North East companies indicated that they could offer one or more placements. At the time of writing, apprentices are being matched with employers.

NEPIC recently responded to the Apprenticeship levy consultation following Government's proposal to collect a levy from larger companies to support their post-16 apprenticeship activities.

As well as submitting a response on behalf of our members we also encouraged NEPIC companies to make their own submissions.

FUTURE PROJECTS

THE CLUSTER WILL CONTINUE TO SEEK TO IDENTIFY NEW MARKET OPPORTUNITIES & BUILD COLLABORATIVE PROJECTS FOR HYDROGEN & CARBON DIOXIDE; PRODUCTS THAT ARE SYNONYMOUS WITH THE PROCESS CHEMICAL INDUSTRY. CURRENT POTENTIAL PROJECTS & PROJECTS UNDER DEVELOPMENT INCLUDE:

INDUSTRIAL CARBON CAPTURE & STORAGE

Through the Teesside Collective a year's work totalling about £1m is complete and all reports housed on www.teessidecollective.co.uk. These include technical work on capex and opex for the four initial anchor sites. Business case and investment mechanisms were also studied and are available. The project is currently in a 'state of flux' as awaiting Government Comprehensive Spending Review and the outcome of the Paris climate change conference at which the UK may have to commit to clear carbon reduction targets. In late October, Teesside Collective announced the addition of Sembcorp Utilities UK as the latest member of the project, alongside BOC, Lotte Chemical UK and GrowHow.

NORTH EAST HYDROGEN PARTNERSHIP

This is an initiative looking at new markets and large scale volume potential for H₂ and is across both Local Enterprise Partnership areas. Transport is certainly an option but will require large scale funding in the short to medium term. We are also working with Northern Gas Networks as they seek to decarbonise energy.

ERDF-TVU INNOVATION

NEPIC, the Materials Processing Institute and Teesside University are collaborating to identify companies that can benefit from innovation diagnostics and signposting to either local or global innovation expertise. NEPIC will perform the diagnostic and

participate in the signposting, while MPI and the University enable prototyping and piloting of new products and processes.

ERDF-NELEP BASME/DEELOCSI

This proposed project will use process industry experts, senior industrialists and external consultants to mentor SMEs to grow within the process (and proximate) sectors, regionally, nationally and internationally. Consultants will be used to upskill SMEs in selling and energy efficiency so they can develop within the process sector, offer carbon footprint credentials and increase their resource efficiency. The project will help 120 companies grow and create 75 new jobs. In addition, it will lead to a reduction in energy usage and greenhouse gas emissions. Overall, the project will help to strengthen the region's manufacturing supply chain capability and increase its total GVA.

INTERNATIONAL - HORIZON 2020

A number of projects are being proposed by those in the SPIRE consortium and NEPIC are building collaborative projects both for and on behalf of our members in H2020 and SPIRE. Seeking EU H2020 funding is a very competitive situation and success rates are reported at 15%. Choosing right and effective partners, delivery track record and expressing the topic and its issues are key to gaining approval. The cluster are active in areas such as low carbon, SME growth, energy and innovation.

MEMBERSHIP BENEFITS 2016

NEPIC MEMBERSHIP OFFERS IMMEDIATE CONNECTIVITY TO A WIDE & DIVERSE PROCESS INDUSTRY INCORPORATING PETROCHEMICALS, PHARMACEUTICALS, FINE & SPECIALITY, BIOTECHNOLOGY, POLYMERS, BIORESOURCES & RENEWABLES & SIGNIFICANT SUPPLY CHAIN.

THE BIG PICTURE

As well as providing our members with the tangible membership benefits detailed below, we are continuously working on key projects and industry issues to ensure the **long-term sustainability** of the chemical-processing sector in North East England - creating a **business environment** in which you can continue to **prosper and grow**. These intangible, yet **invaluable benefits** include:

- Inward investment & GDP Gap Closure
- Engineering Management & Project Delivery Advice
- Skills & Education
- Voice of the Industry
- International Links & Overseas Marketing
- Sector Specific Project Delivery
- SME Supply Chain Development
- Integrated Manufacturing
- Innovation
- Manufacturing & Productivity
- Low Carbon, Alternative Feedstocks & Industrial Carbon Capture & Storage

JOINING BENEFITS

To welcome our new members to the Cluster and help introduce you to the existing membership, you will receive the following joining benefits upon sign-up:

- Subscription to FocalPoint Magazine – NEPIC’s quarterly publication
- New Member introduction via FocalPoint
- Subscription to the weekly NEPIC e-Bulletin **New for 2016*
- Linked-logo in the New Members’ area within e-bulletin **New in 2015*
- Access to the online NEPIC Members’ Area **New for 2016*
- New Member introduction via the NEPIC Members’ Hub **New for 2016*
- Company introduction at NEPIC’s monthly members meeting, CLUSTER CONNECT **New in 2015*

Continues...

THE CLUSTER'S PR
SUPPORT
FOLLOWING A
MAJOR INCIDENT
PROVED INVALUABLE.

Debbie Baker, GrowHow

I CONTACTED NEPIC
WITH A BUSINESS
ISSUE. 24 HOURS
LATER THEY
INTRODUCED ME TO
A LOCAL SOLUTION.

Malcolm Knott, ITS

WE HAVE BEEN
INTRODUCED TO NEW
BUSINESS
OPPORTUNITIES VIA
NEPIC & ITS INDIA
LINKS.

Andrew Home, K Home International

NEPIC'S TARGETED
MARKETING ADVICE
HAS DELIVERED
NEW SALES
OPPORTUNITIES FOR
FRAZER NASH.

Martin Concannon, Frazer Nash

NEPIC ARTICULATES
A PROFESSIONAL
INDUSTRY MESSAGE
WITH GOVERNMENT &
STAKEHOLDERS ON
OUR BEHALF.

Dave Lockyer, BOC

ADVERTISING
THROUGH NEPIC
HAS LEAD TO
NEW BUSINESS.

Colin Simpson, Tomlinson Hall

WE EXHIBITED AT
MEET THE MEMBERS
& LANDED A
SIGNIFICANT NEW
CONTRACT WITH A
MAJOR PLAYER.

Carl Holmes, Rain for Rent International

NEPIC PROVIDED
GREAT PR SUPPORT
WHEN WE LAUNCHED
AESICA & MAXIMISED
LOCAL COVERAGE.

Robert Hardy, formally Aesica

WORKING WITH NEPIC
TO DEVELOP SALES
MESSAGES &
PRIORITISE INDUSTRY
INTERACTIONS
DELIVERED RESULTS.

Martin Concannon, Frazer Hash

ANNUAL MEMBERSHIP BENEFITS

On an annual basis each and every NEPIC member is entitled to the following benefits. Our annual membership benefits are detailed under four sub-categories - Marketing, Signposting & Referrals, Events & Networking and Business Savings.

MARKETING SUPPORT & RESOURCES

- NEPIC Membership Certificate
- NEPIC Member Logo
- NEPIC Directory company profile listing & logo
- NEPIC Directory in hardcopy
- Subscription to FocalPoint Magazine
- Editorial opportunities for good news stories within FocalPoint
- Subscription to the NEPIC weekly e-Bulletin **New for 2016*
- On-line Directory Listing **New for 2016*
- On-line Member-to-Member Promotion **New for 2016*
- Access to the on-line NEPIC Members' Area **New for 2016*
- Member news story & event promotion via on-line Members' Area **New for 2016*
- Social Networking – access to NEPIC's member only social groups

BUSINESS SUPPORT, SIGNPOSTING & REFERRALS

- Signposting via telephone, email, web or social media
- Face-to-face business support & advice
- Access to the network – business interactions between SMEs & large companies
- International connections & business opportunities
- Inter-cluster referrals
- Funding support – access to finance
- Access to a dedicated sector export adviser via UKTI
- Crisis management support & tactical PR
- Cluster determination – one company, one vote on all cluster activities

BUSINESS EVENTS & NETWORKING

- Admission to NEPIC's monthly members meeting, CLUSTER CONNECT **New in 2015*
- Access to networking events & exhibitions
- Access to knowledge & best practice events
- Speaker opportunities
- Annual award entry

BUSINESS SAVINGS

- Significant savings via NEPIC's strategic partners – including insurance, energy & general business purchases provided by Lockton, Utilitywise & Mint Price
- Reduced rates for all NEPIC paid activities including event admission, advertising, sponsorship, exhibition rates and marketing service

For further information regarding making the most of your existing membership, please contact Ebba McGuigan via ebba.mcguigan@nepic.co.uk or call 07711 375426.

MEMBERSHIP FEES 2016

NEPIC has maintained its membership fees at the same level for the last 5 years. Unfortunately current membership income no longer covers the cost of the core team and much of the executive time is now aimed at raising funds to maintain a cluster staff sufficient to deal with over 700 participants.

The Cluster leadership team therefore supported a proposal to increase membership fees to be formally proposed at the next AGM, alongside with a clear list of membership benefits, value and support statements from beneficiaries.

Member Category	UK Employee No.	Annual Fee (£) exc. VAT
Micro	<2	300
Mini	<10	400
Small	<50	700
Medium	<250	1,100
Large	>250	1,700
Group	Multiple Companies	2,600
Partners	Associations & Academia	500

FINANCIAL STATEMENTS

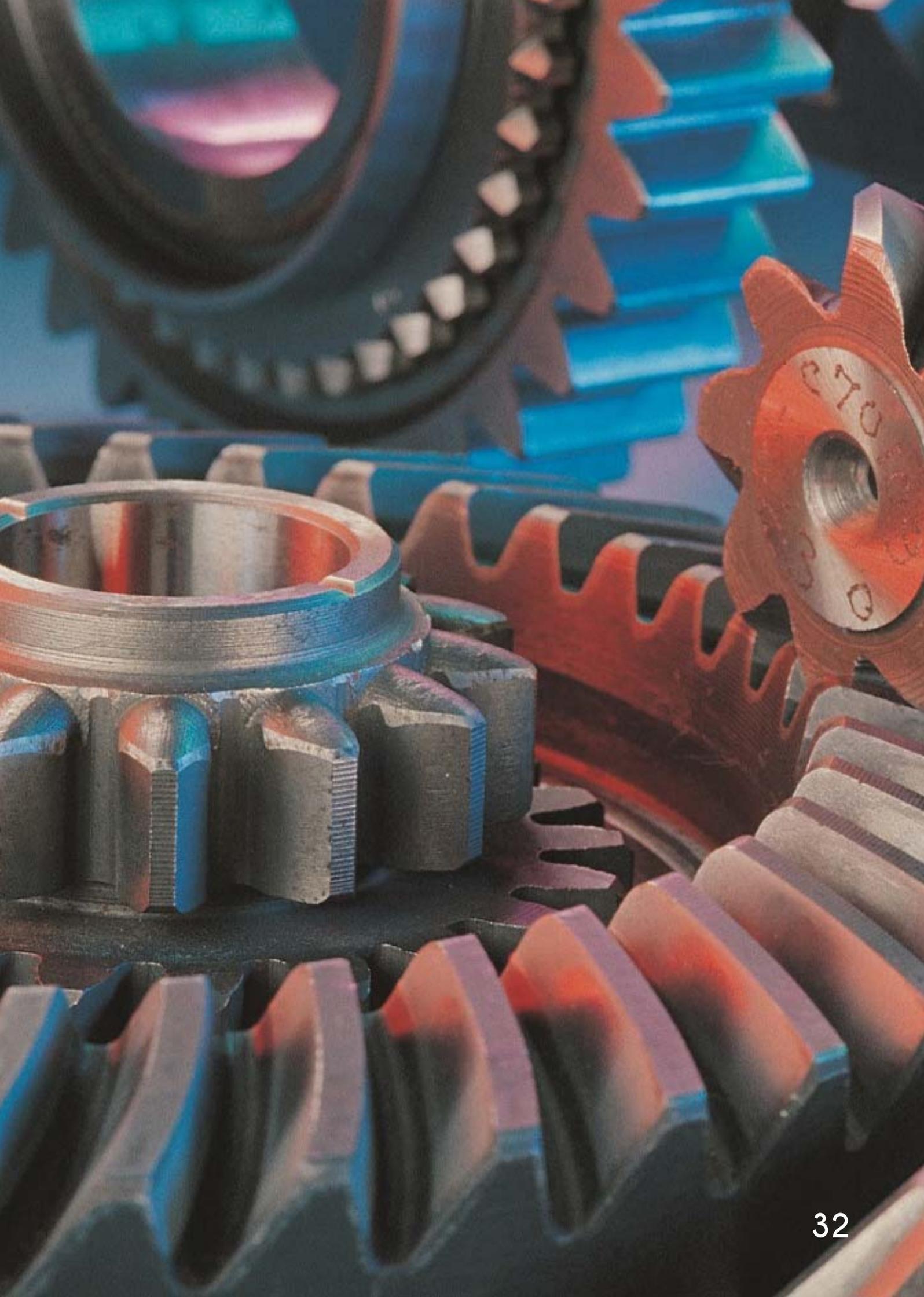
INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 2015

	2015	2014
	£	£
Turnover	1,627,529	1,594,473
Cost of sales	490,650	460,041
Gross surplus	1,136,879	1,134,432
Administrative expenses	1,094,144	1,091,777
Operating surplus	42,735	42,655
Interest receivable and similar income	45	6,294
Surplus on ordinary activities before taxation	42,780	48,949
Tax on surplus on ordinary activities	8,556	14,789
Surplus for the financial year	34,224	34,160

BALANCE SHEET FOR THE YEAR ENDED MARCH 2015

	2015		2014	
	£	£	£	£
Fixed Assets				
Tangible assets		10,337		5,785
Investments		-		-
		10,337		5,785
Current assets				
Debtors	290,950		462,450	
Cash in the bank and in hand	737,552		959,341	
	1,028,502		1,421,791	
Creditors				
Amounts falling due within one year	797,622		1,220,583	
NET current assets		230,880		201,208
Total assets less current liabilities		241,217		206,993
Reserves				
Income and expenditure account		241,217		206,993
		241,217		206,993

The full report of the Directors & Financial Statements for the Year Ended 31 March 2015 for the North East of England Process Industry Cluster Limited is available within the AGM formal notification.



BOARD OF DIRECTORS

Ian Swales, Chairman
Partner at AIJ Partners & former Member of Parliament for Redcar

Mark Kenrick, Vice Chairman
Consultant & former Managing Director at Lotte Chemical UK

Richard Smith, Vice Chairman
Managing Director at Surfachem Group Ltd

Stan Higgins, Director
Chief Executive Officer at NEPIC

Paul Booth, Director
European Director for Government Relations & Public Affairs at SABIC Petrochemicals UK

Steve Bagshaw, Director
Chief Executive Officer at Fujifilm Diosynth Biotechnologies

Aidan Walker, Director
Head UK Operations at Piramal Healthcare

Douglas Annan, Director
Senior Vice President and Site Director at Sembcorp Utilities UK Ltd

Martin Porton, Company Secretary
Operations Director at RTC North

THE NEPIC TEAM

Stan Higgins
Chief Executive Officer
stan.higgins@nepic.co.uk

John Brady
Director of Projects, Industry
john.brady@nepic.co.uk

Felix O'Hare
Director of Projects, SME &
Supply Chain
felix.ohare@nepic.co.uk

Louise Gwynne-Jones
PR & Communications Manager
louise.gwynne-jones@nepic.co.uk

Ebba McGuigan
Marketing & Commercial Manager
ebba.mcguigan@nepic.co.uk

Lynne Aungiers
Office Manager & PA to CEO
lynne.aungiers@nepic.co.uk

Philip Aldridge
Project Manager, Pharmaceuticals
& Biotechnology
philip.aldridge@nepic.co.uk

Joanne Rout
Project Manager, Industry
& Academia
joanne.rout@nepic.co.uk

Victoria Pepper
Senior Graphic Designer
victoria.pepper@nepic.co.uk

Justin Wilkinson
Marketing Systems Executive
justin.wilkinson@nepic.co.uk

Kath Birkin
Cluster Administrator
kath.birkin@nepic.co.uk

Debbie Fitzpatrick
Cluster Administrator
debbie.fitzpatrick@nepic.co.uk

North East Process Industry Cluster Ltd

The Wilton Centre, Wilton, Redcar TS10 4RF United Kingdom

www.nepic.co.uk

+44(0)1642 442560