

# FORTH PORTS PLC



6<sup>th</sup> September, 2004

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2004

*Forth Ports today announces interim results for the six months ended 30th June 2004. The Group owns and operates seven major commercial ports in the UK. In addition, Forth has significant property interests which it continues to develop as part of its commitment to increase shareholder value.*

### Financial Highlights

- Group turnover £58.7m (2003: £57.9m)
- Pre-exceptional operating profit £17.2m (2003: £17.4m)
- Profit before tax and exceptional items £12.6m (2003: £13.5m)  
Profit before tax £12.2m (2003: £16.3m)
- Port operating profits £16.2m (2003: £16.7m)
- Basic earnings per share 18.9p (2003: 27.5p)
- 10% increase in interim dividend to 13.3p (2003: 12.1p)

### Operational Highlights

- Strong business performance at Tilbury:
  - Increase in higher value commodities such as paper and Far Eastern timber and 13% increase in short sea container boxes
  - Currently largest paper handling port in the UK and third largest deep sea/short sea container terminal
- Trend for growth in container volumes at Grangemouth continues – up 14%
- Continued progress in Property portfolio:
  - Significant increase in investment in infrastructure at Western Harbour and Granton
  - Continued interest in residential plots
  - Ocean Terminal now 87% let – eight new tenants including New Look, Vision Express, Esprit and Faith Shoes
  - Planning application submitted for Waterfront Plaza development

### Longer Term Initiatives

- Good progress on strategic value creating projects:
  - Construction of new Stora Enso facility at Tilbury on target for completion in July 2005 providing high visibility of port earnings for 2005 and beyond
  - Good progress on a significant long-term development plan (the Leith Docks Development Framework) for remaining waterfront land in Leith

Commenting on today's results, Charles Hammond, Group Chief Executive said:

*"We continue to believe that there is a reasonable prospect of growth in 2004 and are confident of further growth in 2005 and beyond.*

*"After an anticipated slower first half, ports' trading should significantly improve in the second half of 2004. As in previous years, profits from property related activities will be concentrated in the second half when we expect the sale of several plots.*

*"We continue to make good progress on our strategic value creating projects. Looking beyond 2004, revenue visibility and security of income within our ports' business will increase with the benefit of the new Stora Enso distribution centre at Tilbury. In our property business, we believe that the Leith Docks Development Framework will create significant long-term value for many years to come with the release of further sites into our property portfolio."*

**Enquiries:**

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**Notes to editors:**

Forth Ports PLC owns and operates seven ports in the UK – Tilbury on the Thames, Dundee on the Tay Estuary, and five in the Firth of Forth - Leith, Grangemouth, Rosyth, Methil and Burntisland.

Within and around the Forth and Tay Estuaries, Forth Ports manages and operates an area of 280 square miles of navigable waters, including two specialised marine terminals for oil and gas export, provides other marine services, such as towage and conservancies, and is involved in property, letting and development. These activities make Forth Ports PLC the largest port grouping in Scotland and the third in the UK in terms of tonnage and market capitalisation.

## **CHAIRMAN'S AND GROUP CHIEF EXECUTIVE'S REPORT**

Group turnover increased to £58.7m (2003 - £57.9m). As was indicated in our trading update in June, operating profit (pre-exceptionals) reduced marginally to £17.2m compared with £17.4m in the first half of 2003. There was a 3% decrease in port operating profits (before exceptional costs) due to lower profits from Tilbury Container Services Limited ("TCS"). Operating profits from property increased by £0.3m. With a higher interest charge, the profit before tax and exceptionals amounted to £12.6m compared with £13.5m last year. Basic earnings per share were 18.9p (2003 - 27.5p). Excluding exceptional items, underlying earnings per share decreased by 8% to 19.3p (2003 - 20.9p).

We continue to make good progress on our strategic value creating projects.

Revenue visibility and security of income within our ports' business will increase with the benefit of the new Stora Enso business at Tilbury.

Very good progress is being made in our discussions with the City of Edinburgh Council ("the Council") on a comprehensive framework for the development of the Port of Leith which is, in scale and content, larger than the New Town of Edinburgh. The release of further sites into our property portfolio will follow the establishment of the Leith Docks Development Framework ("LDDF").

The Board is therefore confident of further progress and, as a result, has decided to increase the interim dividend by 10% to 13.3p per share (2003 - 12.1p). The interim dividend will be paid on 29th October 2004 to shareholders on the register at 8th October 2004.

### **Review of Ports' Business**

Turnover remained steady at £57.0m (2003 - £57.1m). Operating profit decreased 3% to £16.2m (2003 - £16.7m). Excluding the TCS result, operating profits remained steady at £15.4m despite the fact that dry cargo tonnage reduced to 5.8 million tonnes from 6 million tonnes and piped cargo tonnage amounted to 15.8 million tonnes, down 14% against the equivalent period in 2003. This shows the benefits of cost savings and operational efficiencies which have been implemented in the past two years. The lower piped cargoes reflected a 1.8 million tonne reduction in crude oil exports from Hound Point and a 0.2 million tonne reduction in liquid petroleum gas ("LPG") at Braefoot Bay. The latter tonnages continued to be affected by shut-downs in the North Sea during the first half of the year.

### **Tilbury**

The first six months of 2004 saw a strong improvement in the results at Tilbury with most asset areas showing an improved financial performance. The port benefited from an increase in throughputs of higher value commodities such as paper and Far Eastern timber as well as a 13% increase in short-sea container boxes, although grain export tonnages were lower. The port continued its in-depth review of customer contracts which has resulted in an improved pricing structure that more closely reflects the services provided. Towards the end of the half year, a further small reduction in manpower took place.

Tonnages at Tilbury increased by over 3% to reach nearly 3.8 million tonnes. The construction of the Stora Enso facility gathered momentum in the first six months with the successful handover of the High Bay warehouse to the contractor responsible for installing the automated plant and equipment. Prior to handover, the port successfully relocated various customer and port operations with minimal disruption. The timescale for the completion of the development remains July 2005. TCS saw a slight reduction in throughput to 117,000 boxes, but its financial result was significantly affected by the reduction in ancillary revenue, notably storage income. This was caused by lower dwell times for containers on the quayside due to increased demand.

The outlook remains positive at Tilbury for the second half of 2004. The contract review process continues. There is the prospect of increased grain tonnages in the second half compared with the first half. TCS has won additional container business. There is also a good level of ongoing business enquiries and we are considering further strategic investment projects, namely an automotive facility on the Fort Land, a facility for the export of recovered waste paper and the potential for land reclamation within the port and out into the river.

### **Scottish Ports**

The Scottish Ports' performance was satisfactory, excluding the lower tonnage volumes from piped cargo and the major, but expected, reduction in volume from Bredero Shaw. Dry cargo tonnage reduced by 13% to 2 million tonnes and piped cargo (excluding Hound Point and Braefoot Bay) reduced by 15% to 3.5 million tonnes. Operations also benefited from some of the cost reduction measures taken over the last year. The Hound Point and Braefoot tonnages amounted to 10.7 million tonnes and 1.6 million tonnes respectively.

### Grangemouth

Dry cargo tonnage was up by 10% which reflected a 14% increase in container volumes in the first half to reach 60,000 boxes and continue the trend of recent years. Timber tonnages increased by 10% to 105,000 tonnes, with iron and steel marginally down at 32,000 tonnes. The piped cargo tonnage reduced by 13% with a reduction in the BP volume (including LPG) compared with a high first half last year but the outlook for BP piped cargo is better for the second half of 2004.

The new 10,000 sq.m. warehouse at Grangemouth was opened at the beginning of the year and, having just won a three year contract from GE Plastics, is now 60% occupied.

The container terminal has been upgraded to provide facilities for a throughput of up to 200,000 boxes per annum, which has inevitably caused some disruption during the last few months. The upgraded facility is now in operation.

### Rosyth and Fife Ports

The financial performance continued to improve over last year with ongoing increases in freight units on the fast ferry service from Rosyth to Zeebrugge together with increased tonnages of timber and plasterboard. The coal contract with ScottishPower ended in March, reducing the overall tonnage half year on half year by around 60,000 tonnes.

### Leith

The port had a difficult first half of 2004. The dry cargo tonnage fell by nearly 50% to 358,000 tonnes, most of which resulted from a significant reduction in activity at Bredero Shaw which produced negligible tonnage in the first half of 2004, compared with nearly 300,000 tonnes in the equivalent period in 2003. This reflected both a reduction in the general level of pipe coating business and a delay in awarding new contracts. Other dry cargo tonnages through the port were broadly in line with the equivalent period last year, but piped cargo tonnages were also lower at 85,000 tonnes compared with 170,000 tonnes in 2003. Costs were tightly controlled to reflect the reduction in throughput.

The outlook is more encouraging as Bredero Shaw has won business which will see steel pipe imports increase in the second half of this year and into 2005. However, this will not make up the tonnage shortfall in the first half of 2004. 2005 and 2006 are more promising with the winning of one contract and the substantial prospect of a further contract.

### Dundee

The overall performance at Dundee showed a good improvement, with tonnages increasing to 513,000 tonnes in the first half compared with 453,000 tonnes in the previous year. Piped cargo was up at 250,000 tonnes compared with 209,000 last year. Dry cargo tonnages increased from 244,000 tonnes to 263,000 tonnes with good increases in paper and barley. The port also benefited from a more efficient cost base.

## **Property**

The first half of the year has been dominated by three key workflows:- progress on the LDDF, ongoing spend on infrastructure at Western Harbour and Granton and preparation of data room material for the sale of serviced residential land plots by the end of the year.

We have been working closely with the Council on the LDDF and good progress has been made. A planning committee meeting on 3rd June 2004 noted the Phase 1 report which set out the guiding principles of the Supplementary Planning Guidance ("SPG") and endorsed the Stage 2 process which involves further detailed work on various planning aspects followed by a period of consultation. The aim of the discussions is to have the LDDF adopted by the Council as SPG which would designate the current operational port, in planning terms, as an area for mixed-use development. The scale of the proposals will have a significant impact on the growth of the City, providing on a 266 acre site, up to 18,000 additional homes and significant potential for retail, leisure and commercial development. The current timetable provides for SPG status by the end of 2004 if approved by the planning committee, however, it is possible that this tight timetable may be delayed.

As expected, there has been a significant cash spend on infrastructure in the first half of the year at Western Harbour and Granton. Good progress has been made in constructing the roads and services for both developments and this will continue for some time. The spend in the first six months amounted to nearly £15m which included the buying in of certain long leasehold tenancies at Leith and Granton.

The revised Western Harbour Masterplan has been submitted to the planning department of the Council. We believe that design guide approval will be forthcoming shortly.

The process of preparing and assembling the detailed information required for the sale of all of the residential land plots for this year is nearly complete. Indicative bids have been received in respect of two sites at Western Harbour and strong interest has been received for two further sites at both Western Harbour and Granton Harbour. The detailed planning application for the ASDA supermarket at Western Harbour will shortly be submitted. Discussions on Waterfront Plaza are continuing with the Council and presentations have been made to the Royal Fine Art Commission following submission of the planning application.

At Dundee we are progressing more detailed proposals to increase the housing content on the waterfront following approval of our new Masterplan last year.

The Ocean Terminal Shopping Centre continues to attract new tenants with eight added including New Look, Esprit, Vision Express, Faith Shoes and Xile. As a result, 87% of the Shopping Centre as to floorspace is now let. Of the unlet space, more than half is currently zoned for leisure use. Discussions are ongoing with the planners to convert this space to retail use. Footfall continues to be up significantly on the equivalent period last year.

## **Finance**

A new banking facility has been agreed which provides for a long-term facility of £200m, a working capital facility of £25m and a stand-by facility of a further £25m.

Cash inflow from operations amounted to £8.9m (2003 - £20.8m). £15m was spent on infrastructure costs at Western Harbour and Granton which reduced the creditors figure since the year end. The cash outflow on capital expenditure increased to £18.8m compared with £7.7m in 2003 principally due to the Stora Enso project.

The gearing level at 30th June 2004 amounted to 55% compared to 50% at 30th June 2003. Interest cover, excluding non-recourse interest for Ocean Terminal and TCS, was comfortable at nearly 6 times.

Progress is being made on the introduction of International Financial Reporting Standards with effect from 1st January 2005.

## **Prospects**

The outlook for ports is significantly stronger for the second half. The important factors in this will be: improved trading at Tilbury and higher container volumes at TCS; improved tonnages at Leith for Bredero Shaw and continued growth in unitised volumes at Grangemouth and Rosyth. Trading since the end of the half year has been satisfactory.

In property, we expect the sale of several plots in the second half. The timing of these sales will be influenced by the timing of planning approvals on the back of good progress in the first half of the year. Looking beyond 2004, we believe that the LDDF will create significant long-term value in our property business for many years to come.

The Board continues to believe that there is a reasonable prospect of progress in both ports and property in 2004 and is confident of further growth in 2005 and beyond.

Christopher Collins  
CHAIRMAN

Charles Hammond  
GROUP CHIEF EXECUTIVE

6th September 2004

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Unaudited six months to 30.6.04			Unaudited six months to 30.6.03			Audited year to 31.12.03		
		Business performance £m	Exceptional items (Note 2) £m	Total £m	Business performance £m	Exceptional items (Note 2) £m	Total £m	Business performance £m	Exceptional items (Note 2) £m	Total £m
<b>Turnover</b>	1									
Group and share of joint ventures		62.4	-	62.4	61.4	-	61.4	161.2	-	161.2
Less: share of joint ventures turnover		<u>(3.7)</u>	<u>-</u>	<u>(3.7)</u>	<u>(3.5)</u>	<u>-</u>	<u>(3.5)</u>	<u>(4.9)</u>	<u>-</u>	<u>(4.9)</u>
<b>Group turnover</b>		<u>58.7</u>	<u>-</u>	<u>58.7</u>	<u>57.9</u>	<u>-</u>	<u>57.9</u>	<u>156.3</u>	<u>-</u>	<u>156.3</u>
<b>Group operating profit</b>	2a	16.2	(0.6)	15.6	15.7	(1.0)	14.7	53.7	(1.7)	52.0
Share of operating profit in										
- joint ventures		0.2	-	0.2	0.4	-	0.4	0.5	-	0.5
- associates		<u>0.8</u>	<u>-</u>	<u>0.8</u>	<u>1.3</u>	<u>-</u>	<u>1.3</u>	<u>2.4</u>	<u>-</u>	<u>2.4</u>
<b>Total operating profit - group and share of joint ventures and associates</b>		17.2	(0.6)	16.6	17.4	(1.0)	16.4	56.6	(1.7)	54.9
Exceptional items	2b	<u>-</u>	<u>0.2</u>	<u>0.2</u>	<u>-</u>	<u>3.8</u>	<u>3.8</u>	<u>-</u>	<u>6.3</u>	<u>6.3</u>
<b>Profit on ordinary activities before interest</b>		17.2	(0.4)	16.8	17.4	2.8	20.2	56.6	4.6	61.2
Net interest payable		<u>4.6</u>	<u>-</u>	<u>4.6</u>	<u>3.9</u>	<u>-</u>	<u>3.9</u>	<u>8.0</u>	<u>-</u>	<u>8.0</u>
<b>Profit on ordinary activities before taxation</b>	1	12.6	(0.4)	12.2	13.5	2.8	16.3	48.6	4.6	53.2
Taxation	3	<u>3.8</u>	<u>(0.2)</u>	<u>3.6</u>	<u>4.0</u>	<u>(0.2)</u>	<u>3.8</u>	<u>15.0</u>	<u>(0.4)</u>	<u>14.6</u>
<b>Profit on ordinary activities after taxation</b>		<u>8.8</u>	<u>(0.2)</u>	<u>8.6</u>	<u>9.5</u>	<u>3.0</u>	<u>12.5</u>	<u>33.6</u>	<u>5.0</u>	<u>38.6</u>
<b>Equity minority interests</b>				<u>(0.0)</u>			<u>0.0</u>			<u>1.5</u>
<b>Profit for the period attributable to shareholders</b>				8.6			12.5			37.1
Dividends				<u>6.1</u>			<u>5.5</u>			<u>16.5</u>
<b>Retained profit for period</b>				<u>2.5</u>			<u>7.0</u>			<u>20.6</u>
<b>Basic earnings per share</b>	4			<u>18.9p</u>			<u>27.5p</u>			<u>81.4p</u>
<b>Diluted earnings per share</b>	4			<u>18.8p</u>			<u>27.5p</u>			<u>81.2p</u>
<b>Underlying earnings per share</b>	4			<u>19.3p</u>			<u>20.9p</u>			<u>70.4p</u>
<b>Dividend per share</b>				<u>13.3p</u>			<u>12.1p</u>			<u>36.3p</u>

There were no acquisitions or disposals during the period. All activities are continuing.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Unaudited six months to 30.6.04 £m	Unaudited six months to 30.6.03 £m	Audited year to 31.12.03 £m
Profit for the period	8.6	12.5	37.1
Revaluation of tangible fixed assets	—	—	<u>12.6</u>
Total recognised gains and losses relating to the period	<u>8.6</u>	<u>12.5</u>	<u>49.7</u>

## CONSOLIDATED BALANCE SHEET

	Notes	Unaudited six months to 30.6.04 £m	Unaudited six months to 30.6.03 £m	Audited year to 31.12.03 £m
<b>Fixed assets</b>				
Tangible assets		<u>301.2</u>	<u>271.8</u>	<u>287.9</u>
Investments: other		4.9	5.6	5.6
Investments in joint ventures:				
Share of gross assets		1.9	8.6	6.8
Share of gross liabilities		(1.1)	(7.2)	(5.4)
		<u>0.8</u>	<u>1.4</u>	<u>1.4</u>
		<u>5.7</u>	<u>7.0</u>	<u>7.0</u>
		306.9	278.8	294.9
<b>Current assets</b>				
Stocks and work in progress		38.4	25.0	34.4
Debtors - due within one year		61.2	72.5	59.3
- due after more than one year	5	44.7	9.4	53.7
Cash at bank and on deposit		<u>4.5</u>	<u>4.6</u>	<u>5.3</u>
		148.8	111.5	152.7
<b>Creditors: amounts falling due within one year</b>		<u>(37.9)</u>	<u>(30.3)</u>	<u>(73.4)</u>
<b>Net current assets</b>		<u>110.9</u>	<u>81.2</u>	<u>79.3</u>
<b>Total assets less current liabilities</b>		417.8	360.0	374.2
<b>Creditors: amounts falling due after more than one year</b>		(137.0)	(110.5)	(96.6)
<b>Provisions for liabilities and charges:</b>				
Investments in joint ventures:				
Share of gross assets		60.4	59.3	60.2
Share of gross liabilities		(70.7)	(67.0)	(69.8)
		(10.3)	(7.7)	(9.6)
Other provisions		(14.0)	(13.7)	(13.9)
<b>Deferred income</b>		<u>(15.6)</u>	<u>(16.3)</u>	<u>(15.9)</u>
<b>Net assets</b>	1	<u>240.9</u>	<u>211.8</u>	<u>238.2</u>
Share capital and premium		41.0	41.0	41.0
Reserves		<u>195.6</u>	<u>166.5</u>	<u>192.9</u>
<b>Equity shareholders' funds</b>	6	236.6	207.5	233.9
Equity minority interests	6	<u>4.3</u>	<u>4.3</u>	<u>4.3</u>
<b>Total capital employed</b>		<u>240.9</u>	<u>211.8</u>	<u>238.2</u>

## CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited six months to 30.6.04 £m	Unaudited six months to 30.6.03 Restated £m	Audited year to 31.12.03 £m
<b>Net cash inflow from operating activities</b>	7	<u>8.9</u>	<u>20.8</u>	<u>43.0</u>
<b>Dividends from joint venture and associated companies</b>		<u>1.2</u>	<u>1.2</u>	<u>2.1</u>
<b>Returns on investments and servicing of finance</b>				
Interest received		0.2	0.2	2.7
Interest paid		(3.0)	(2.7)	(5.2)
Interest element of finance lease rentals		(0.0)	(0.0)	(0.0)
Minority interest dividend paid		<u>(1.5)</u>	<u>(1.1)</u>	<u>(1.2)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(4.3)</u>	<u>(3.6)</u>	<u>(3.7)</u>
<b>Taxation</b>				
UK tax paid		<u>(6.0)</u>	<u>(0.0)</u>	<u>(6.3)</u>
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(18.8)	(7.7)	(17.2)
Sale of tangible fixed assets		1.3	0.9	1.7
Exceptional sale of tangible fixed assets (insurance proceeds)		3.0	-	-
Deferred income received		-	0.2	1.5
Sale of fixed asset investments		-	0.0	0.0
Loan repaid by joint venture company		-	-	19.0
Loan to joint venture company		<u>(0.5)</u>	<u>-</u>	<u>(25.5)</u>
<b>Net cash outflow from capital expenditure and investing activities</b>		<u>(15.0)</u>	<u>(6.6)</u>	<u>(20.5)</u>
<b>Acquisitions and disposals</b>				
Purchase of subsidiary undertaking		-	-	(0.3)
Expenses of purchase of subsidiary undertaking		-	-	(0.0)
Proceeds from sale of fixed asset investments		<u>-</u>	<u>-</u>	<u>2.6</u>
<b>Net cash inflow from acquisitions and disposals</b>		<u>-</u>	<u>-</u>	<u>2.3</u>
<b>Equity dividends paid</b>		<u>(11.0)</u>	<u>(10.0)</u>	<u>(15.5)</u>
<b>Cash (outflow)/inflow before financing</b>		<u>(26.2)</u>	<u>1.8</u>	<u>1.4</u>
<b>Financing</b>				
Issue of ordinary shares		-	0.2	0.2
Sale of own shares held (previously in sale of fixed asset investments)		-	0.8	0.8
Net loans advanced/(repaid)		27.0	(5.0)	(4.0)
Arrangement fees for new loans		(1.5)	-	-
Principal payments under finance leases		<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.1)</u>
<b>Net cash inflow/(outflow) from financing</b>		<u>25.4</u>	<u>(4.1)</u>	<u>(3.1)</u>
<b>Decrease in cash</b>		<u>(0.8)</u>	<u>(2.3)</u>	<u>(1.7)</u>

## CONSOLIDATED CASH FLOW STATEMENT

	Note	Unaudited six months to 30.6.04 £m	Unaudited six months to 30.6.03 £m	Audited year to 31.12.03 £m
<b>Reconciliation to net debt</b>				
Net debt at 1st January		(106.4)	(108.8)	(108.8)
Decrease in cash		(0.8)	(2.3)	(1.7)
Movement in borrowings		<u>(25.4)</u>	<u>5.1</u>	<u>4.1</u>
Net debt at period end	8	<u>(132.6)</u>	<u>(106.0)</u>	<u>(106.4)</u>

## NOTES:

1. The analysis by class of business of the Group's turnover, profit before taxation and net assets is set out below:

	Unaudited six months to 30.6.04			Unaudited six months to 30.6.03			Audited year to 31.12.03		
	Business performance £m	Exceptional items £m	Total £m	Business performance £m	Exceptional items £m	Total £m	Business performance £m	Exceptional items £m	Total £m
<b>Turnover</b>									
Port operations	57.0	-	57.0	57.1	-	57.1	115.0	-	115.0
Investment property and property development - group	1.7	-	1.7	0.8	-	0.8	41.3	-	41.3
- joint ventures	<u>3.7</u>	<u>-</u>	<u>3.7</u>	<u>3.5</u>	<u>-</u>	<u>3.5</u>	<u>4.9</u>	<u>-</u>	<u>4.9</u>
	<u>62.4</u>	<u>=</u>	<u>62.4</u>	<u>61.4</u>	<u>=</u>	<u>61.4</u>	<u>161.2</u>	<u>=</u>	<u>161.2</u>
<b>Profit on ordinary activities before taxation</b>									
Port operations - group	15.4	(0.6)	14.8	15.4	(1.0)	14.4	31.4	(1.7)	29.7
- associates	<u>0.8</u>	<u>-</u>	<u>0.8</u>	<u>1.3</u>	<u>-</u>	<u>1.3</u>	<u>2.5</u>	<u>-</u>	<u>2.5</u>
	<u>16.2</u>	<u>(0.6)</u>	<u>15.6</u>	<u>16.7</u>	<u>(1.0)</u>	<u>15.7</u>	<u>33.9</u>	<u>(1.7)</u>	<u>32.2</u>
Investment property and property development - group	0.8	-	0.8	0.3	-	0.3	22.3	-	22.3
- joint ventures	0.2	-	0.2	0.4	-	0.4	0.5	-	0.5
- associates	<u>(0.0)</u>	<u>-</u>	<u>(0.0)</u>	<u>(0.0)</u>	<u>-</u>	<u>(0.0)</u>	<u>(0.1)</u>	<u>-</u>	<u>(0.1)</u>
	<u>1.0</u>	<u>-</u>	<u>1.0</u>	<u>0.7</u>	<u>-</u>	<u>0.7</u>	<u>22.7</u>	<u>-</u>	<u>22.7</u>
Exceptional gains									
- port operations	-	0.2	0.2	-	1.5	1.5	-	4.0	4.0
- property development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.3</u>	<u>2.3</u>	<u>-</u>	<u>2.3</u>	<u>2.3</u>
	<u>-</u>	<u>0.2</u>	<u>0.2</u>	<u>-</u>	<u>3.8</u>	<u>3.8</u>	<u>-</u>	<u>6.3</u>	<u>6.3</u>
Net interest payable									
Port operations - group	(2.0)	-	(2.0)	(1.7)	-	(1.7)	(3.4)	-	(3.4)
- associates	<u>(0.1)</u>	<u>-</u>	<u>(0.1)</u>	<u>(0.1)</u>	<u>-</u>	<u>(0.1)</u>	<u>(0.2)</u>	<u>-</u>	<u>(0.2)</u>
Investment property and property development - group	(0.8)	-	(0.8)	(0.2)	-	(0.2)	(0.8)	-	(0.8)
- joint ventures	(1.7)	-	(1.7)	(1.9)	-	(1.9)	(3.6)	-	(3.6)
- associates	<u>(0.0)</u>	<u>-</u>	<u>(0.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.0)</u>	<u>-</u>	<u>(0.0)</u>
	<u>(4.6)</u>	<u>-</u>	<u>(4.6)</u>	<u>(3.9)</u>	<u>-</u>	<u>(3.9)</u>	<u>(8.0)</u>	<u>-</u>	<u>(8.0)</u>
Profit on ordinary activities before taxation	<u>12.6</u>	<u>(0.4)</u>	<u>12.2</u>	<u>13.5</u>	<u>2.8</u>	<u>16.3</u>	<u>48.6</u>	<u>4.6</u>	<u>53.2</u>
<b>Net assets</b>									
Port operations			304.1			272.0			288.7
Investment property and property development - group			78.9			52.1			64.1
- joint ventures			<u>29.5</u>			<u>57.0</u>			<u>32.7</u>
			412.5			381.1			385.5
Net interest bearing liabilities									
Port operations - group			(94.4)			(91.0)			(97.0)
Investment property and property development - group			(38.2)			(15.0)			(9.4)
- joint ventures			<u>(39.0)</u>			<u>(63.3)</u>			<u>(40.9)</u>
			<u>240.9</u>			<u>211.8</u>			<u>238.2</u>

Turnover is wholly generated in the UK.

2. Exceptional items

	Unaudited six months to 30.6.04 £m	Unaudited six months to 30.6.03 £m	Audited year to 31.12.03 £m
<b>a) Group Operating Profit</b>			
Exceptional severance costs	0.6	0.8	1.5
Exceptional court fine	<u>-</u>	<u>0.2</u>	<u>0.2</u>
	<u>0.6</u>	<u>1.0</u>	<u>1.7</u>

The severance costs in the six months to 30th June 2004 relate principally to a reduction in towage crew members in the Firth of Forth and severance costs in operations at Tilbury. The severance costs in the six months to 30th June 2003 related principally to the costs of centralisation of the marine operations in the Firth of Forth and of severance costs in operations at Tilbury. Severance costs in the year to 31st December 2003 related principally to the costs of centralisation of the marine operations in the Firth of Forth, severance costs in operations at Tilbury and Dundee and the continuing costs of the centralisation of the Scottish Ports' accounting and administrative functions. The court fine related to the death of an employee at the Imperial Grain Silo in May 2001.

**b) Other**

Exceptional gain on subscription of shares by Bellhouse Joseph Leith Limited ("BJL") in subsidiary company	-	2.3	2.3
Exceptional gains - insurance claims	<u>0.2</u>	<u>1.5</u>	<u>4.0</u>
	<u>0.2</u>	<u>3.8</u>	<u>6.3</u>

- The taxation charge for the six months to 30th June 2004 has been provided on the basis of the estimated effective tax rate for the year to 31st December 2004 being 30.2%. The exceptional gains from insurance claims are not taxable, the insurance proceeds being reinvested in fixed assets.
- The basic and underlying earnings per share calculations are based on the weighted average of Ordinary Shares in issue in the six months ended 30th June 2004 of 45.6 million (2003 – 45.5 million). The diluted earnings per share figure is based on the weighted average of Ordinary Shares in issue adjusted for potential dilutive Ordinary Shares in the six months ended 30th June 2004 of 45.7 million (2003 – 45.5 million).
- Debtors due outwith one year include £26m of loans due from Ocean Terminal Limited, a joint venture company (six months ended 30th June 2003 - £11m due within one year).

## 6. Reconciliation of movement in equity shareholders' funds and equity minority interests

	Unaudited six months to 30.6.04  £m	Unaudited six months to 30.6.03 Restated  £m	Audited year to 31.12.03  £m
Equity shareholders' funds as previously reported	233.9	200.2	199.4
Prior year adjustment - own shares held	<u>-</u>	<u>(0.8)</u>	<u>-</u>
Equity shareholders' funds at 1st January as restated	233.9	199.4	199.4
Retained profit for the period	2.5	7.0	20.6
Credit in respect of LTIP shares	0.2	0.1	0.3
Share capital issued	-	0.0	0.0
Share premium on share capital issued	-	0.2	0.2
Revaluation of tangible fixed assets	-	-	12.6
Consideration received for own shares held	-	1.0	1.0
Consideration paid for own shares held	<u>-</u>	<u>(0.2)</u>	<u>(0.2)</u>
	<u>236.6</u>	<u>207.5</u>	<u>233.9</u>
Equity minority interests at 1st January	4.3	4.0	4.0
Arising on the subscription of shares by BJL in subsidiary company	-	0.3	0.3
(Loss)/profit in the period	(0.0)	0.0	1.5
Dividend receivable	<u>-</u>	<u>-</u>	<u>(1.5)</u>
	<u>4.3</u>	<u>4.3</u>	<u>4.3</u>

As described in the full financial statements for the year ended 31st December 2003, the Group made a prior year adjustment to reflect the early adoption of UITF Abstract 17 (revised 2003) (Employee Share Schemes) and UITF Abstract 38 (Accounting for ESOP Trusts). There is no impact on the profit and loss account from the adoption of UITF Abstract 38 in the six months to 30th June 2003. The effect of UITF Abstract 17 on the results for the six months ended 30th June 2003 is not material. Own shares held at 30th June 2003, that were previously shown within fixed asset investments, have been restated and are now deducted from the profit and loss account reserve to arrive at equity shareholders' funds.

## 7. Reconciliation of operating profit to net cash inflow from operating activities

	Unaudited six months to 30.6.04 £m	Unaudited six months to 30.6.03 £m	Audited year to 31.12.03 £m
Operating profit	15.6	14.7	52.0
Depreciation on tangible fixed assets	5.1	5.1	10.4
Unrealised profit eliminations	-	(0.0)	(0.0)
Gain on sale of tangible fixed assets	(0.2)	(0.1)	(0.4)
Release of deferred income	(0.3)	(0.4)	(0.7)
Fixed assets transferred to work in progress	-	-	0.3
Increase in stocks and work in progress	(4.0)	(4.2)	(11.5)
Increase in amounts owed by joint ventures and associated undertakings	-	-	(0.1)
Decrease/(increase) in debtors	4.9	7.1	(21.5)
(Decrease)/increase in creditors	(12.3)	(1.3)	14.7
Increase/(decrease) in provisions	<u>0.1</u>	<u>(0.1)</u>	<u>(0.2)</u>
Net cash inflow from operating activities	<u>8.9</u>	<u>20.8</u>	<u>43.0</u>

## 8. Analysis of changes in net debt

	At 1.1.04 £m	Cash flow £m	At 30.6.04 £m
Cash at bank and on deposit	5.3	(0.8)	4.5
Debt due within one year	(15.0)	15.0	-
Debt due outwith one year	(96.5)	(40.5)	(137.0)
Finance leases	<u>(0.2)</u>	<u>0.1</u>	<u>(0.1)</u>
Total net debt	<u>(106.4)</u>	<u>(26.2)</u>	<u>(132.6)</u>

Under the terms of the new banking facility all loans are now due outwith one year.

9. The interim accounts are unaudited but have been formally reviewed by the Auditors and their report to the Company is set out on page 15. The financial information contained in this statement does not comprise statutory accounts within the meaning of the phrase as referred to in section 240 of the Companies Act 1985. Full accounts for the year ended 31st December 2003 have been filed with the Registrar of Companies. The report of the Auditors on these accounts was unqualified and did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985.

The principal accounting policies as set out in pages 41-42 of the accounts for the year ended 31st December 2003 are unchanged.

The maintenance and integrity of the Forth Ports PLC website 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 Interim Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

10. The interim statement will be posted to shareholders on 9th September 2004. Copies will be available from the Company's registered office, Forth Ports PLC, 1 Prince of Wales Dock, Leith, Edinburgh EH6 7DX.

## **INDEPENDENT REVIEW REPORT TO FORTH PORTS PLC**

### **Introduction**

We have been instructed by the Company to review the financial information which comprises the profit and loss account, balance sheet, statement of total recognised gains and losses, consolidated cash flow statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th June 2004.

PricewaterhouseCoopers LLP  
Chartered Accountants  
Edinburgh

6th September 2004