

2010

With growth in our ports business and continued progress in renewables and property, we are delivering real value to our shareholders.

Our 2010 report outlines the steps we are taking to deliver growth.

Charles Hammond.

Charles Hammond
Group Chief Executive

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125
YEARS AT
TILBURY

PORT OF TILBURY

Tilbury is London's major port providing fast, modern distribution services for the benefit of the south east of England. It is the UK's leading paper handling port and has a strong position in containers, bulk commodities and construction and building materials.

Tilbury has a leading market position in a variety of commodities and is the distribution hub of choice for the Olympics. The port has a prominent role to play in the regeneration of Thurrock Thames Gateway and in providing greener supply chains.



SCOTTISH PORTS

Our ports in Scotland are optimally located for distribution into the industrial and consumer heartland of Scotland. We offer combined and environmentally friendly transport solutions with road, rail and sea, together with innovative, flexible supply chain solutions to Scotland's businesses.

Marine

As the Statutory Harbour Authority for the Forth and the Tay we track vessels 24 hours a day and ensure that the highest standards of safety set out in the Port Marine Safety Code are met. Our marine services are flexible and responsive to shipping needs.



FORTH PORTS PLC

Founded on port operations and capitalising on locations.

NORDIC GROUP

Nordic manages and recycles waste for many large businesses. Value is added to these businesses at our strategic port locations for processing and handling waste as well as reducing the need for landfill.



PROPERTY

Our property business is making a significant contribution to the regeneration of Edinburgh's Waterfront. Our development land at The Harbour will provide a retail, leisure and commercial heart for the waterfront and facilitate economic growth.

Ocean Terminal

Ocean Terminal is an established shopping centre which provides an anchor for our regeneration plans, and an exciting and varied shopping and leisure experience for residents and visiting tourists.



Swords of Honour

We are delighted and proud that both our Scottish Ports Operation and the Port of Tilbury received the Sword of Honour for their contribution to safe working by the British Safety Council.

A CLEAR INVESTMENT PROPOSITION

CONTINUED GROWTH IN OUR PORTS BUSINESS

Our strategy of investing in supply chain opportunities together with improvements in manpower skills and efficiencies gives growth potential from a secure business base.

EXPANDING TILBURY

Project Next has the potential to expand Tilbury's warehousing capacity by up to 20%, helping to underpin volume growth within our largest port facility.

MAKING PROGRESS IN RENEWABLES

Attracting manufacturing facilities for offshore renewables will add value to our land assets and port operations in Scotland.

PLANNING CONSENTS

The development of consented Biomass plants will allow us to invest in materials handling solutions for volume growth, adding value to our land assets.

PRUDENT FINANCIAL MANAGEMENT

Through difficult economic times, core net debt has reduced due to the stability of our ports business. As we identify opportunities to expand, we will finance these prudently against commitments, delivering returns for the business and our shareholders.

REGENERATION

By managing and developing our assets on the waterfront and working in partnership on regeneration, we can add value and income to our property assets and help to close the value gap between the city and the Waterfront, creating a major destination in Edinburgh.

A RICH ASSET BASE

TILBURY

725 Acres

SCOTLAND

1,000 Acres

SEABED

4,500 Acres

Our extensive freehold asset base allows us to create value opportunities which will complement our core ports business and create conditions necessary for growth in changing markets. The key elements for delivering value are the skills of our people, targeted investments and our asset base.

RENEWABLE ENERGY

Our ports and land assets have the potential to develop manufacturing and logistics centres of excellence for the offshore renewables industry.

Our plans to provide renewable heat and power will make an important contribution to sustainable lower carbon cities in Scotland.





PORTS

Our ports business depends on understanding the supply chain needs of our customers which give rise to secure, stable contracts. Our customer relationships are many and varied covering producers, importers, exporters, forwarders, shipping lines and distributors across our four main commodity categories:

- > Dry bulks
- > Liquid bulks
- > Paper and forestry
- > Containers and Ro-Ro

Investing in equipment, facilities and our people, allows us to increase productivity and efficiency which, in turn, improves supply chain efficiencies.

The location of our ports results in easy access to centres of population by distribution for most commodities and therefore can offer shipping and distribution close to the point of consumption. This in turn allows for a lower carbon supply chain and a more cost effective one.

This approach to delivering port services and Port Centric development will grow our business and benefit our customers.

RECYCLING

Cost effective waste management and recycling allows us to reduce our customers' land fill requirements and benefit from reusable commodities. Value is added at our port locations from recycling where materials are processed and baled and then exported – in the case of Chatham, in the same vessels on which goods are imported – again lowering the carbon effect in the supply chain.

UNDERSTANDING OUR MARKETPLACE



WATERFRONT LAND

Our extensive land assets at Leith allow us to play a significant role in the regeneration of Edinburgh's waterfront, both in terms of our property business and also in the developing area of renewables.

We own one of the largest brownfield areas of land capable of being developed in Edinburgh. The regeneration process has already established a retail demand at the waterfront which is growing. The City of Edinburgh Council has approved the surrounding land for mixed use development to provide a heart to the waterfront and a destination for retail, tourism and leisure generally, as well as much needed affordable housing. The Harbour at Leith Docks is a significant partnering opportunity for large scale developers and the public sector.



RENEWABLES

Our ports in the Forth and Tay are in close proximity to the Round 3 Offshore Territorial Developments. We have significant areas of surplus land, access to deep water quays, heavy load-out, assembly and distribution experience in our ports and also a skills base within the cities of Dundee and Edinburgh which can be utilised to progress these markets from research and development to mass manufacturing.

Forth Ports – at the heart of the Scottish economy and the Thames Gateway in London

“Our ports in Scotland are located at the centre of the Scottish economy and are set to play a major part in growth and recovery in Scotland. Tilbury is London's major port sitting at the heart of the regeneration of the Thurrock Thames Gateway region in the south east of England and is pivotal to economic growth and development in that area.”

OUR CURRENT RENEWABLES CAPACITY

Scottish Ports Geographic Proximity

Our ports at Leith and Dundee have the potential to become renewables hubs servicing the offshore renewables market.

Capability

We frequently handle project cargo and heavy loads and have a strong track record in offshore support.

RENEWABLES, BIOMASS, COASTAL SHIPPING

Our strategic joint venture with SSE plc, Forth Energy, has ambitious plans to contribute to Scotland's carbon neutrality in two of our main cities. The development of large scale biomass heat and power plants will make a significant contribution towards any renewables manufacturing facility. Our commitment to renewables will help generate economic growth

as we move towards a low carbon economy in Scotland.

The short sea shipping routes which we service also save carbon for the UK economy by reducing the need for long haul vehicle movements. Transferring goods by coastal shipping between ports within the UK helps to contribute to a greener supply chain.

THE OPPORTUNITY FOR FORTH PORTS

Lower Carbon Supply Routes

Efficient use of short sea coastal shipping and barge movements in the Forth Estuary will offer exporters, distributors and supermarkets a supply chain which is greener and more efficient.

Carbon Capture

The Forth Estuary hosts some of the most intensive carbon related activity in Scotland and should therefore benefit in the future from emerging carbon capture technology which will require storage, distribution and possibly shipping facilities.



**FUTURE VALUE CASE STUDY:
THE TRANSITION
TO A LOW CARBON
ECONOMY IN SCOTLAND**

HOW WE MANAGE THE RISKS

MANAGING OUR FINANCES

Refinancing our core debt.

Mitigation

- > We have regular discussions with a wide variety of Banks and financial institutions.
- > We are advanced in our refinancing discussions.

Commentary

Our broadly based secure business is attractive to a number of lending institutions.

PENSION SCHEME FUNDING

The Group operates a Defined Benefit Pension Scheme for most of its employees. The greatest risks are referred to on page 61 but include the effects of an increase or decrease in the discount rate used, the inflation assumption and life expectancy.

Mitigation

- > Reduction in overall percentage of assets held in equities.
- > Regular review of Fund Managers' performances.
- > Life expectancy increased after last Actuarial Valuation.
- > Increased contribution by Company and Members to the Scheme.

Commentary

The potential effects of relatively small changes in the major assumptions can be significant. The next Actuarial Review takes place in April 2011.

We have announced our intention to make changes to our defined benefit scheme which will make the scheme more sustainable for the future. The company will consult fully on these changes.

SIGNIFICANT MARINE INCIDENT

As Statutory Harbour Authority to Dundee and the Forth, we are responsible for all commercial marine activities in these areas, including responses to a major marine incident.

Mitigation

- > Regular audit and review of The Port Marine Safety Code through the independent Auditor.
- > Regular exercise of our emergency plan, 'Clearwater Forth', and improved 'near-miss' reporting.

Commentary

The operation of The Port Marine Safety Code is reviewed annually by the Board who has access to the independent Auditor.

Risks are considered and debated by the Group Management Board and at our Management Strategy Conference. These are ranked and mitigation factors are discussed and then are reported to the Board. These are then debated and considered at the Board Strategy Conference so that we have a considered view of our key risks and management action to mitigate these. To complement this process, each of the Business Units and functions are asked to prepare a “bottom up” view of their key risks and these are then harmonised with the Board view to achieve an outcome for the whole of the Group.

ABILITY TO EXPAND AT TILBURY

Looking to the medium and long-term, we require additional land for port related operations.

Mitigation

> 65 acres of land purchased in 2008 just outside the Port of Tilbury.

Commentary

Close liaison with the relevant planning authorities has resulted in support for a change of use to allow port related/industrial use on the new land.

We now have a recommendation for planning approval for our expansion scheme by the officers of the Thurrock Thames Gateway Development Corporation.

GOVERNMENTAL AND REGULATORY RELATIONSHIPS

These are key in managing planning applications for new developments and positioning our assets for emerging new industries such as renewables.

Mitigation

- > Membership of The United Kingdom Major Ports Group means we can articulate our views on policy initiatives by a Westminster Government.
- > We seek to build relationships at all levels with the Government in Scotland and the Councils through regular meetings and membership of the Economic Development Forum and environment bodies such as the Forth Estuary Forum.

Commentary

We also have significant in-house expertise on planning and the management of large complex projects.

EMPLOYEE RELATIONS

The skills and motivation of our people are an important aspect of generating business growth, particularly in an uncertain economic climate.

Mitigation

- > Regular communication with Unions and employees on key issues such as wage bargaining, business efficiency, working practices, health and safety and environment.

Commentary

Regular dialogue and communication allows us to match working patterns and wages to the financial performance and efficiency of the business.

A VALUE BASED BUSINESS MODEL

We should combine our areas of expertise with our extensive asset base to create both revenue and value for our shareholders.

OUR EXPERTISE



REVENUE GENERATION



VALUE CREATION

People Skills

We invest continuously in improving the skills efficiency and safety of our people. This is a priority for us.

Ability to Run Groups of Ports

All our ports have different service offerings and market positions, but we combine best practice in all for the benefit of the Group.

Customer Relationships

We build long term relationships with our customers to understand their needs in the supply chain; this gives us stability in the business to create opportunities for future growth.

Asset Base

Our extensive asset base allows us to expand our customer facilities and create value in complementary areas to our ports business.

Masterplanning

We actively create space for new initiatives by repositioning assets and businesses within our ports to ensure that our regeneration and renewables initiatives complement our core business. This is the foundation of our flexibility of response which has given us a track record in delivering on major projects.

Understanding Markets

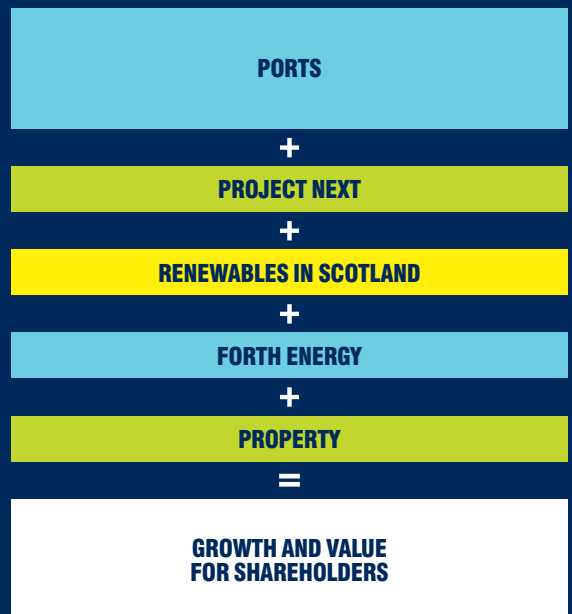
We are active in the markets in which we operate, understanding the future needs of our customers and are able to respond flexibly and innovatively to their needs. We are also building partnership relationships with both the public and private sector to ensure regeneration and renewables initiatives gather momentum.

Relationships

Our understanding of customer needs, services, facilities and assets allow us to generate revenue from a variety of different sources.

By maximising the use of assets and repositioning and modernising them, we can create value. Planning consents will also create the opportunity to build new facilities which in turn will create value.

THE VALUE PLATFORM MODEL



FUTURE VALUE CASE STUDY: EXPANDING OUR CAPACITY IN THE THAMES ESTUARY

THE OPPORTUNITY FOR FORTH PORTS

Project NEXT

The development of additional capacity from Project NEXT will create at least 1,000 additional jobs in the area. Tilbury is already Britain's greenest port and our facilities and throughputs at the port will help to contribute to the lower carbon supply chain in the south east. The combination of additional jobs, more revenues and lower carbon will deliver prosperity to the Thurrock area from one of its biggest assets.

LONDON 2012 OLYMPICS

The London Organising Committee for the Olympic Games will occupy 0.5m sq.ft. of warehousing at Tilbury to create a distribution and supply chain system which will contribute to the greenest games. Tilbury has the ability to distribute goods by barge, rail and road and the expertise to organise and store any type of cargo. We are proud to be serving the Olympics and believe this will highlight our supply chain potential to businesses who are looking for a more efficient and greener supply chain.

OUR CURRENT THAMES CAPACITY

The Port of Tilbury

Tilbury is the major port of London, unique in its ability to serve a market of up to 30m people from a deep water port which also operates as a distribution hub for London and the South East. Project NEXT will expand the warehousing and distribution capacity of Tilbury

by 20%, create employment in the Thurrock Thames Gateway area and underpin new landside facilities needed to grow throughputs which are targeted to grow significantly.

125
YEARS AT
TILBURY

MEASURING OUR PERFORMANCE

We measure our performance both in terms of the effect which our strategy and actions have on our underlying financial performance, but also in terms of the positioning of our asset base for future growth and value.

In 2010, we took important steps towards creating increased value for our shareholders in the following ways:

- > We returned our core ports business to growth
- > We positioned key port assets in Scotland to benefit from inward investment and public funding for renewables
- > We achieved planning consent for The Harbour at Leith Docks
- > We positioned our land at Tilbury for expansion with the submission of a detailed planning application

UNDERLYING PORT OPERATING PROFIT

Definition:

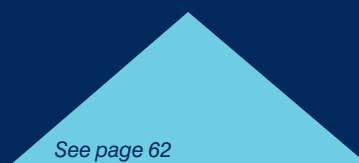
We measure the underlying growth in our operating profit in ports and also our ports EBITDA.

Why is this key to our strategy?

Ports is our core business and we seek to grow profits on an ongoing basis to underpin our growing dividend policy and increase the value of our ports business and assets.

2010

£43.0_M



2006-2009 figures restated for reallocation of net finance cost on pension liability.

2009

£41.5_M

2008

£43.0_M

2007

£37.7_M

2006

£34.2_M

PROPERTY RETURNS

Definition:

We have compared the income and valuation movements from our property business against the Investment Property Forum Forecast.

Why is this key to our strategy?

We are seeking to generate increases in value in our property assets, both in terms of capital valuation movements related to land and growth in income, particularly from our main asset, Ocean Terminal.

ITEM

2009
VALUE

2010
VALUE

2010
NET INCOME

OCEAN
TERMINAL

£85.0_M

£88.6_M

£5.9_M

DEVELOPMENT
LAND

£16.0_M

£19.0_M

£0.8_M

GRANGEMOUTH
LAND

£5.6_M

£5.7_M

£0.2_M

PROPERTY
INVESTMENT
INCOME

£3.5_M

£3.9_M

£0.3_M

TOTAL
RETURN

13.3%

EQUITY
RETURN

23.0%

DIVIDEND PER SHARE

Definition:

Our policy is to grow our dividend in real terms (that is greater than the rate of inflation) as our port operating performance improves.

Why is this key to our strategy?

This delivers a real income return to our shareholders.

2010

30.0 pence

See page 69

2009

28.6 pence

2008

28.6 pence

2007

47.7 pence

2006

45.2 pence

MANAGING OUR BALANCE SHEET

Definition:

During difficult economic times, we have taken steps to reduce our net debt to more prudent levels. We will manage expansion through investment against customer long term commitments.

Why is this key to our strategy?

Managed growth by investment and expansion will deliver equity returns to our shareholders.

2010

£166.2^{*}_M

See page 89

* Excludes Ocean Terminal net debt.

2009

£186.5_M

2008

£208.0_M

2007

£205.5_M

2006

£176.6_M

HEALTH AND SAFETY (REPORTABLE ACCIDENTS/INCIDENTS)

Definition:

We seek to reduce our accident and personal injury rates every year to the lowest possible level and create a climate where our people aspire to zero accident rates.

Why is this key to our strategy?

The skills, motivation and well-being of our people are key to our business and of paramount importance.

2010

25

See page 21

2009

26

2008

30

2007

39

2006

36

OVERVIEW

2010 was a successful year for Forth Ports showing growth in our financial results and progress in each of our different businesses. The highlights were:

- > Core ports business delivered revenue and profit growth;
- > Tilbury established as a Distribution Hub for the 2012 Olympics;
- > Progress in positioning two of our key ports in Scotland as renewables hubs;
- > Further development of our "portcentric" strategy at Tilbury with progress on our planning application for Project NEXT;
- > Growth in both income and value from our property assets; and
- > A further significant reduction in our accident rate.

In our ports business, the Group was successful in attracting new business and assisting existing customers to take advantage of opportunities to work with other customers to increase the overall level of business in the ports. At the same time, the Group managed its cost base, increased productivity and enhanced the skills base of our employees. In general, volume recovery has been slower in Scotland than the South East of England, particularly in containers, but the ongoing reduction of our cost base has allowed us to take advantage of increased volumes and new opportunities.

The integration of Ocean Terminal Limited ("OTL") as a wholly owned subsidiary was successfully accomplished, producing underlying income growth, valuation growth and new tenants whilst minimising the disruption from the tram works. We achieved success on the planning application for The Harbour in Leith and approval, in principle, for Tax Incremental Financing ("TIF") for infrastructure at The Harbour. All of these factors will provide a firm base from which to move forward both with this development and to attract a partner to help us grow further value.

The external valuation of our property development portfolio increased from £108.5m to £115.5m. This portfolio includes the following assets:

- > Ocean Terminal
- > Development land
- > Land generating investment property income
- > Land and property income at Grangemouth

The remaining land and port related income at Leith has not been included in the property valuation. We have taken the view that the development potential of this land in the near future is more likely to be for port related renewables activity.

OFFER

It was announced on 22nd March 2011 that the Boards of Forth Ports and Otter Ports, a wholly-owned subsidiary of Arcus European Infrastructure Fund 1 L.P., had reached agreement on the terms of a recommended cash offer (the "Offer") to be made by Otter Ports to acquire all of the issued and to be issued share capital of Forth Ports. Under the terms of the Offer, Forth Ports shareholders will be

entitled to receive 1,630 pence in cash per Forth Ports share. In addition, Forth Ports shareholders will be entitled to receive and retain the proposed final dividend of 20 pence per share expected to be paid on 13th May 2011 to shareholders on the register at the close of business on 15th April 2011. It is intended that the Offer will be implemented by means of a Court-sanctioned Scheme of Arrangement under Part 26 of the Companies Act.

Further details of the Offer are contained in a separate announcement.

FINANCIAL

Total revenue increased by 5% to £181.9m (2009 – £173.9m). Within total revenue, port revenue increased by 2% and property revenue increased by over £7m, principally as a result of the acquisition of the remaining 50% of the shares in OTL at the end of 2009. Revenue from recycling amounted to £15.7m (2009 – £17.6m). The underlying ports operating profit increased by 4% to £43.0m (2009 – £41.5m¹). The profit from recycling was broadly in line with 2009 at £1.1m. With the benefit of the acquisition of OTL, property operating profit increased by 8% on a like-for-like basis.

The reported profit before tax amounted to £56.3m compared with £47.0m in 2009 after net exceptional items and revaluations of £19.7m (2009 – £13.8m²).

THE UNDERLYING PORTS OPERATING PROFIT INCREASED BY 4% TO £43.0M

Basic earnings per share amounted to 98.4p (2009 – 81.7p³). Underlying earnings per share were 59.3p compared with 56.2p in 2009.

Total net debt was reduced for the second year in succession declining by £19.6m to £231.5m. We are in discussions to refinance the Group's existing facility which expires in June 2012.

2011 will see a new charge being incurred under the Government's carbon reduction legislation which has recently been changed to a tax. The charge for 2011 will not be material to the Group and we are discussing the future implications with our tenants and customers.

The pension charge in the income statement increased by £1.4m in 2010 compared with 2009. A further significant increase has been projected for 2011. In light of this, discussions are due to take place with our employees to amend the benefit structure of the scheme to enable the retention of the defined benefits scheme at a cost which is more sustainable in the future. The Company is also looking at a scheme to implement an asset backed funding solution to address a proportion of the scheme deficit.

¹ Restated for reallocation of net finance cost on pension liability (Note 32)

² Revised for measurement period adjustment (Note 39)

³ Earnings before interest, tax, depreciation and amortisation

DIVIDEND

The Directors propose a final dividend of 20p per share giving a total dividend for the year of 30p (2009 – 28.6p) an increase of 5%. If approved by the shareholders at the Annual General Meeting on 6th May 2011, the final dividend will be paid on 13th May 2011 to all shareholders on the register as at 15th April 2011.

PORTS

The ports business performed well in 2010 with Tilbury, Leith and Dundee particularly strong. The underlying EBITDA³ amounted to £57.0m compared with £55.2m in 2009.

Tilbury's operating profit increased significantly on a revenue increase of 2%. Nordic Forest Terminals Limited ("NFT") increased its revenues by 10%. In Scotland, revenue was up marginally. Overall, profitability in Scotland grew strongly.

Debenham Tie Leung ("DTZ"), our external property valuers, carried out the quinquennial valuation of the port investment property. The Market Value of these properties was £243.2m as at 31st December 2010, an increase of £16.8m.

During 2010 there have been a number of gains at Tilbury. We are pleased to confirm that the London Organising Committee of the Olympic Games and Paralympic Games ("LOCOG") has now been given occupation of 500,000 sq.ft. of warehousing space in the port.

We signed a tripartite agreement with Cargill PLC and Tilbury Green Power Limited for the use of a 26 acre site at Tilbury for the construction and operation of a 60 megawatt biomass plant. We are hopeful that demolition work on the existing site will begin during 2011 with construction of a new biomass plant to follow.

We have been active in progressing the planning application and discussions with Thurrock Thames Gateway Development Corporation ("TTGDC") and Thurrock Borough Council ("TBC") on the redesignation of the 65 acres of land outside the port which we purchased in 2008 (Project NEXT). The application was submitted to TTGDC in the second quarter of 2010 and the Planning Officer's Report has recommended approval of our scheme. The application will be heard by TTGDC once some final ecological work has been completed. In the meantime, property agents have been appointed to market the 65 acres and interest has already been shown in the site for warehousing/distribution.

In Scotland, the Port of Dundee was busy providing services and facilities to both the North Sea oil and grain industries. This activity boosted the port's income and resulted in a greater awareness of the port's capabilities. At Leith, the port had its best year ever with a combination of strong coal tonnages, good grain volumes and a welcome increase in the activities of Bredero Shaw, the pipe coating company.

There has been a significant amount of work done in Scotland on "Renewables" where both Leith and Dundee were designated in the Scottish Government's National Renewables Infrastructure in Scotland Plan as the two main ports for renewables hubs. We are in discussions with Mitsubishi Power Systems Europe Limited regarding the development of a renewable hub at one of our ports. The Spanish company Gamesa announced its intention to enter into a Memorandum of Understanding ("MoU") to establish offshore manufacturing at Dundee. We have received a number of other inward investment enquiries related to renewables activity. The Scottish Government has set up a fund of £72m which is to be used to support the creation of renewables facilities within Scotland. We have applied for funds with the support of a number of interested manufacturers and developers.

After a disappointing 2009, Tilbury Container Services ("TCS"), the deep-sea container company in which we have a one third share, increased its container throughput by over 10% with a consequent improvement in its financial performance. Since the end of 2010, it has won three new services which should see it improve its profitability further in 2011.

RECYCLING

Core volumes for our main customer Holmen decreased with the closure of one of Holmen's mills. This was countered by new initiatives to increase waste management revenues, introduce and establish the new waste collection service and expand the customer base. This has resulted in progress in the second half of 2010. Volumes for the new waste business have also been increasing. In overall terms, although the underlying contribution was marginally lower in 2010, this was spread across a broader business base.

PROPERTY

Following the acquisition in December 2009 of the 50% shareholding in OTL that we did not already own, the property division has made good progress in identifying and winning new tenants for OTL. Whilst the retail market was difficult in 2010, we were able to secure H&M as a tenant for a major unit within the shopping centre at Leith.

The Planning Committee of City of Edinburgh Council ("CEC") resolved to grant approval for our Outline Planning Application ("OPA") and Masterplan for The Harbour, Leith Docks. In the second half of the year, CEC received approval in principle for a TIF scheme from the Scottish Government to enable CEC to seek public funding for various infrastructure projects around The Harbour. The Scottish Government confirmed that CEC could borrow up to £84m under the TIF proposal.

The tram works in Edinburgh have not progressed due to legal difficulties between Transport Initiatives Edinburgh ("TIE") and the contractor. Until these difficulties are resolved, there is no clarity from CEC or TIE about the delivery of a tram route to the Waterfront.

RENEWABLE ENERGY

Good progress has been made in Forth Energy, our strategic joint venture with SSE plc. Section 36 submissions for biomass facilities at each of the ports of Dundee, Grangemouth, Rosyth and Leith have been submitted to the Scottish Government. In January 2011, Dundee City Council deferred approval as Statutory Consultee pending further air quality studies which will require to be monitored during the course of 2011. The Grangemouth application has also been deferred until after the Scottish Parliamentary elections in May.

BOARD

We are extremely grateful to all who work for Forth Ports and their efforts and contributions in 2010. As announced, last year, Wilson Murray will retire at the AGM in May. Wilson has given over 25 years' service to Forth Ports. His consistency, prudence and sound business judgement have been some of the main factors behind the Group's growth and success. He has been an excellent colleague and we wish him a healthy and happy retirement.

We are delighted to welcome Stuart Paterson as Group Finance Director with effect from 23rd March 2011. Stuart was formerly Chief Financial Officer of Johnston Press plc.

OUTLOOK

The ports business has a secure and well spread business base and with high operational gearing will respond positively to any increases in economic activity.

We will continue to promote Leith and Dundee as major sites for renewable energy manufacture and/or logistics and will progress our discussions to secure further long-term contracts in these two ports.

THE PORT BUSINESS HAS A SECURE AND WELL SPREAD BUSINESS BASE

We expect to increase revenues from the waste collection business which we started last year and should benefit from the new business from the second quarter of this year.

We have already seen increased letting activity at the Ocean Terminal shopping centre in the first quarter and will progress our position on The Harbour development in Leith.

Although economic conditions remain challenging in the UK, trading in the first two months has been encouraging.

David Richardson
Chairman

Charles Hammond
Group Chief Executive

22nd March 2011

GROUP

2010 saw a considerable improvement in the underlying trading performance with the ports performing particularly well, once again showing the benefit of having a broad spread of cargoes and commodities supporting the business. The results were achieved with a 5% increase in revenue on a cost base which was little changed from 2009, demonstrating the operational gearing benefits of the business.

The property division recorded a modest increase in profitability on a like-for-like basis after adjusting for the acquisition of Ocean Terminal in December 2009. There was a small but significant increase in the Market Value of the property development assets when compared against the property market generally.

Group revenue increased by 5% to reach £181.9m compared with £173.9m in 2009. Port revenue increased by 2% to £157.4m (2009 – £154.8m). Recycling revenue amounted to £15.7m (2009 – £17.6m).

The underlying port operating profit amounted to £43.0m compared with £41.5m¹ in 2009. DTZ carried out a valuation of the port investment properties at the end of 2010 which gave an increase in valuation through the Income Statement of £16.8m compared with £10.5m in 2009.

The recycling division recorded an underlying operating profit of £1.1m compared with £1.3m in 2009.

The property division produced an underlying operating profit of £5.7m compared with £5.3m in 2009 on a like-for-like basis. The revaluation of the property investment properties showed an increase of £3.6m over the valuation in 2009.

Ports

The total volume of traffic through the ports (excluding the Marine Terminals) increased by 5% to 20.9 million tonnes. Volumes through Hound Point and Braefoot Bay amounted to 23.5 million tonnes compared with 26 million tonnes in 2009. As a result, the total throughput amounted to 44.4 million tonnes compared with 46 million tonnes in 2009, a reduction of 3.5%.

Tilbury

Tilbury produced another good financial performance. Total volume through Tilbury increased by 8% to 8.7 million tonnes in 2010. Six out of the seven asset areas either achieved significant volume increases or were in line with last year with only short sea containers recording a fall in box numbers of 2%. The bulks terminal volume increased by 53%; the Finnish terminal volumes increased by 19%, Ro-Ro tonnages increased by 14% year on year and Hyundai cars imported just over 41,000 vehicles. The short sea container division moved 117,000 boxes in 2010 compared with 120,100 in 2009. During 2010, new container services commenced through MacAndrews and Delta Shipping with a Spanish and Russian service respectively. A new break-bulk Far Eastern service was started by Westfal Larsen which saw excellent tonnages come through the port.

The port was successful in concluding negotiations with LOCOG which took official occupation of a 500,000 sq.ft. warehousing complex in January 2011.

Nordic Forest Terminals (“NFT”)

NFT had a good year with revenue increasing by nearly 9% on a volume increase up 11% to 624,000 tonnes. With the benefit of operational gearing, the financial performance increased substantially. NFT also provided Nordic Recycling Limited (“NRL”) with stevedoring services to export the RDF volumes to Europe starting in the last quarter of 2010.

Scottish Ports and Marine

Volume through the ports within Scotland amounted to 11.6 million tonnes, an increase of 2% over 2009. Hound Point crude oil export volume reduced to 21.3 million tonnes from 23.6 million tonnes in 2009. The Braefoot Bay volume amounted to 2.2 million tonnes (2009 – 2.4 million tonnes). This reduction was due to the closure of the Goldeneye field which has not yet been offset by the increase in tonnage from the new Norwegian fields now being linked in to the gas pipeline servicing St. Fergus and Mossmorran.

Grangemouth

Liquid bulks volume increased marginally to 5.9 million tonnes. Within this, the LPG tonnages were up by 7% at 341,000 tonnes and the level of third party business was up by 30% at 1.1 million tonnes, more than offsetting a reduction in the INEOS volume.

The container division handled just under 129,500 boxes in 2010, down 7% on the previous year. 2011 has started off on a more positive basis.

Leith

The Port of Leith had its best year ever financially in 2010 on a total throughput down 9% on 2009. As expected, coal tonnages were 0.2 million tonnes lower but bulk cargoes were up by over 33% with particularly strong volumes in grain and salt. The volume referred to does not include 68,000 tonnes of steel pipe brought in by rail which will, in due course, be exported over the quay in 2011. The port also benefited from a large increase in offshore oil maintenance work where, again, this is not reflected in the tonnage statistics.

Dundee

Volume increased to 1 million tonnes compared with 0.8 million tonnes in 2009. This increase was attributable principally to fertiliser, urea and salt. Dundee also won additional business from the oil sector which contributed excellent ancillary revenue to the port.

Gamesa, the Spanish wind turbine manufacturer, has signalled its intention to sign an MoU to establish a logistics and manufacturing centre in Dundee.

Rosyth and Fife Ports

The most significant change to affect Rosyth was the full year effect of the DFDS ferry service between Rosyth and Zeebrugge which, in volume terms, accounted for 0.6 million tonnes of business through the Port of Rosyth in 2010 compared with 0.2 million tonnes for five months in 2009. This was achieved with only one vessel on the route. In 2011, DFDS changed their schedules such that the service is to be operated by two vessels calling at Rosyth four days per week. This will increase the freight capacity available on the route but the vessels no longer carry passengers.

Rosyth is in a strong position to benefit from any work associated with the new Forth Bridge crossing.

TCS

After a disappointing year in 2009, TCS increased its throughput by over 10% and handled 307,300 boxes. Although ancillary revenue was less than expected, TCS produced an excellent increase in its operating profit from the additional volume. TCS has won three new services for 2011.

Recycling

After a very difficult year in 2009, 2010 was a year of consolidation and diversification. The baling operations at Chatham and Tilbury were again challenging with the volumes varying significantly from period to period which required careful control of costs. Paper trading revenues were lower because of reduced demand from customers for recycled paper as paper prices were lower in Europe than in the UK, a situation not seen for over ten years. Much more positively, there was an increase in the waste management division both in terms of revenue and profitability and the new waste collection division produced a higher profit on a lower turnover than was budgeted. This was a new division set up as a management initiative to broaden the business base. We are confident that 2011 will see a continued improvement in the performance of this division.

Property

Following the acquisition in December 2009 of the remaining 50% of the share capital of OTL which we did not own, 2010 was spent improving the tenant mix in the shopping centre and positioning it for future growth. This took place at a time when the roads outside OTL were badly disrupted by tram works for over eight months of the year and culminated in a very difficult December compounded by the weather. Nevertheless, the performance of OTL was encouraging with H&M, Frankie & Benny's and Oil & Vinegar now trading. Pure Gym has signed a lease since the year end and contract discussions are now taking place in respect of two further restaurants.

At the end of the year, DTZ valued the shopping centre at £88.6m, an increase of £3.6m compared with December 2009.

The property team progressed the planning application for The Harbour, an area of approximately 25 acres around OTL. The Planning Committee of CEC approved the application subject to various conditions to be satisfied by a Section 75 Agreement. At the same time, we worked with CEC to put forward a TIF proposal to the Scottish Government for the public funding of infrastructure around The Harbour development. Subsequently, CEC received approval from the Scottish Government to use the TIF Scheme to finance the infrastructure works. Building on the positive response from the Planning Committee on The Harbour and the TIF financing, we are considering partnering options in our property business.

THE PROPERTY TEAM PROGRESSED THE PLANNING APPLICATION FOR THE HARBOUR

Following the acquisition of OTL, we decided to rationalise the number of separate valuers giving advice to the Group. Following a review, we appointed DTZ to carry out all our valuation work, namely valuations of OTL, the investment properties and the property development assets. At 31st December 2010, DTZ reported that the Market Value of the property development assets (including OTL) amounted to £115.5m compared with £108.5m at 31st December 2009. An analysis of the Market Value is shown below:

	Market Value 31st December 2010 £m	Market Value 31st December 2009 £m
Granton	6.3	5.4
Western Harbour	4.2	4.3
The Harbour	8.7	6.2
Burntisland and Methil	2.0	2.0
Grangemouth	5.7	5.6
Ocean Terminal	88.6	85.0
	115.5	108.5

Energy

Forth Energy, the strategic joint venture with SSE plc, has made good progress in relation to the biomass proposals referred to last year. Three of the four biomass applications to the Scottish Government Consenting Unit were submitted with two planning applications being lodged before the end of 2010. Subsequently, Dundee City Council have deferred the Dundee biomass planning application to enable further work on air quality to be completed. Falkirk District Council deferred their consideration on the Grangemouth biomass plant pending receipt of further information.

KEY PERFORMANCE INDICATORS

The Board uses the annual budget as the base for measuring the Group's performance. Financial and non-financial targets are set for individual senior managers and for the businesses within the Group. At the Annual Strategy Review, the Board considers the financial projections over a three year time horizon. The overarching aim is to increase the value of the Group for the benefit of the shareholders.

The KPIs which are used to measure this increase in value are:

- 1 Underlying port operating profit
- 2 Growth in Market Value of the property assets
- 3 Growth in the Market Value of port assets
- 4 Dividend per share
- 5 Net debt reduction
- 6 Health and safety record

In using the underlying port operating profit as a KPI, the Board is looking to increase the trading profit from the ports and recycling businesses excluding certain other financial effects such as revaluation changes to investment properties and significant one-off costs.

The movement in the value of property assets is measured on an annual basis by the independent valuation carried out on the property development assets.

The growth in the value of port assets is important because it shows how we are managing the port investment properties and maximising their value.

The target of a reduction in net debt was instituted in 2009 following the Board's decision that this should be a key area for focus.

The first four KPIs all show positive increases and the final two KPIs also show a positive trend in that they are both improving significantly.

TRENDS IN THE PORTS BUSINESS

Ports are increasingly finding themselves as active participants in the supply chain for the movement of goods. This means that, rather than just marketing shipping and handling capabilities to shipping lines, there are a variety of customers who, at various points in the supply chain, can control the movement of goods and to whom the port will be marketing its services, including the producer of the commodity, the shipping line, the distributor of the commodity and in some cases agents and trade boards. Our main ports all have good access for landside distribution and also, in the case of both Tilbury and Grangemouth, good access for the export of goods from the UK.

None of our ports has the depth of water to handle the new generation of container ships of 12,000 TEUs and more. The normal capacity at Tilbury is ships of about 4,500 TEUs and at Grangemouth less than 2,000 TEUs, although in 2007, a Maersk vessel of over 8,000 TEUs came alongside

the berth at TCS. As ship size increases in the container market, fewer main ports in Europe will be able to handle the largest vessels but this will also entail a more developed network of transshipment and feeding terminals which may also see an increase in vessel size. With this in mind, both Tilbury and Grangemouth are well placed to see growth in this sector of the market with additional capacity for at least the next five years and with an anticipation of increased feeding vessel size.

The trends in traffic type suggest that container and Ro-Ro traffic will continue to increase at a rate greater than the average GDP of the UK: nearly all of this traffic will be European and therefore can be handled easily by our ports.

Liquid bulks continue to be an important constituent of the make up of the Group's business. This tonnage has seen a reduction in 2009 and 2010 but if the price of oil continues at its current high level, then there is every indication that the tonnages could stabilise at or around the 2010 level and perhaps also increase beyond this year.

THE THRUST OF OUR PORTS BUSINESS IS TO MANAGE OUR ASSETS EFFICIENTLY

Dry bulks have been consistent in total volume terms over many years, however, in 2010, the volume was lower as it was affected by the downturn in the container business. It is expected that this business will improve in 2011.

The thrust of our ports business is to manage our assets efficiently and improve the return we get from individual operations through more efficient use of our resources thereby releasing further assets for future development either in the ports or property businesses. This is unlikely to change in the near future.

RESOURCES

Our two greatest resources are our employees and our physical asset base. We employ 1,115 people throughout the Group and our pension scheme has 992 pensioners and 498 deferred pensioners. If the total number of persons employed within our various ports is included, then our economic activity encompasses many thousands more who are reliant on the trade through our ports.

The ports industry is such that our employees tend to remain with us for many years. Health and safety is paramount and we pay particular attention to the training and retraining of our employees, encouraging dialogue between workforce and management to identify potential problem areas to minimise risk. We encourage national vocational qualifications and support staff who wish to pursue relevant academic qualifications. Our labour stability index was 94% in 2010 (2009 – 94%).

The land under our ownership covers 1,600 acres and we also own over 4,700 acres of seabed adjacent the waterfront at Edinburgh. The way in which we manage these land assets is critical to the future success of the Group. We have shown in Tilbury that we have the expertise to work with our customers to move businesses around the port to obtain greater value from the asset but we also work with our customers to help them maximise the benefits that they receive from being located in our ports. In Leith, a similar type of expertise is required except that the interaction is between the continuing port business at Leith and the requirements to develop the assets for property use. In our view, this can only be achieved by a unified management structure which, although decentralised for the day-to-day business, is controlled centrally at a strategic level. We are therefore, as a Group, seeking to increase the value of our port assets by encouraging long-term agreements with major customers to secure income stream and enhance value and at the same time, develop our property assets over a long-term period to regenerate the area around the port and so increase the value of our land both absolutely and by reducing the value gap between the Waterfront and the City centre.

RISK

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are considered to relate to the retail and property markets and the current global economic environment.

Business Risk

The Board does not consider that the Group faces any substantive strategic risks as all three business segments are in business areas where there will be ongoing demand for those services. The ports business has evolved over many years and with existing trade patterns, our ports are ideally located for that business, whether it be mainly within Europe as regards the Scottish Ports or serving London and the South East of England from Tilbury and Chatham. The Group has a strong record of investing in modern plant and equipment and this, together with increased training for our employees, will enable us to meet the challenges of the future in offering our port customers a quality cost effective service for their needs.

The ports business has a very wide spread of customers and commodities and is capable of adapting to market change as witnessed over the last ten years by the business in sludge traffic, bauxite, fertiliser manufacture and export of coal being replaced by increased container volumes, the import of coal, new business such as animal feed, Ro-Ro traffic and new paper customers.

The recycling business has two main risk areas: commodity prices and volume. The volume of commingled waste received will also have an effect on the amount of saleable commodities. The volume is managed by having a minimum guaranteed volume from our major customer and by being active in the market place for other sources such as local authority contracts and commercial collection contracts. With the increase in land fill tax going forward, there is every incentive for commingled waste to be maximised.

THE PORTS BUSINESS HAS A VERY WIDE SPREAD OF CUSTOMERS AND COMMODITIES

The property business has its foundation in the ownership of land which the Group has, particularly at Leith. With the benefit of being able to develop such a significant brownfield site over many years, the main variable is what the take-up rate for this land might be. This is even more important now in the current economic environment. It is also more challenging to match spend on infrastructure with adding value where there is little or no third party transactional activity to rely on for valuation purposes.

Bank Funding and Financial Covenants – The Company

The Company refinanced its banking facilities in December 2008. The total facilities available to the Company at the end of 2010 amounted to £255m (2009 – £275m), comprising two revolving credit facilities totalling £250m which mature on 30th June 2012. The Company also has a £5m overdraft facility which is reviewed on 31st July 2011. This is an on demand facility.

The average margin on the facility is 162 basis points. £200m of borrowings have been fixed at an average interest rate (including margin) of 4.4%. Net debt at 31st December 2010 amounted to £165.6m compared with £184.2m in 2009. This is well within the existing facilities. The bank funding for these facilities is on an unsecured basis. The Company has agreed that Bank of Scotland will have recourse to it for up to £5m, until December 2013, of the £68m facility currently borrowed by OTL. The remaining £63m of this OTL facility is non-recourse to the Company. Details of the OTL facility are set out opposite.

The banking covenants for Forth Ports cover Tangible Net Worth ("TNW"), gearing and interest cover. The minimum TNW is £200m; the gearing level is based on not more than 100% of TNW. The interest cover covenant is based on a minimum of 2.5 times profit before interest and tax. The TNW covenant is tested monthly, with the other covenants tested half yearly at 30th June and 31st December each year. The headroom on all of the financial covenants at the end of 2010 was comfortable.

Bank Funding and Financial Covenants – OTL

The OTL bank debt of £68m has a bullet repayment on 31st December 2015. Interest (excluding the margin) on the two term loans covering the bank debt of £68m has been fixed at 5.59% (on £63m) and 6.11% (on £5m) for the period until 31st December 2015 and 13th August 2013 respectively. The banking covenants for OTL cover Loan-to-Value and cash cover. The Loan-to-Value covenant is tested next on 31st January 2014 by reference to the valuation of the shopping centre as at 31st December 2013. The cash cover ratio is 0.8:1 and is based on available cash to Senior Interest. The test is carried out quarterly. The cash cover was comfortable at 31st December 2010.

Financial Risks

The financial risks are limited to the normal commercial risks associated with running a business. We have no major currency exposure as all our business is done within the UK, however, we do acquire assets from overseas. Our policy is to buy currency as soon as we know we have a foreign exchange liability.

Valuation Risks

Three valuations are carried out each year: property development assets (the value of which is not all reflected in the Balance Sheet), investment properties and the Ocean Terminal Shopping Centre. With effect from 2010, DTZ has been appointed to carry out all of these valuations.

With the significant reduction in valuation of the property development assets in 2008, there is less scope for a further large reduction in the valuation of these assets given that the area of land comprising the property development assets are on the waterfront of a capital city.

The investment properties are valued annually and showed a net increase in the valuation of £20m in 2009. In 2010, it was decided that the property division should carry out an in-depth review of the investment property valuation which has resulted in an increase in the value of £20.4m to £243.5m (excluding OTL). The investment properties tend to have a lower yield in Tilbury as against a slightly higher yield for the investment properties in Scotland. These assets are long-term assets and fundamental to the business and so are less likely to be sold. As with all investment properties, the property values can rise as well as fall and will not be immune to general movement in values.

The shift in yields increased the valuation of OTL from £85m at 31st December 2009 to £88.6m at 31st December 2010. If the Loan-to-Value covenant had been operative on 31st December 2010, the headroom at that date would have been in excess of £20m.

The Forth Ports Group Pension Scheme

The Group operates a defined benefit scheme which is more fully explained in Note 32 of the accounts. The last triennial valuation of The Forth Ports Group Pension Scheme ("the Scheme") was carried out as at 5th April 2008. The valuation showed a deficit at that date of £30.7m. The funding level at April 2010 had improved marginally to 86% with a deficit of £33.8m.

The Company has agreed a Recovery Plan with the Trustees of the Scheme which increased the contributions going forward, but at a lower cash rate than previously when the Company made larger payments into the Pension Scheme than required to encourage the amalgamation of its two pension schemes. The employer contribution rate is 17.1%. The Recovery Plan agreed with the Actuary requires an additional annual payment by the Company of £2.7m for the next five years. The Company is also looking at a scheme to implement an asset backed funding solution to address a proportion of the scheme deficit.

Modest changes to the assumptions can have a significant effect on the liability position of the Scheme. Full details of the assumptions used are given in Note 32 to the Accounts, however, a 0.25% increase or decrease in the discount rate would result in a reduction/increase in the liabilities of £10.8m. If the inflation assumption was varied by 0.25%, the effect would be £10.4m. A variation in the real salary increase of 0.25% would vary the deficit by £3.1m. The other significant assumption is life expectancy. The Scheme uses the PA92 Year of Birth tables with medium cohort improvements, with members treated as though they were four years older than actual age. The average life expectancy of the members has increased, on average, by one year since the previous triennial valuation. The cost approximates to an increase in liabilities of £3.9m.

The two principal fund managers remain Lazard Asset Management ("Lazard") and Legal and General ("L&G"). The performances by the fund managers showed Lazard failing to achieve the benchmark in 2010 but L&G did exceed the benchmark over that pension year. The Statement of Investment Principles has not changed the allocation of the assets which remains at 60% in equities and 40% in Government gilts/corporate bonds. The actual allocation as at 31st December 2010 was 58% equities and 41% gilts/corporate bonds with 1% in cash and property.

The Scheme had an accounting net deficit after tax under IAS19 of £21.5m at 31st December 2010 (2009 – £22.6m). As has been seen over the last few years, the deficit position can vary widely. The Group paid in £7.6m to the Scheme in 2010 (2009 – £7.9m).

General

Whilst the Board believes that the Group has a good reputation in the market place, it cannot be complacent. The nature of the ports industry is such that the day-to-day work carried out requires our employees to be totally aware of their working environment as there is always the possibility of accidents occurring. Some of the cargoes which are handled are dangerous and require to be handled in accordance with specific procedures. There is always the risk of accident but we have emergency plans in place which are reviewed regularly and updated where necessary.

Any significant risk from any of the above risk categories would be debated by the Board and an agreed procedure of handling that risk would be delegated to the relevant Executive Director as appropriate. The Board has an annual review of the key risks likely to be faced by the Group.

This risk matrix is updated annually by the Group Risk and Insurance Manager who oversees the procedures involved in the identification of business risks and their compliance by the Group.

ESSENTIAL BUSINESS RELATIONSHIPS

As part of the normal operation of the Group, we have many business relationships to maintain be they with major customers, major suppliers, elected members of Parliament (UK, Scottish and European), local elected councillors and council officials. We also deal with many Government agencies such as the MCA, Scottish Environmental Protection Agency, Scottish Natural Heritage and others. In the Board's view, there is no one single business relationship or group of business relationships which is, in itself, material to the success of the Group. Nevertheless, it is important for both business segments to be able to communicate effectively with all the stakeholders with whom we have a business relationship and to work with them to achieve our joint aims.

FINANCE

Group revenue amounted to £181.9m (2009 – £173.9m). The underlying group operating profit amounted to £49.8m compared with £42.2m (revised) in 2009.

Taxation

Excluding associates (and joint ventures in 2009), the effective rate of tax for the Group before exceptional items and revaluations for the year was 26.7% compared with 24.4% in 2009. We expect the tax rate for 2011 to fall in line with the reduced corporation tax rate.

Cash Flow

The Group operating cash flow amounted to £58.7m (2009 – £55.7m). Net interest paid increased by £4.2m; tax paid amounted to £7.7m compared with a repayment of £0.8m in 2009.

Capital Expenditure

Capital expenditure in 2010 amounted to £5.2m compared with £7.6m in 2009. £2.6m was spent purchasing plant and equipment. The expenditure on property development assets amounted to £0.6m.

Capital Structure

The Company has 45.7m shares in issue with a nominal value of 50p per share. 103,610 new shares were issued during the year to meet obligations under the Group's share option scheme. The net debt of the Company and OTL at 31st December 2010 amounted to £231.5m (2009 – £251.1m). The level of gearing as measured by total net debt (excluding non-recourse debt) divided by total shareholders' equity amounted to 62% compared with 80% at 31st December 2009 (as restated).

Should the Company, for any reason, seek to refinance its borrowings with another financial institution, then one bank has the right to demand a prepayment fee equal to 0.5% of the amount prepaid and/or cancelled. The OTL loan of £68m is repayable on demand if there is a change of control of Forth Ports.

The Group's business is not particularly seasonal in nature, however, its cash flow requirements may be affected by the timing of major capital expenditure projects. In 2010, the peak borrowing requirement (net of cash) was £185.7m in January and May with a minimum requirement of £166.9m in December. On the basis of the budget for 2011, the Group will not require an increase in its facility over the next twelve months.

Accounting Policies

The critical accounting policies are Revenue Recognition and Employee Benefits. In the former, the two key areas of judgement are first the determination of any shortfall positions on guaranteed minimum tonnage/minimum revenue contracts in the ports business and second, determining the liability for costs to complete the various property developments and allocating those costs over the various developments. The charge to the Income Statement for pension costs will be determined by the assumptions made by the Actuary and accepted by the Company in relation to the discount rate on gilts and corporate bonds, the expected rate of return on the assets and the mortality assumptions. These are discussed further in Note 32 to the accounts.

New International Financial Reporting Standards ("IFRS") adopted in the year are discussed in the Accounting Policies section.

General

Certain sections of the Business Review contain forward-looking statements that are based on management's expectations, projections and assumptions. We believe that these expectations, projections and assumptions are reasonable, based on the information available to us. However, these statements are not guarantees of future performance and involve inherent risks and uncertainties and other factors which may cause actual achievements to differ materially from those expressed or implied by such statements. The Group does not undertake any obligation to update or publicly release any revisions to forward looking statements in light of new information or future events.

We aim to provide excellent service to our customers, to provide a safe working environment for our employees and to create sustainable communities through long term investment.

The Company has been a member of the Kempen/SNS Smaller Europe Index since October 2003, membership being available only to companies with the very highest standards and practice in the three areas of business ethics, human resources and the environment. The Company is also a constituent member of the FTSE 4 Good Index.

HEALTH AND SAFETY

The health and safety of our employees and all visitors, contractors and members of the public who visit our places of business is of the utmost importance to us. Our safety culture is underpinned by the application of five strategic health and safety drivers:

- > Simplification of safe systems of work;
- > Education in safe working techniques for every employee;
- > Engineering safety into our equipment and processes;
- > Engagement on safety issues and with all employees; and
- > Enforcement of safe systems of work through monitoring and audit.

Group Health and Safety Policy

The Group has a single Group Health and Safety Policy Statement that applies across all of the business units. This Policy Statement demonstrates our commitment to health and safety and outlines the organisation, resource and arrangements for implementation of the Policy. The Policy is signed and endorsed by the Group Chief Executive, Managing Director Port of Tilbury, Director, Scottish Ports and the Managing Director of the Property division and has been consulted on and is displayed at all business locations.

Group Strategic Health and Safety Plan

A Group Strategic Health and Safety Plan for 2008-2010 was originally presented to the Board in October 2007 and was reviewed by the Directors and senior management at regular intervals for progress against the plan. The plan was completed at the end of 2010 with achievement of all 52 plan objectives. The success of this plan is being built on with the formulation of a new strategic health and safety plan for 2011-2013. This was communicated to employees during the first quarter of 2011 and will be reported on in subsequent Annual Reports. This plan includes targets and objectives for our occupational health team.

Organisation

Professional support is provided to the business by Health and Safety Managers and their teams within Scottish Port Operations, Port of Tilbury and Nordic. The Group Health and Safety Manager supports the business units and Health and Safety Managers with advice and guidance. The Group Health and Safety Manager reports directly to the Group Chief Executive and reports to the Board of Directors on safety strategies, improvement and performance on a regular basis.

Group Accident/Incident Statistics

When the performance during 2010 is compared with 2009, we have made significant progress in further reducing accidents and incidents across the Group:

- > 20% reduction in RIDDOR* reportable personal injury accidents
- > 4% reduction in all RIDDOR* reportable accidents/incidents (personal injuries, occupational health reports and dangerous occurrences)
- > 13% reduction in all personal injury accidents

Group – Year on Year Comparison

	2009	2010	% change	Status
RIDDOR				
Personal Injuries	25	20	-20%	▼
All RIDDOR				
Injuries/Incidents	26	25	-4%	▼
All Personal				
Accidents	105	91	-13%	▼

*Reporting of Injuries, Diseases and Dangerous Occurrence Regulations 1995 (“RIDDOR”)

The Board of Directors set a minimum target of overall reduction in personal accidents of 5% in 2010. This target was achieved and indeed exceeded. 2010 was the fourth year in succession that we have achieved a greater than 10% reduction in personal accidents on the previous year.

Trend Analysis 2003-2010 – (includes Nordic from 2007 onwards)

We are particularly proud of the trend of continued significant improvement year on year and we wish to see this to continue:

- > 58% reduction in RIDDOR* reportable personal injury accidents
- > 48% reduction in all RIDDOR* reportable accidents/incidents (personal injuries, occupational health reports and dangerous occurrences)
- > 58% reduction in all personal injury accidents

Group – Year on Year Comparison

	2003	2010	% change	Status
RIDDOR				
Personal Injuries	48	20	-58%	▼
All RIDDOR				
Injuries/Incidents	48	25	-48%	▼
All Personal				
Accidents	217	91	-58%	▼

2010 was the first year that there have been less than 100 personal accidents across the entire Group.

Health and Safety Awards

The British Safety Council (“BSC”) carried out a combined 5 Star Safety and OHSAS 18001:2007 audit in 2010 with a single BSC auditor auditing Scottish Operations and Port of Tilbury. The Ports were successful in maintaining their 5 Star safety status and achieving accreditation to the OHSAS 18001:2007 Safety Standard.

As a result of this achievement Scottish Operations and Port of Tilbury were each invited to apply for a prestigious Sword of Honour Award. Entry to this competition is by invitation only for companies which have achieved a 5 Star Safety Award from BSC and only 40 Swords of Honour are awarded globally each year. Both Scottish Operations and Port of Tilbury were awarded a Sword of Honour. The swords were presented to the Company at an award ceremony in London in November 2010.

NRL continues to be successfully audited by British Standards Institute to the Integrated Management System PAS 99 that incorporates the OHSAS 18001 Safety, ISO 9001 Quality and ISO 14001 Environment Standards.

Ports Group – “Safety First”

As reported last year, we have developed a Group wide safety programme called “Safety First” which is aimed at cultural and behavioural change to further promote safety.

At the heart of the Safety First campaign is our Safety Charter developed in consultation with our employees. The charter has five guiding principles:

- > We are committed to working in partnership to achieve the aim of no injuries to anyone at any Forth Ports premises
- > We believe that no job is more important than any person’s health and safety
- > We will never knowingly walk past an unsafe act or condition
- > We will demonstrate our commitment to high levels of safety by our own behaviour
- > We will establish a culture of tolerance

The campaign is communicated across all operations in the form of accident reduction workshops, poster campaigns, toolbox talks, quarterly newsletter, specific process safety improvement projects and safety suggestion boxes available to all employees.

All staff in the ports operations are also asked to complete safety climate questionnaires. The outputs from the questionnaires help us plan our communications and campaigns to target areas where improvements can be made.

Behavioural safety steering committees have been set up across the Group to help facilitate new and novel ideas being generated by the workforce in improving health and safety. An example was the “Mind Your Step” door stickers placed in major plant equipment door windows. This links to our campaign to reduce accidents from slips, trips and falls.

Safety Forums and Initiatives

Safety Forums took place in 2010 across the Group at Scottish Operations and Tilbury/Nordic with attendance by a cross section of the workforce including Directors, managers, supervisors, Health and Safety representatives and other members of the workforce. The themes for this year were accident reduction, port specific safety improvement projects, safety communication and engagement amongst the workforce and the objectives of the “Safety First” campaigns. At each of the forums an award was presented to the part of the business deemed by the forum to have made a significant contribution to safety improvement by a particular project or accident reduction initiative. The 2010 safety award for Scottish Operations went to the Port of Rosyth and the award in Port of Tilbury went to the Grain & Bulks asset.

Property

During 2010 there were no Health and Safety incidents reportable by our principal contractor to the HSE under the RIDDOR 1995 Regulations on any of our property development sites.

The total accident figure from 2005 – 2010 was 5 (all minor and non-reportable) for all construction project works. This gave an accident frequency rate of 0.69 per 100,000 hours. This compares with an estimated construction sector average of reportable accidents of 1.9 per 100,000 hours.

Ocean Terminal Limited became a Group company at the end of 2009 and a full review of all safety arrangements in place was carried out. A quarterly safety report has been developed and new safety initiatives are being progressed to further enhance safety at the centre.

Industry Engagement

Forth Ports continues to be involved in all of the core activities of Port Skills and Safety, the industry body charged with promoting high standards of health and safety and skills competence. The Managing Director, Port of Tilbury continues to be a member of the PSS management Board and the Group is represented at the Port Safety Steering Group meetings where Health and Safety managers from across the ports’ industry meet and share best practice.

The Group continues to progress the safety and training objectives detailed in the industry wide Safer Ports 2 Initiative and fully supports the regional events organised to promote the initiative throughout the industry.

Forth Ports contributed throughout 2010 to the Ports Guidance Notes developed by Port Skills and Safety and the Health and Safety Executive. The launch of these documents took place at an event hosted by the HSE at the Mersey Maritime Museum on 14th January 2011. Senior representatives of the Ports Operators, the MCA, RTA, Department of Transport and Unite the Union were present at the event. Our Group Chief Executive and HSE Chair Judith Hackett were amongst the guest speakers at the event which marked "A Decade of Progress" in reducing accident rates within the Ports Industry.

Monitoring and Audit

The Group continues to use a system of internal and external process safety audits to measure, monitor and demonstrate compliance with all relevant health and safety legislation and internal safety management procedures.

The Group Chief Executive and the Managing Director Port of Tilbury along with the senior management team continue to carry out safety tours at regular intervals to promote safe working practices and engage with employees on safety related issues.

EMPLOYEES

Industrial Relations and Staffing

During the course of the year the Group headcount reduced by 10. At the end of the year the headcount figures were:

Division	As at 31.12.2010
Tilbury	498
Nordic	138
Scotland	479
TOTAL	1,115

We continue to work at ensuring good industrial relations are maintained. There have been no days lost due to industrial disputes since 1989.

Employee Involvement

We continue to hold a group-wide information and consultation forum. The forum allows for matters of mutual interest to be discussed and it is further augmented by the local communication forums and the regular meetings with the recognised trade unions.

Training and Development

A Middle Management Development Programme (MMDP) was implemented in 2010 and 30 Managers (16 from Scottish Operations and 14 from Tilbury) completed the programme in 2010. The next phase of the roll out is planned in early 2011. MMDP is led by senior managers and is linked with the Centre for High Performance Development objectives reported last year for our senior management team. This training has been built upon through the production of personal development plans.

The "must knows" health and safety statutory in-house training programme covered a total of 318 employees during 2010, a total of 47 courses were held. These courses included Appointed Person, Hazard Identification, Working at Heights and Risk Assessor. This is an ongoing programme which will continue in 2011. Two student placements were taken on during 2010 in Operations and Human Resources in Scotland. Working with University of East London and University of Essex, the Port of Tilbury Training Team together with Nordic Recycling organised two funded three-month graduate intern placements with the Nordic Recycling Sales Team. This project provided a structured work experience for the graduates, which proved so successful that in December 2010 the two graduates were invited to join the Sales Team as full time employees.

During the year, one executive director completed the Oxford Strategic Leadership Programme.

ENVIRONMENT AND SUSTAINABILITY

Our Commitment to Sustainability and the Environment

The Board of Forth Ports recognises the importance of operating in a responsible manner within the generally accepted principles of sustainable development. This is particularly important as our assets are predominantly ports; infrastructure on the boundary between land and sea. The land and estuaries that we manage are valuable natural assets socially, economically and environmentally. Being a responsible company we continue to review our operations to ensure that we minimise our impact on the environment and operate efficiently. In doing so, we assist the UK and Scottish Governments in their ambitious targets to reduce emissions and work towards limiting human induced climate change, while at the same time being a modern, essential part of the global supply chain.

Across the Group, our key potential environmental and sustainability risks are:

- > Climate Change regulation – from the combustion of fuels and the purchasing of energy
- > Conservation – all of our facilities are adjacent sites with high levels of environmental protection
- > Water pollution – operating near water, and being responsible for commercial traffic travelling on the water, there is potential for an accident to result in water pollution
- > Air Quality – emissions from plant and cargo handling
- > Waste – many of our activities result in materials that require to be disposed of, ships calling at our facilities are required by law to deposit their waste in our ports
- > Local communities – our activities can have the potential to have an impact on local communities, whether actual or perceived.

We manage these risks and our performance through our environmental management systems. Senior management attend regular meetings across the business units at which environmental and sustainability aspects are discussed and agreed. At a Group level the key business units are

represented by individual senior managers on the Environment Integration Committee, the membership of this committee includes the Group Chief Executive, who in turn briefs the main board on key environmental issues and progress. The Environment Integration Committee has a three year work plan and has issued a new Environment and Sustainability Policy for the Group, signed by the Directors responsible for each division and the Group Chief Executive. The environmental management systems in the Port of Tilbury, Nordic and the Marine Division are all certified ISO14001:2004. Progress continues on the Scottish Ports management system with the Port of Grangemouth expected to achieve certification during 2011 and the Port of Dundee to follow in 2012. During 2010 the decision was taken to formally link energy and environmental functions under one manager with Group responsibility. We anticipate this change will lead to more effective implementation and integration across the business units; driving efficiencies, synergies, project development, environmental and financial benefits.

Climate Change

Climate Change is clearly now a board room issue. By far the majority of the UK's listed companies accept that human induced climate change is having a significant effect on the global climate and that collective action is required to prevent further acceleration in the rate of change. Our approach to minimising our impact on climate change has been to focus on improving the energy efficiency of our activities and identifying and progressing opportunities for the generation of renewable energy on our estates.

CLIMATE CHANGE IS CLEARLY NOW A BOARD ROOM ISSUE

Energy Efficiency

Each business unit across the Group is working on energy efficiency projects. During 2010 we were awarded the Carbon Trust Standard across the entire Forth Ports Group. This was a significant achievement and recognition of the commitment of every member of our workforce during the previous two years. The strategy initially focussed on behavioural approaches and these have delivered significant improvements. We are now moving into a period where some investment will be required to deliver further significant improved efficiencies. Current projects are predominantly focussed on lighting, whether improved controls, such as movement and daylight sensors or new technology, for example LED. A shed lighting trial in Tilbury is nearing the end of the evaluation phase. If the results prove to be as positive as the initial findings suggest, then we will extend this trial across sheds in this and other ports over the next few years. We have set ourselves a target to further improve energy efficiency by 3% over the course of 2011.

Nordic's environmental credentials impressed the judges at the Kent Business Awards, where the Company won an award for replacing an old and inefficient bale wrapper with a new low energy system which reduced energy costs by 66%. Other initiatives that Nordic have implemented have included reducing the hazardous waste outputs of the company; and saving fuel, carbon and time, by the more efficient and better use of transport, shipping and logistics.

Port of Tilbury won the "Environmental Awareness" award at the Thurrock Business Awards in 2010 in recognition of management and staff incentives to reduce the port's carbon footprint. During 2010 we participated in the Carbon Disclosure Project, this was the first time we had done so and were pleased with the scoring of our submission. We intend to participate again this year.

Conservation and the Natural Environment

All of our facilities are adjacent or in close proximity to sites designated as important for conservation. These include local, national, European and international designations for both species and habitats. We have operated in close proximity to these sites for decades and our activities comfortably co-exist with the species that rely on the adjacent habitats. Operating in the coastal zone has its challenges; the coast is expected to be a major area of change in relation to climate change. As previously reported we are funding a Ph.D. at Dundee University to examine relative sea level change in the Forth and Tay, as these areas are less well studied than the Thames. This will assist us with our long term infrastructure planning and climate change adaption plans. Similarly we are funding a Ph.D. at Glasgow University examining the Common Tern colony in the Port of Leith; this is the smallest Special Protection Area in the UK. Gaining a better understanding of the ecology of the colony, its tolerance of disturbance and likely future development in the context of the wider population of the area will provide valuable data which will help to inform our future plans for the port.

ALL OF OUR FACILITIES ARE ADJACENT OR IN CLOSE PROXIMITY TO SITES DESIGNATED AS IMPORTANT FOR CONSERVATION

As both a Statutory and as a Competent Harbour Authority we have many statutory duties. These include the preparation of oil spill and emergency plans (see below) and the maintenance of safe navigation to and from the facilities within our jurisdiction. The maintenance dredging we undertake has remained largely unchanged since the 1960s. The volumes of material physically dredged fluctuates from time to time depending on the siltation rates at individual locations, this in turn is driven by climatic and marine processes. However during 2010 we began the process of seeking approval for a dredge-disposal operation to re-open Kirkcaldy Harbour, which has been closed to commercial traffic for some time. The project will allow the neighbouring flour mill to import its grain via short sea coasters rather than trucking the grain from various locations in the UK. We received the licence for this project in January 2011 following the submission of a rigorous Best Practical Environmental Options assessment and it will significantly reduce road movements through the centre of Kirkcaldy and secure the future of the mill in the town, whilst also significantly lowering the carbon footprint of the mill's supply chain.

In Grangemouth, our 2010 dredge disposal licence application was granted for three years, this is one of the first such multi-year licences issued in Scotland and is a major achievement and a model for the future under the new licensing regime which will commence in April 2011.

ALL OF OUR PLANS ARE REGULARLY REVIEWED AND EXERCISED

Water Quality, Pollution Avoidance and Control

As reported in previous years, the Marine Division in Scotland continues to upgrade and exercise the various emergency and spill response plans for our Scottish Ports and Harbour Authority waters. This year the major live play exercise in the Forth was called 'Black Wood', the aims of the exercise were to:

- > Test the function of the Clearwater Forth Spill Response Plan;
- > Test communication;
- > Test interfaces with other plans that become invoked with Clearwater Forth;
- > Test the command and control function;
- > Test the media interface during an incident;
- > Test waste management functions and the role of the environment group; and
- > Test the strategic decision making process.

Players in the exercise included the usual participants, particularly the statutory agencies, shipping companies and agents.

All of our plans are regularly reviewed and exercised. Last year we reported that the Port of Tilbury plan was due for review. The plan was reviewed during the year and subsequently tested. During 2011, the Clearwater Forth plan will be reviewed.

Waste Management

During the year NRL took over the contract for the provision of waste services within the Port of Tilbury. This process has created advantages for both Nordic and the Port of Tilbury. There is reduced cost, increased access to professional advice and expertise and improved data provision and tracking. This is part of a drive across the group to reduce the volume of waste to landfill. Similarly in Scotland we have reviewed waste and recycling contracts and have delivered synergies that allowed us to hold the waste management charge to ships calling at our ports at the 2009 levels, despite the increase in landfill tax last April.

Nordic has continued to deliver added value services to customers through working with them to promote recycling and landfill diversion. We are particularly proud of Nordic's key role in the success of one of their largest customers; Land Securities. Land Securities won the 'Responsible Waste Management' category of the 'Sustainable City Awards' back in February. Nordic helped Land Securities move from a 21% recycling rate to a 50% recycling rate with the remaining 50% going to produce energy; a zero landfill position.

COMMUNITY RESPONSIBILITY, EDUCATION AND INVOLVEMENT

Community Engagement

We believe that it is important to engage with local communities where projects we are progressing have an impact on them. An example of this is Forth Energy's renewable energy applications where we have adopted the consultation approach required by the new Scottish Planning Act for major projects despite the consenting system (through the Electricity Act) not requiring such an approach. All of the documentation associated with the consultations, and applications generally are available on the Forth Energy website.

WE BELIEVE THAT IT IS IMPORTANT TO ENGAGE WITH LOCAL COMMUNITIES

Across a number of ports, but particularly Tilbury, we engage with local schools through the provision of interview training, Young International Trader Awards, other education challenges and work experience. We have also facilitated port tours and presentations to a number of universities across our sites, provided internships and suggested practical student projects. We continue to fund two Ph.D. students at Glasgow and Dundee universities. The Port of Tilbury continues to lead the consortium of universities and further education colleges that manage the East of England Regional Logistics Academy and support the South West Essex Business Education Partnership.

Tilbury has also been working with the Sector Skills Council (Skills for Logistics), Maxim Transport and Unipart Logistics, who have successfully bid for the licence to run a National Skills Academy for the logistics sector in England. Its aim is one of "transforming the sector by increasing awareness, understanding and investment in skills as the route to the development of a more productive, efficient, safe, inclusive and low carbon logistics sector." Following the successful bid, the Skills Funding Agency agreed a £250,000 funding package to support the business planning stage with delivery in mid 2011.

Port of Tilbury actively supports and assists Thurrock Council through the Thurrock Learning Partnership and the Thurrock Workforce Development Group and have recently become part of the Economic Development Working Group. Other projects have included the support of the 2010 Thurrock's "Next Top Boss" Project. The basic concept of this project was to bring some of the key Thurrock companies together, to shape a competition that identified and fostered business talent and ambition among young people in Thurrock. It also helped Thurrock Council and the Thames Gateway Development Corporation promote Thurrock and its opportunities.

The Group also makes its land available free of charge for public events. This year these included The Chinese State Circus as part of the Edinburgh Festival, the Leith Festival and the Zapcats powerboat event for the second year in succession.

Charitable Activities

The list of charities that our various businesses are involved with is extensive, however, a small number of these are outlined below. Our involvement varies from donations, through activities to raise funds to the provision of services, time and support. The Company donated land to The Merchant Navy Memorial Trust for the erection of a monument in memory of merchant seamen who have lost their lives in conflict. The memorial was unveiled by HRH The Princess Royal in November. One of the figures in the 6 Times multi-part sculpture work by Antony Gormley sits on one of our piers beside Ocean Terminal. There have been fund raising events such as the two teams from the Marine Department in Scotland that went white water rafting on the River Tummel – raising £3,000 for Seafarers UK. Ocean Terminal supports a number of charities by allowing them space in the Centre to promote the work they do and collect vital funds. In addition, as in previous years during December, the Ocean Terminal management team organised a Charity Gift Wrap stall. Ocean Terminal donates all gift wrap and accessories required. In 2010, charities that took part were:

- > SANDS Lothian;
- > Multiple Sclerosis Therapy Centre;
- > Marie Curie Cancer Care;
- > Save the Children;
- > Poppy Scotland;
- > Childline (NSPCC); and
- > British Heart Foundation.

Regulatory Engagement

Forth Ports actively engages with government on the impact of proposed legislation. Over the past year this has included the Marine (Scotland) Act and associated secondary legislation, the Carbon Reduction Commitment, Environmental Impact Assessment Regulations in both Scotland and England and prospective legislation relating to third party access to private networks.

Management Involvement

A number of members of the management team hold voluntary positions in organisations, these include:

- > Charles Hammond, Group Chief Executive, is Chair of the UK Major Ports Group (UKMPG) and a member of the Scottish Government Energy Advisory Board
- > Perry Glading, the Managing Director of the Port of Tilbury, is a Director of Skills for Logistics
- > Morag McNeill, the Group Company Secretary, is a Director of the Court of The Edinburgh Academy and a member of the Executive Committee of the Pilots' National Pension Fund
- > Captain Bob Baker, the Chief Harbour Master, is a Trustee Director of the Pilots' National Pension Fund, a Council Member for Scotland on the general council for the UK Harbour Masters Association and Member of the Executive of the British Tug Owners Association
- > Dr Derek McGlashan, the Environment and Energy Manager, is a Director of the Forth Estuary Forum, Chair of the joint UKMPG and British Ports Association Environment and Policy Group, represents the UKMPG on the Scottish Government's Marine Strategy Forum and the UK Emissions Trading Group and holds an honorary position at the University of Dundee
- > Frank Monaghan, the Group Safety Manager, sat on the Editorial Panel of Port Skills and Safety until the panel was disbanded at the end of 2010
- > Bob Cowan, the Group Financial Accountant, is a member of the Audit Committee of Mercy Corp Scotland
- > Simon Harper, Training and Development Manager, is a member of the Board of Governors at Chafford Hundred School and Havering College of Further & Higher Education, he is also a Director of the St Clere's School Co-operative Learning Community Trust
- > Martyn Clark, Harbour Master Forth Outer, is the Chairman of the local Port Welfare Committee for Central & West Scotland of the Merchant Navy Welfare Board
- > Derrick Turner, Head of Finance of the Property Division, is a guest lecturer at Napier University
- > Ray Clark, Estates Manager, sits on the Board of the Leith Festival Association and on the Water of Leith Action Group Committee.



David Richardson 59 (Chairman)

David Richardson is a chartered accountant. He was appointed as a Non-Executive Director in June 2005. He is also a Non-Executive Director of Serco Group Plc. He retired as Finance Director of Whitbread plc in 2005 after 22 years with the company.



Charles Hammond 49

Charles Hammond joined Forth Ports Authority as Company Secretary in 1989 having been previously with the law firm of McGrigor Donald. He became Commercial Director in 1992, was appointed Managing Director, Port of Tilbury London Limited in December 1995 and became Group Chief Executive in February 2001. He is Chairman of the United Kingdom Major Ports Group. He is a member of the Scottish Energy Advisory Board and a Director of Edinburgh Chamber of Commerce.



Wilson Murray 60

Wilson Murray was appointed Finance Director of Forth Ports Authority in 1986. Previously, he worked in the accounting profession with Deloitte, Haskins & Sells and Price Waterhouse.



Perry Glading 52

Perry Glading joined Forth Ports PLC in February 1999 as the Deputy Managing Director of Port of Tilbury London Limited. He was subsequently appointed Managing Director in February 2001. He was appointed to the Board of Forth Ports PLC in June 2001. Previously he worked for a number of years in the European logistics market. He is a senior member of the Management Committee of Port Skills and Safety, which is the lead body on safety and training matters in the UK port industry, and a director of Skills for Logistics, which is the Sector Skills Council for the UK's freight logistics industries.



Struan Robertson 61 (Chairman of the Remuneration Committee)

Struan Robertson was appointed as a Non-Executive Director in September 2003. He spent most of his career with BP in a variety of senior roles in the UK and overseas. After retiring from BP he was appointed Group Chief Executive of the Wates Group Ltd. He stepped down from this role in 2004. He is the Senior Independent Director at Henderson TR Pacific Investment Trust plc and Salamander Energy plc. He was previously Senior Independent Director at Atkins plc and a Non-Executive Director of International Power plc and Tomkins plc.



Gerry Brown 66 (Senior Independent Director)

Gerry Brown was appointed as a Non-Executive Director in September 2003. He is Chairman of Novaquest Capital Management LLC and of NFT Distribution Holdings Ltd. He is also the Senior Independent Director of Keller plc. He was formerly Chairman of Biocompatibles plc, Upol Ltd and a Non-Executive Director of Vantec Ltd, CH Jones Ltd, Michael Gerson Ltd and Datrontech plc. He was a Director of Quintiles Transnational Inc. His executive career included senior positions with Exel Logistics plc, TDG plc and Tibbett & Britten plc.



Stuart Paterson 53

Stuart Paterson was appointed Group Finance Director Designate on 15th March 2011. He is a Chartered Accountant. Previously he was Finance Director with Aggreko plc and Chief Financial Officer with Johnston Press plc. He is a Non-Executive Director of Devro plc.

BOARD OF DIRECTORS

Directors

D.H. Richardson (Chairman) (Non-Executive)
C.G. Hammond
W.W. Murray
S.R. Paterson (appointed 15th March 2011)
P.D. Glading
E.G.F. Brown (Non-Executive)
D.D.S. Robertson (Non-Executive)
J. L. Tuckey (Non-Executive)
M-L. Clayton (Non-Executive)

Financial Advisers

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Investec Bank plc
2 Gresham Street
London EC2V 7QP

Gleacher Shacklock LLP
Cleveland House
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Stockbrokers

Investec Bank plc
2 Gresham Street
London EC2V 7QP

Group

Company Secretary
Morag McNeill

Registered Office

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Company Number
SC 134741

Independent Auditors

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Coopers LLP
Chartered
Accountants and
Statutory Auditors
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Edinburgh
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Solicitors

McGrigors LLP
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

Bankers

Lloyds Banking
Group PLC
New Superior House
Third Floor
11 Earl Grey Street
Edinburgh
EH3 9BN

Registrars

Equiniti Limited
1st Floor
34 South Gyle Crescent
South Gyle
Business Park
Edinburgh
EH12 9EB

Website Address

www.forthports.co.uk



James Tuckey 64

James Tuckey was appointed as a Non-Executive Director on 1st July 2007. He is Chairman of Brookfield Europe and the former Chief Executive of MEPC plc.



**Marie-Louise Clayton 50
(Chair of the Audit Committee)**

Marie-Louise Clayton was appointed as a Non-Executive Director on 1st January 2010. She has held several senior positions within GEC Alstom and was latterly Group Finance Director of Venture Production plc, a FTSE 250 company in the oil and gas sector.

The Directors present their report, on pages 30 to 93, which includes sections on Corporate Governance and the audited accounts of the Group for the year ended 31st December 2010. The Directors also present their Business Review, which includes a review of future outlook, principal risks and uncertainties, employee involvement and KPIs, on pages 15 to 20.

PRINCIPAL ACTIVITIES

The principal activities of the Company together with its subsidiaries are the provision of port and recycling facilities in the United Kingdom. The Group has extensive property interests and is also involved in a joint venture on renewable energy projects.

COMPANY REGISTRATION

The Company is registered in Scotland as a public limited company with number SC 134741.

DIRECTORS

A list of the Directors of the Company is given on page 29. David Richardson, Charles Hammond and James Tuckey retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

Stuart Paterson, having been appointed to the Board on 15th March 2011, offers himself for re-appointment.

Wilson Murray retires as Group Finance Director at the conclusion of the Annual General Meeting after 25 years with the Company.

DIRECTORS' INTERESTS

The beneficial interests of the Directors in the share capital of the Company at 31st December 2010 are set out in the table below. The number of shares over which options are held by the Executive Directors under the Forth Ports PLC Long-Term Incentive Plan 2006 and the SAYE Scheme are shown below and in the Directors' Remuneration Report on pages 39 to 43.

	Ordinary Shares of 50p each 2010	Ordinary Shares of 50p each 2009	Ordinary Shares of 50p each subject to Option under the Long-Term Incentive Plan 2006 2010	Ordinary Shares of 50p each subject to Option under the Long-Term Incentive Plan 2006 and the SAYE Scheme 2009
Held at 31st December	2010	2009	2010	2009
Christopher Collins*	n/a	10,000	n/a	nil
David Richardson	11,000	11,000	nil	nil
Charles Hammond	105,238	90,773	100,899	86,340
Wilson Murray	178,013	170,000	62,514	54,061
Perry Glading	26,103	15,100	62,982	52,881
Stuart Paterson**	nil	n/a	nil	n/a
Gerry Brown	7,064	2,064	nil	nil
Struan Robertson	1,500	1,500	nil	nil
James Tuckey	7,895	8,345	nil	nil
Marie-Louise Clayton	1,000	nil	nil	nil

* retired as a Director on 31st December 2009

** appointed as a Director on 15th March 2011

None of the Directors had any non-beneficial interest in the share capital of the Company during the period to 31st December 2010 or the period from 31st December 2010 to 22nd March 2011. In the period from 31st December 2010 to 22nd March 2011 the beneficial interests of the following Directors in the share capital of the Company changed as follows:

902 shares in the capital of the Company, in which James Tuckey had an interest, were sold on 11th January 2011 at a price of 1382p per share.

Save as disclosed above there were no changes in the Directors' beneficial interests in the share capital of the Company in the period from 31st December 2010 to 22nd March 2011.

FINAL DIVIDEND

The Directors recommend a final dividend of 20p per share (2009 – 19.1p). This brings the total dividend per share for the year to 30p (2009 – 28.6p) (see Note 11).

SUBSTANTIAL SHAREHOLDINGS

The following shareholders have notified substantial interests in the Ordinary Shares of the Company as at 22nd March 2011.

	Number of Shares	Percentage of issued Ordinary Share Capital
Arcus Infrastructure Partners LLP	10,428,713	22.8%
Schroder Investment Management	6,133,629	13.4%
F&C Asset Management	2,752,131	6.0%
Legal & General Investment Management	1,594,810	3.5%
Salta Company Investments	1,581,753	3.5%

THE TAKEOVERS DIRECTIVE

The Company has one class of share capital, ordinary shares. All the shares rank *pari passu*. There are no special control rights in relation to the Company's shares. At 31st December 2010, the trustee of The Forth Ports Employee Trust, Forth Ports Trustees Limited, owned 90 shares in the Company (0.0%); any voting or other similar decisions relating to those shares would be taken by the trustee, who may take account of any recommendation of the Company. The rules governing the appointment and replacement of Board Members and changes to the Articles of Association accord with usual Scottish company law provisions. The Board has power to purchase its own shares and is seeking renewal of that power at the forthcoming AGM within the limits set out in the notice of that meeting. There are no significant agreements to which the Company is a party which take effect, alter or terminate in the event of a change of control of the Company except that the Company's and OTL's bank facilities give the banks the right to request repayment of the facility on a change of control. There are no agreements providing for compensation for directors or employees on a change of control.

ORDINARY AND SPECIAL RESOLUTIONS TO BE PROPOSED AT THE ANNUAL GENERAL MEETING

Share Capital

It is proposed that pursuant to an Ordinary Resolution of the Company the Directors be given renewed general authority under Section 551 of the Companies Act 2006 to allot Ordinary Shares up to an aggregate nominal amount of £6.2m, a sum equivalent to the unissued share capital of the Company. This authority shall expire on the date of the next Annual General Meeting after the passing of this Resolution or on 5th August 2012, whichever is the earlier.

The Directors are also proposing that a Special Resolution be submitted at the Annual General Meeting to empower them to allot, wholly for cash, Ordinary Shares up to an aggregate nominal amount of £1.14m (which is equivalent to 5% of the issued Ordinary Share Capital of the Company) without offering them first to existing shareholders. This authority shall expire on the date of the next Annual General Meeting after the passing of this Resolution or on 5th August 2012, whichever is the earlier.

The Directors believe it is in the best interests of the Company that, as permitted by the Companies Act and in line with current institutional guidelines, they should have at their disposal a relatively small number of shares in order that they may take advantage of any appropriate opportunities that may arise.

The Directors are proposing that a Special Resolution be submitted at the Annual General Meeting (as it was last year) to empower them to buy back up to 15% of the issued share capital of the Company. This authority shall expire on the date of the next Annual General Meeting or on 5th August 2012, whichever is the earlier. The Company may then either cancel any shares it buys back, or hold them as own shares held in terms of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003.

New Long-Term Incentive Plan

The Directors are proposing that an Ordinary Resolution be submitted at the Annual General Meeting to adopt a new Long-Term Incentive Plan. Further details of the background to, and reasons for the proposal, together with a summary of the rules of the new scheme are set out in the Appendix.

Notice Period for General Meetings

Under the Company's Articles of Association, general meetings (other than Annual General Meetings) can be called on 14 days' notice. The Shareholder Rights Directive, which was implemented in the UK in August 2009, requires that all general meetings must be held on 21 days' notice unless shareholders agree to a shorter notice period. Resolution 12, if approved, would enable the Company to continue to call a general meeting (other than an Annual General Meeting) on 14 days' notice. The Company intends to use this only when the business to be conducted at the meeting is time critical, not for routine business.

RECOMMENDATION

The Board considers the proposals and the Resolutions to be proposed at the Annual General Meeting of the Company to be in the best interests of the Company and its shareholders as a whole and accordingly the Directors unanimously recommend that shareholders vote in favour of the Resolutions set out in the Notice of Annual General Meeting, as the Directors intend to do in respect of shares beneficially owned by them.

RISK MANAGEMENT POLICIES AND OBJECTIVES

The risk management policies and objectives may be found in the Accounting Policies on pages 54 to 61.

DISABLED PERSONS

The Company provides Occupational Health Services in-house which play a significant part in monitoring the health of employees and ensuring that those members of staff who experience long-term illness or disability receive the appropriate support to secure their return to work. Where their return to work is possible the Company has well-developed procedures to ensure the employee continues to play a productive role within the Group. These procedures are evidenced by the numbers of employees who remain in employment with disabilities or a restricted capacity to carry out their normal duties. The Group continues to fully endorse the aims of the Disability Discrimination Act and our internal procedures ensure compliance at all locations.

CREDITOR PAYMENT POLICY

It is the Group's policy to settle all debts with its creditors on a timely basis, taking account of the credit period given by each supplier. The Company's average creditor payment period at 31st December 2010 was 43 days (2009 – 43 days).

CHARITABLE DONATIONS

Donations for local charitable purposes in 2010 amounted to £21,000 (2009 – £20,000). No contributions were made for political purposes.

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

Each Director, as at the date of this report, has confirmed that, insofar as they are aware, there is no relevant audit information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware and they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Morag McNeill

Group Company Secretary

22nd March 2011

The Directors are committed to high standards of corporate governance. The way in which the Company applies the principles set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the "Combined Code") is described below. The UK Corporate Governance Code, which was issued by the Financial Reporting Council in June 2010, will apply to the Company in respect of the financial year ending 31st December 2011 and the Company intends to comply with the Code in full.

- > Ensuring compliance in relation to
 - a Safety, health and environmental matters
 - b Corporate Governance;
- > Delegating clear responsibility and authority to the Chairman, Committees of the Board, the Group Chief Executive and other Directors;
- > Compliance with the Companies Act, UK Listing Authority, London Stock Exchange and other regulations; and
- > Consideration and approval of strategy, budgets and major management/financial decisions as determined from time to time by the Board.

COMPLIANCE STATEMENT

The Company has been in compliance with all relevant provisions of the Combined Code throughout the year under review.

THE COMBINED CODE – APPLICATION OF PRINCIPLES

A. Directors

The Board

David Richardson is the Non-Executive Chairman of the Board. Charles Hammond is the Group Chief Executive. Gerry Brown is Senior Independent Director. Throughout the year, the Board of Directors comprised five Non-Executive Directors and three Executive Directors. The Board considers all its Non-Executive Directors, with the exception of the Chairman, to be independent. Stuart Paterson was appointed as Group Finance Director on 15th March 2011. Wilson Murray retires as a Director at the conclusion of the Annual General Meeting.

No Non-Executive Director has served on the Board for more than nine years from the date of his appointment. The Board has adopted the principle that Non-Executive Directors should normally serve two three year terms and that any term beyond six years should be subject to particularly rigorous review. In any event, no Non-Executive Director shall serve longer than nine years. Gerry Brown and Struan Robertson were appointed for a third term in 2009.

The Directors believe that it is essential that the Group should be led and controlled by an effective Board. The Board has adopted a formal Schedule of Matters specifically reserved to it on such matters as:

- > Agreeing objectives, policies and strategies and monitoring the performance of the Executive Directors and Senior Management;
- > Controlling and monitoring the financial performance of the Group;
- > Reviewing strategic options on an annual basis to include any major changes in organisation and direction of the Group;
- > Approving major expenditure and transactions with other companies including, for example, acquisitions, disposals and joint ventures;

Board Meetings

The Board met six times last year for regular business and the Directors participated in the Annual Strategy Conference. The Board meets as necessary for any matters arising at other times. At each Board meeting, the Board considers reports from each of the Executive Directors covering his area of responsibility.

An Annual General Meeting is held every year. All Directors are subject to re-appointment by shareholders at the first Annual General Meeting after their appointment and thereafter to re-election at intervals of no more than three years. In 2012, all Directors will be subject to re-election annually in accordance with the provisions of the UK Corporate Governance Code.

The attendance at Board Meetings during 2010 was as shown below:

Name	Meetings Attended
David Richardson	6
Charles Hammond	6
Wilson Murray	6
Perry Glading	6
Gerry Brown	5
Struan Robertson	6
James Tuckey	6
Marie-Louise Clayton	6

The Chairman holds one meeting with the Non-Executive Directors without the Executive Directors present.

Sub-Committees of the Board

The Board has delegated certain matters to three sub-committees of the Board comprising the Audit Committee, the Remuneration Committee and the Nomination Committee. Details of the membership of each sub-committee are shown on pages 37 to 44.

The following table sets out the frequency of, and attendance at, the various sub-committee meetings for the period under review:

	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	3	4	1
Name			
David Richardson	n/a	n/a	1
Gerry Brown	3	3	–
Struan Robertson	3	4	1
James Tuckey	3	4	1
Marie-Louise Clayton	3	4	1
Charles Hammond	n/a	n/a	1

Group Company Secretary

The Group Company Secretary is responsible for ensuring that Board procedures and applicable rules and regulations are observed. All Directors have access to the advice and services of the Group Company Secretary. The Group Company Secretary is also responsible for ensuring that the Directors are fully aware of their duties and responsibilities as Directors and that they undertake appropriate training.

Independent Advice

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense.

Unresolved Concerns

Where Directors have concerns which cannot be resolved in connection with the running of the Company or a proposed action, their concerns are recorded in the Board Minutes. If a Non-Executive Director resigns, he is required to provide a written statement to the Chairman, for circulation to the Board, if he has any such concerns.

Insurance Cover

The Company purchases insurance to cover its Directors and Officers and the Trustees of its pension scheme against the costs of defending themselves in civil legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings. To the extent permitted by UK Law, the Company also indemnifies its Directors, Officers and Trustees. Neither the insurance nor the indemnity provides cover where a Director, Officer or Trustee has acted fraudulently or dishonestly.

Annual Evaluation of Performance

An annual evaluation of the Board's performance and that of its sub-committees, individual Directors and Chairman is undertaken. Each Director receives a Board Performance Evaluation Questionnaire and separate Committee Performance Evaluation Forms where appropriate for use in assessing the Board's own performance and that of the Audit and Remuneration Committees. As the Nomination Committee meets infrequently, there is no separate Performance Evaluation Questionnaire for that Committee however any comments on the Nomination Committee may be sent to the Group Company Secretary as part of the Board Questionnaire.

The Committee Performance Evaluation Questionnaires consider fulfilment of terms of reference, necessary skills and resources of members, evaluation of the supporting processes for the Committee and an overall view of the effectiveness of the Committee.

The results were compiled and addressed by the Group Company Secretary and reported to the Board. The results were considered by the Board at its March meeting in 2011. No major changes were required as a result of this review.

An evaluation of the performance of the Group Chief Executive and each of the other Non-Executive Directors was undertaken by the Chairman.

The Non-Executive Directors, led by the Senior Independent Director, met once without the Chairman and the Executive Directors to evaluate the performance of the Chairman.

As part of the annual budget presentation to the Board, the Board reviews the targets which were given to individual Executive Directors and Senior Managers within the Group and subsequently discusses and approves the targets to be given to these individuals for the following year.

External Audit Process

The Audit Committee has reviewed and monitored the effectiveness of the external audit process by way of a questionnaire which reviewed, on a graded scale, the robustness of the audit, the quality of delivery and the quality of people and service. The Audit Committee was satisfied as to the effectiveness of the external audit process.

B. Directors' Remuneration

Reference is made to the Directors' Remuneration Report on page 39 which sets out the composition of the Remuneration Committee, the Company's remuneration policy for Directors and details of such remuneration (including bonus schemes and pensions) for each Director, and the Committee's compliance with all relevant sections of the Combined Code.

All Executive Directors are on one year rolling contracts.

No Executive Director who has external directorships is currently paid for these directorships.

C. Relations with Shareholders

The Company encourages regular dialogue with institutional shareholders based on a mutual understanding of objectives.

The Board receives reports prepared by the Company's broker which reflect the views of the major shareholders on an unattributable basis following the half-yearly and annual presentations to major shareholders. The Board also receives copies of analysts' reports on a regular basis.

In 2010, the Chairman met, or had discussions with, certain of the Company's major shareholders. As part of the governance process, other major shareholders were offered the opportunity to meet the Chairman should they so wish. The Senior Independent Director is also available for meetings if requested.

The Board uses the Annual General Meeting to communicate with private investors and encourages their participation both inside and outside the formal meeting.

As in prior years, at the 2010 Annual General Meeting, the Company will ensure that the level of proxies for and against each resolution is intimated to shareholders after each resolution has been dealt with.

As at 22nd March 2011, the Company's issued share capital comprises 45,749,823 Ordinary Shares of 50p each.

D. Financial Reporting and compliance with the 2005 Turnbull Committee Guidance on Internal Control ("the Guidance")

Internal Control: The Board is responsible for and has reviewed the effectiveness of the Group's system of internal control in accordance with the Guidance throughout the year. No significant findings were identified which required action to be taken. The process of internal control has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. It should be recognised that such a system can provide only reasonable, and not absolute, assurance against material misstatement or loss. The key features of the system which have been established are as follows:

Control Environment

The Group's control environment is the responsibility of the Group's Directors and managers at all levels. The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to the local boards.

Identification of Business Risks and compliance with the Guidance

Throughout last year, the Group complied with the Guidance. The Group Risk and Insurance Manager oversees the procedures involved in the identification of business risks and compliance with the Guidance. The Board regularly reviews the process of identifying, evaluating and managing the Group's key risks which allows it to take a view on the effectiveness of these procedures. All subsidiaries are required to assess key risks and related control and monitoring procedures on an ongoing basis. The Board monitors this process on a regular basis.

Major Corporate Information Systems

The Group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual results to budget. Management accounts are compiled on a monthly basis. Variances from budget are thoroughly investigated and revisions to forecasts are made twice during the year. Cash Flow projections are prepared monthly and cover a rolling twelve month period to ensure that the Group has adequate funds. The port business uses the Integrated Port Operating System ("IPOS") to provide it with up-to-date information on marine, general cargo and container operations. Together with Cognos software, this enables core information to be tailored to management's own particular requirements to assist in the day-to-day operation of the business.

Main Control Procedures

Divisional management establishes control procedures in response to each of the key risks identified. Standard financial control procedures operate throughout the Group to ensure the integrity of the Group's accounts. The Board has established procedures for authorisation of capital expenditure and exceptional maintenance. The Group has an internal audit function which carries out a regular programme of systematic reviews of the financial control procedures.

Monitoring System used by the Board

The Board participates in an annual strategy conference which includes a three year forward financial review which is then updated on an annual basis. The Board reviews and approves budgets and monitors the Group's performance against those budgets. The Board receives reports on a regular basis from the Audit Committee.

Audit Committee: Full details of the work of the Audit Committee are contained in the Report of the Audit Committee on page 37.

Statement of Directors' Responsibilities: The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company 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 accounting estimates that are reasonable and prudent;
- > state whether applicable IFRSs as adopted by the European Union 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group and Company's website www.forthports.co.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Statement pursuant to the Disclosure and Transparency Rules: Each of the Directors, whose names and functions are listed on page 28 confirm that, to the best of their knowledge:

- > The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and Group; and
- > The Directors' Report contained in this Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Going Concern: The Directors, having made enquiries, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and that therefore it is appropriate to continue to adopt the going concern basis in preparing the accounts.

By Order of the Board

Morag McNeill
Group Company Secretary

22nd March 2011

REPORT OF THE AUDIT COMMITTEE

The members of the Audit Committee during the year were:

Marie-Louise Clayton	Non-Executive Director (Chair)
Gerry Brown	Non-Executive Director
Struan Robertson	Non-Executive Director
James Tuckey	Non-Executive Director

The Chair of the Audit Committee has recent and relevant financial experience.

The Group Chief Executive, the Group Finance Director and the Managing Director, Port of Tilbury, are in attendance at the Audit Committee meetings. However, they are not present for the full meeting as the Audit Committee has separate sessions with only the internal and external auditors present. The Chairman of the Board is also in attendance.

The Group Company Secretary acts as Secretary to the Committee.

Members of the Audit Committee serve for an initial period of up to three years with the option to extend by no more than two additional three year periods provided the members are considered to be independent. The Company has complied with the Combined Code throughout the year.

The Audit Committee met on three occasions during the year to receive reports on various matters including the 2009 full year accounts (March), the Interim Statement (August), and on planning work for the 2010 full year audit (December). In addition, the Interim Management Statements were approved by all members of the Committee.

The Terms of Reference of the Audit Committee authorise it to seek any information it requires from any employee and all employees are required to co-operate with any requests made by the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it is considered necessary.

The Terms of Reference of the Committee may be summarised as follows:

- a to monitor and review the integrity of the financial statements of the Company including its annual and half-yearly reports, interim management statements and any other formal announcements relating to the Company's financial performance and to review significant financial reporting issues and judgements which they contain;
- b to review and challenge where necessary, the consistency of, and changes to, accounting policies, the method used to account for significant or unusual transactions, the clarity of disclosure in the financial reports and all material information presented within the financial statements;

- c to monitor and review compliance with Accounting Standards and compliance with UKLA, LSE and legal requirements;
- d to monitor and review the adequacy and effectiveness of the Company's internal financial controls;
- e to monitor and review the adequacy and security of arrangements for employees and contractors to raise concerns in confidence about possible wrongdoing in financial reporting or other matters, and to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- f to monitor and review the Company's systems and controls for the prevention of bribery and the detection of fraud;
- g to monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system, to review the internal audit plan and to ensure that the internal audit function has adequate resources and appropriate access to perform its function effectively;
- h to consider the appointment of the external auditors, the audit fee and to make recommendations to the Board for it to put to shareholders in relation to the appointment, reappointment or removal of the external auditors;
- i to monitor and assess annually the external auditors' independence and objectivity taking into account relevant UK professional and regulatory requirements;
- j to monitor and assess annually the qualifications, resources and expertise of the external auditors, the effectiveness of the audit process and the co-ordination of activities with the internal audit function;
- k to monitor and review the policy on the engagement of the external auditors to supply non-audit services taking into account any external guidance;
- l to ensure that all matters within the remit of the Committee are dealt with in an open, fair and transparent manner; and
- m to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken.

The risk management system is reviewed by the Board.

The Audit Committee reviewed the external auditors' independence; it considered the external auditors' quality control procedures and reviewed and approved the level of audit fees by reference to the total level of fees which the external auditors had been paid during the year; it also compared the fees paid to the external auditors with fees paid to other professional advisors for accounting and other tax work. It received a presentation from the external auditors in which the views of the external auditors were expressed in relation to the question of independence. It also assessed the effectiveness of the external audit process considering the quality of people and service provided by the external auditors, the robustness of the audit and the quality of delivery.

PricewaterhouseCoopers LLP have been the Company's auditors since it listed on the London Stock Exchange in 1992. The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. Accordingly, it has not considered it necessary to date to require the firm to tender for the audit work. The external auditors of listed companies are required to rotate the audit partners responsible for the Group and subsidiary accounts every five years and the current lead audit partner has been in place for five years.

The Audit Committee's policy on the external auditors undertaking non-audit work is as follows:

1 Audit Related Services

This is the primary area of work for the external auditors. If any additional accounting support is required, then this should be considered on a competitive basis.

2 Tax Consulting

In cases where knowledge of the Group's tax position is important, Forth Ports may use the external auditors and their associates but this does not preclude the Group from using other tax consulting firms. Significant additional tax work should be evaluated competitively.

3 General and Systems Consulting

All significant consulting projects, including due diligence work, should be subject to competitive tender. The Group Finance Director is required to give prior approval of work to be carried out by the external auditors if the fee proposal is between £5,000 and £49,999. There is an aggregate cap on the Group Finance Director's authority on non audit fees payable to the external auditors of £200,000. If the fee proposal is in excess of £50,000 this should be pre-approved by the Chair of the Audit Committee if it is proposed to give this work to the external auditors.

During 2010, the Company used three different firms of professional advisers to advise on accounting, corporation tax, VAT and other financial matters. The fees received by the external auditors were as follows:

	2010 £000	2009 £000
Statutory audit fees	407	396
Non-audit services:		
Tax advisory services	8	12
Other	17	42
	432	450

The Audit Committee carried out a review of its effectiveness by considering such matters as skillsets of members, quality of Audit Committee papers, relationships with the external auditors and the internal auditor and suggestions for improving the Committee's performance. The results were discussed and approved by the Audit Committee which expressed itself satisfied as to its effectiveness.

The Audit Committee also regularly reviews its Terms of Reference and the policies within its remit. In 2010 the Committee updated its Terms of Reference and the Risk and Treasury Policies.

The Audit Committee also received a report at all of its meetings from the internal auditor on the work which had been carried out. A separate Internal Audit Plan is presented to the Audit Committee by the internal auditor for consideration at the last Audit Committee meeting of each year in respect of the following year's work programme. The Audit Committee reviewed the effectiveness of the internal audit function and was satisfied as to the effectiveness of that function given the size and complexity of the business.

A "whistle blowing" policy is in operation throughout the Group. This policy sets out the position whereby any concerns, including those of a financial nature, may be raised at the appropriate level within the Group.

Marie-Louise Clayton
Chair

22nd March 2011

DIRECTORS' REMUNERATION REPORT

This report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. It also meets the relevant requirements of the Rules of the UK Listing Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. As required by the Regulations, a resolution to receive and consider the report will be proposed at the Annual General Meeting of the Company at which the accounts will be approved.

The members of the Remuneration Committee during the year were:

Struan Robertson	Non-Executive Director (Chairman)
Gerry Brown	Non-Executive Director
James Tuckey	Non-Executive Director
Marie-Louse Clayton	Non-Executive Director

The Chairman and the Group Chief Executive are in attendance at the Remuneration Committee meetings.

The Group Company Secretary acts as Secretary to the Committee.

Members of the Remuneration Committee serve for an initial period of up to three years with the option to extend for a further three years with, in exceptional circumstances, up to a further three years.

During the year there were four meetings of the Committee.

The Terms of Reference of the Committee may be summarised as follows:

- a to determine and agree with the Board the policy for, and set, the remuneration of the Executive Directors and the Chairman. In determining the policy the Committee should take into account all factors it deems necessary with the objective of ensuring that the Executive Directors are appropriately incentivised to encourage enhanced performance and fairly rewarded for their individual contribution to the success of the Company;
- b to consider all elements of the remuneration package i.e. base pay, short and long-term incentives, pension arrangements and termination provisions;
- c to review in general terms the remuneration packages for employees directly below Board level;
- d to ensure compliance with all relevant legal requirements and take account of the provisions of the Combined Code and the UK Listing Rules;
- e to report formally to the Board as necessary on its proceedings; and
- f to produce an annual report on the Company's remuneration policy which forms part of the Company's Annual Report to the shareholders at the Annual General Meeting.

During the year the Remuneration Committee received advice from Towers Watson, an independent firm of Remuneration Consultants, in relation to Executive and Senior Management remuneration, the 2006 LTIP and the proposed new Long-Term Incentive Plan.

Towers Watson has no other connection with the Company.

The Group Chief Executive and the Group Company Secretary take no part in determining their own remuneration.

The Non-Executive Directors' fees are determined by the Chairman in consultation with Executive Directors.

REMUNERATION POLICY

The Company's policy on remuneration is to attract, retain and incentivise the best staff recognising that they are key to the ongoing success of the business. In accordance with this policy, the overall packages awarded to Directors are intended to be competitive and comprise a mix of performance related and basic remuneration, taking into account the goals of corporate governance. Basic remuneration represents approximately one third of total potential remuneration with the short-term bonus scheme and long-term incentive plan each accounting for up to one third of the balance.

The Remuneration Committee reviewed and reflected on remuneration throughout the Group in coming to its views on remuneration for the Executive Directors.

In 2010, the Company operated two variable remuneration plans, the Short-Term Bonus Scheme and the 2006 LTIP. Details of these are set out on page 40.

The Board continued the policy that only base salary is used for pension purposes. Further details of the pension arrangements for Executive Directors are set out on pages 42 and 43.

BASE SALARIES FOR 2011

In 2010 each of the Executive Directors, the Group Company Secretary, the Managing Director of Property and the Director of Scottish Ports agreed to a freeze in their base salaries for the second year in succession. The only exception was Perry Glading, who was awarded an increase in recognition of the increased responsibilities he had been given in relation to Nordic.

The Non-Executive Directors also agreed to freeze their fees for a second year in succession.

For 2011, base salaries for Executive Directors and fees for Non-Executive Directors have been increased by 3%. The wages and salaries for the Group as a whole have yet to be finalised for 2011. In addition, the Chairman of the Remuneration Committee has received an additional increase of £1,500 reflecting the additional responsibilities of the role. Stuart Paterson's base salary from 15th March 2011, being the date of his appointment as Group Finance Director, will be £330,000.

DIRECTORS' SERVICE CONTRACTS

The dates of the service contracts of the Executive Directors are as follows:

Charles Hammond	11th March 1992
Wilson Murray	11th March 1992
Perry Glading	26th September 2001
Stuart Paterson	19th January 2011

Each of the service contracts is terminable on 12 months' written notice by the Company or on 6 months' notice by the Executive Director. New Executive Directors will be appointed on the basis of a one year rolling contract unless there are exceptional circumstances. Each service contract provides that the termination payment for all Executive Directors is based on their existing salary and benefits.

The dates of the letters of appointment of the Non-Executive Directors in office as at 22nd March 2011 are as follows:

Gerry Brown	4th September 2003
Struan Robertson	4th September 2003
David Richardson	6th May 2005
James Tuckey	26th June 2007
Marie-Louise Clayton	4th December 2009

Non-Executive Directors are normally appointed for up to two three year terms which may be extended for a further three years after a rigorous review. There is no age limit for Non-Executive Directors. No termination payments are payable to Non-Executive Directors.

SHORT-TERM BONUS SCHEME

Awards under the Short-Term Bonus Scheme are based on the achievement by the Executive Director of the challenging targets approved by the Remuneration Committee. These targets include growth in the underlying profit of the port operations* and the achievement of operating targets across the Group. A bonus of 70% of salary may be earned by meeting these targets with a maximum available bonus of 100% of salary for achievement in excess of the targets. The metrics for 2010 related to ports performance, achievement of positive cash flow and achievement of non-financial targets.

Bonuses were awarded, in respect of performance in 2010, to each of the Executive Directors as follows:

	2010 £	2009 £
Charles Hammond	391,000	230,000
Wilson Murray	242,250	142,500
Perry Glading	255,000	140,000

The bonus metrics set for 2011 are aligned with the key areas of focus for the Company: 65% of the bonus relates to ports profit, 15% to achieving targeted cash flow and 20% to non-financial targets. The entry point for the port element of the bonus is achievement of 90% of the ports profit metric and the stretch target is achievement of 110% of the ports profit metric.

2006 LTIP

The 2006 LTIP was approved at the Annual General Meeting on 3rd May 2006. The performance conditions were chosen to align closely to the Company's strategy of growth in ports profits and long-term value creation in property. Under the plan, the value of the shares awarded may be up to 100% of basic salary per annum based on the share price at 1st April in the relevant performance period. The shares awarded in 2010 will vest with the recipient after a period of three years and will be dependent on the extent to which performance conditions relating to average annual growth in underlying ports profits ("Ports Profits Test") and average annual growth in property net asset value ("NAV Test") have been satisfied over that period.

No award shares subject to the relevant test will vest if the threshold level of performance is not achieved at the end of the performance period. The maximum number of shares will vest if the stretch target is achieved. Award shares will vest on a straight line basis for performance between the threshold and the stretch target. The threshold level and the stretch target are set by the Remuneration Committee and the Remuneration Committee also establishes, for each participant, the percentage of award which is to be dependent on achievement of performance under each metric.

For awards granted in 2010, the threshold level for the Ports Profits Test was set at 3% with a stretch target of 8%. The threshold level for the NAV Test was set at 4% with a stretch target of 9%.

During the year the Remuneration Committee decided to carry out a review of the performance conditions of the 2006 LTIP and appointed Towers Watson to assist in this review. As a result, the Remuneration Committee recommended to the Board that changes be made to the metrics and that those eligible to participate in the Plan be limited to the six members of the Group Management Board. The Chairman of the Remuneration Committee has consulted with the Company's major shareholders. The Remuneration Committee also took the opportunity to update the scheme rules to reflect current market practice. The background to the adoption, and a summary of the rules, of the proposed 2011 LTIP are set out in the Appendix. The Remuneration Committee firmly believes that the introduction of the 2011 LTIP is in the best interest of shareholders.

Assuming that the 2011 LTIP is approved at the Annual General Meeting, the Remuneration Committee intends to make conditional awards under the plan immediately thereafter.

* Note: reference in the Directors' Remuneration Report to ports profit includes profit from Nordic Recycling.

Shares conditionally awarded to Executive Directors under the 2006 LTIP are as follows:

	Cycle Ending	Award Date	At 1.1.10	Awarded 2010	Vested	Lapsed	At 31.12.10	Vesting Date
Charles Hammond	2010	27.4.07	19,915	–	(12,945)	(6,970)	–	22.3.10
	2011	30.4.08	22,728	–	–	–	22,728	23.3.11
	2012	23.4.09	42,177	–	–	–	42,177	30.4.12
	2013	29.4.10	–	35,994	–	–	35,994	30.4.13
Wilson Murray	2010	27.4.07	12,328	–	(8,031)	(4,297)	–	22.3.10
	2011	30.4.08	14,082	–	–	–	14,082	23.3.11
	2012	23.4.09	26,131	–	–	–	26,131	30.4.12
	2013	29.4.10	–	22,301	–	–	22,301	30.4.13
Perry Glading	2010	27.4.07	11,854	–	(9,483)	(2,371)	–	22.3.10
	2011	30.4.08	13,834	–	–	–	13,834	23.3.11
	2012	23.4.09	25,673	–	–	–	25,673	30.4.12
	2013	29.4.10	–	23,475	–	–	23,475	30.4.13
			188,722	81,770	(30,459)	(13,638)	226,395	

The information in the table above has been subject to audit as required by the Companies Act 2006.

Certain Senior Managers are also eligible for awards under the 2006 LTIP.

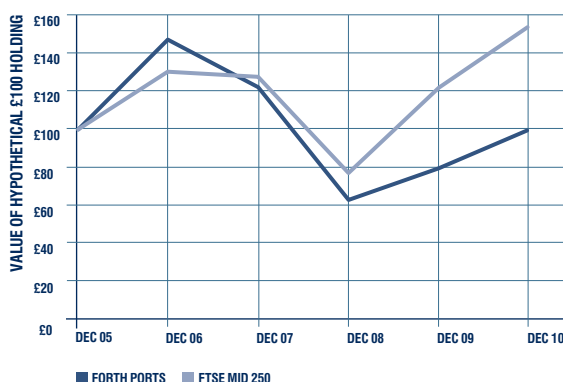
On 22nd March 2010, 60,409 of the options awarded in 2007 vested in line with the performance criteria. The share price on the date of the award was £20.06. The credit to the Income Statement in respect of the value of the awards and the related employers' national insurance was £(0.6)m. The total shares awarded in 2008 were 145,682 and, subject to achieving the performance criteria, these will vest on 23rd March 2011. The market price on 30th April 2008 was £21.77. The charge to the Income Statement in respect of the value of the conditional awards and the related employers' national insurance cost was £0.8m for the year.

The total shares awarded in 2009 were 253,471 and, subject to achieving the performance criteria, these will vest on 30th April 2012. The market price on 23rd April 2009 was £9.75. The charge to the Income Statement in respect of the value of the conditional awards and the related employers' national insurance cost was £0.8m for the year. The total shares awarded in 2010 were 217,483 and, subject to achieving the performance criteria, these will vest on 3rd April 2013. The market price on 29th April 2010 was £13.47. The charge to the Income Statement in respect of the value of the conditional awards and the related employers' national insurance cost was £0.7m for the year.

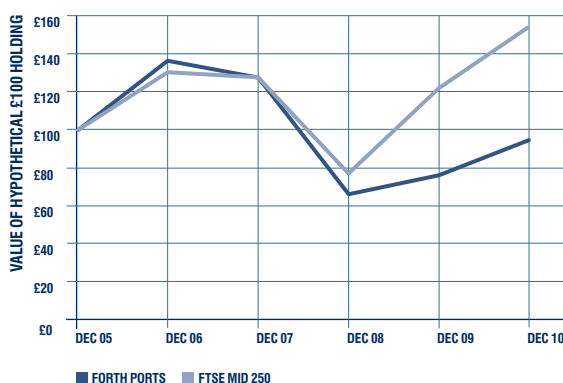
Group Finance Director Option

Stuart Paterson is entitled to a nil cost option award of 7,789 Forth Ports shares based on a price of £16.05 being the middle market price at close of business on 14th March 2011, the day prior to the date of commencement of his employment. The award will vest on 22nd March 2012, subject to Stuart Paterson being in employment with the Company and at that date satisfactory performance as determined by the Group Chief Executive. The award will vest in full on a change of control of the Company prior to 22nd March 2012. It is intended to grant the award on 23rd March 2011. This award was made to partially compensate for the loss of deferred and loyalty bonuses in his previous employment.

Historical TSR Performance Growth in the value of a hypothetical £100 holding over five years. FTSE Mid 250 comparison based on 30 trading day average values



Historical TSR Performance Growth in the value of a hypothetical £100 holding over five years. FTSE Mid 250 comparison based on spot values



REMUNERATION PACKAGE

Directors' Detailed Emoluments

	Basic Salary and Fees		Performance Bonus Scheme		Other Benefits		Total	
	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £	2010 £	2009 £
Charles Hammond	460,000	460,000	391,000	230,000	133,031	132,896	984,031	822,896
Wilson Murray	285,000	285,000	242,250	142,500	88,017	88,851	615,267	516,351
Perry Glading	300,000	280,000	255,000	140,000	25,756	25,136	580,756	445,136
David Richardson*	120,000	46,000	–	–	–	–	120,000	46,000
Gerry Brown*	40,000	40,000	–	–	–	–	40,000	40,000
Struan Robertson*	45,000	45,000	–	–	–	–	45,000	45,000
James Tuckey*	39,000	39,000	–	–	–	–	39,000	39,000
Marie-Louise Clayton*/***	46,000	n/a	–	n/a	–	n/a	46,000	n/a
Christopher Collins**	n/a	122,500	n/a	–	–	–	n/a	122,500
	1,335,000	1,317,500	888,250	512,500	246,804	246,883	2,470,054	2,076,883

*Denotes Non-Executive Director

**Retired on 31st December 2009

*** Joined the Board on 1st January 2010 as a Non-Executive Director

The information in the table above has been subject to audit.

Other benefits in 2010 include payments in lieu of company pension contributions for Charles Hammond and Wilson Murray (see below).

The other benefits also include car provision and medical health insurance and, for certain Executive Directors, fuel provision.

SAYE SCHEME

As at 31st December 2010 the Directors held options under the Group SAYE Scheme as follows:

	Date of Grant	At 1.1.10	At 31.12.10	Exercise Price £	Date on which first Exercisable	Expiry Date
Charles Hammond	3.6.04	1,520	nil	10.75	1.8.09	28.2.10
Wilson Murray	3.6.04	1,520	nil	10.75	1.8.09	28.2.10
Perry Glading	3.6.04	1,520	nil	10.75	1.8.09	28.2.10
		4,560	nil			

The savings contracts entered into in 2004 matured in 2009.

Charles Hammond and Perry Glading exercised their options in full on 13th January 2010. The options held by Wilson Murray have lapsed.

The information in the table above has been subject to audit as required by the Companies Act 2006.

The highest share price during the year was £13.48 and the lowest was £7.00. The share price as at 31st December 2010 was £13.45.

DIRECTORS' PENSIONS

Certain of the Executive Directors receive pension entitlements from The Forth Ports Group Pension Scheme.

The Scheme is a defined benefit scheme that provides the Directors with a pension of up to two thirds of their final pensionable salary at age 60. It is an HMRC Registered Pension Scheme and all members are contracted out of the State Second Pension.

Pensions in payment, earned prior to 31st December 2002, are guaranteed to increase each year by 3% or the increase in the Retail Price Index (RPI) if higher, up to a maximum of 5%. Pensions earned from 1st January 2003 increase in accordance with Limited Price Indexation.

The figures shown overleaf have been prepared in accordance with the Statutory Instrument and the Listing Rules of the UK Listing Authority. Actual Company contribution rates are calculated as an average of the cost of providing benefits for all Scheme members over their future working lifetime. This recognises features such as the increasing cost of pension as members approach retirement age and the pension commitments which the Company has made for each member. Contributions are paid (where appropriate) at rates recommended by the Scheme Actuary, details of which are given in Note 32.

Charles Hammond, Wilson Murray, Perry Glading and Stuart Paterson receive a cash allowance in lieu of pension equal to 25% of basic salary. The allowance is not pensionable nor does it count towards entitlements to annual bonus or long-term incentives.

The Executive Directors (except Stuart Paterson) are members of The Forth Ports Group Pension Scheme, however, Charles Hammond and Wilson Murray ceased accruing pensionable service under the Scheme with effect from 16th March 2006 when they began instead to receive the cash allowance described above. Perry Glading ceased accruing pensionable service under the Scheme with effect from 16th March 2011.

The Executive Directors continue to be entitled to life insurance and ill-health benefits from the Scheme.

Following the abolition of the HMRC Earnings Cap, all members of the Scheme will accrue pensions based on the full, uncapped salary in respect of service from A-day onwards. However, for any member to whom the Cap previously applied, it will continue to apply in respect of service prior to A-day. Perry Glading is one such member. The cash allowance in lieu of pension on salary above the Cap, which he was previously receiving, ceased at A-day, in recognition of his increased rate of pension accrual.

Early retirement provisions for Directors are identical to those for other members of the Scheme.

	(A) Accrued Pension for Service to 31.12.09 (Note 2) £	(B) Accrued Pension for Service to 31.12.10 (Note 1) £	(C) Gross Increase in Accrued Pension £
Charles Hammond	191,028	191,028	–
Wilson Murray	162,688	162,688	–
Perry Glading	53,350	59,597	6,247
	(D) Increase in Accrued Pension Net of Inflation £	(E) Increase in (D) due to Salary Increases £	(F) Increase in (D) due to Service Accrual £
Charles Hammond	–	–	–
Wilson Murray	–	–	–
Perry Glading	6,247	1,580	4,667
	(G) Value of Net Pension Increase (Note 4) £	(H) Members' Contributions £	(I) Value of Net Pension Increase (G) less (H) (Note 5) £
Charles Hammond	–	–	–
Wilson Murray	–	–	–
Perry Glading	94,200	23,900	70,300
	(J) Transfer Value of Benefits at 31.12.09 £	(K) Transfer Value of Benefits at 31.12.10 £	(L) Net Increase in Transfer Value (Note 6) £
Charles Hammond	2,754,400	2,971,000	216,600
Wilson Murray	3,451,600	3,711,500	259,900
Perry Glading	811,900	966,300	130,500

The information in the table above has been subject to audit.

Notes:

- The pension accrual for Perry Glading is the amount that would have been paid annually on retirement based on service to the end of the year. For Wilson Murray and Charles Hammond it is based on service to 15th March 2006 at which point they stopped accruing further service.
- The accrued pensions in column (A) are based on pensionable salary at 31st December 2009 and pensionable service to that date. The figure is then increased to allow for revaluation that would have applied to a leaver over 2010 before being deducted from (B) to give (D). However, the revaluation that would have applied to a leaver in 2010 was 0%, therefore for 2010 no increase was applied to the figures in (A) when calculating (D).
- Transfer values have been calculated in accordance with the basis set by the Trustees in force at 31st December 2010.
- The values in column (G) reflect the age and proximity to retirement of the Director as well as financial conditions at the year end.

- The value of the net increase (I) represents the incremental value to the Director of his service during the year, calculated on the assumption that service terminated at the year-end (or earlier in the case of Charles Hammond and Wilson Murray). It is based on the accrued pension increase (D) after deducting the Director's contribution.
- The change in the transfer value (L) includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stockmarket movements. It is calculated after deducting the Director's contribution.
- Voluntary contributions paid by Directors and resulting benefits are not shown.

This report has been approved by the Board.

Struan Robertson
Chairman

22nd March 2011

The members of the Nomination Committee during the year were:

David Richardson	Non-Executive Director (Chairman)
Gerry Brown	Non-Executive Director
Struan Robertson	Non-Executive Director
James Tuckey	Non-Executive Director
Marie-Louise Clayton	Non-Executive Director
Charles Hammond	Group Chief Executive

The Group Company Secretary acts as Secretary to the Committee.

Members of the Nomination Committee serve for an initial period of up to three years with the option to extend by no more than two additional three year periods.

The Committee meets not less than once a year and at such other times as business requires. During the year one meeting was held.

The Terms of Reference of the Committee may be summarised as follows:

- a to prepare a description of the role and capabilities required for a particular Board appointment;
- b to be responsible for identifying and nominating, for approval of the Board, candidates to fill the Board vacancies as and when they arise;
- c to satisfy itself with regard to succession planning;
- d to ensure that new Board members have sufficient time to undertake the role; and
- e to ensure that an appropriate induction plan has been put in place for every new Director.

The Committee shall also make recommendations to the Board in respect of the following:

- a the re-appointment of a Non-Executive Director;
- b the re-election by shareholders of any Director under the retirement by rotation provisions in the Company's Articles of Association;
- c the continuation in office as a Director of any Director at any time; and
- d the appointment of any Director to Executive or other office other than to the positions of Chairman and Group Chief Executive, the recommendation for which shall be considered at a meeting of all the Directors regarding these two appointments.

The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties. It is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its Terms of Reference.

In 2010, the Committee met to discuss the process of the appointment of a new Group Finance Director to succeed Wilson Murray. The Committee prepared a detailed brief of a search to be carried out by Finlayson Wagner Black, an independent firm of Search Consultants. The recruitment process was as follows:

- a An overall profile for potential candidates was agreed. This was arrived at having regard to the balance of the Board and the Combined Code;
- b A shortlist of candidates was drawn up based on the search results against the profile;
- c The shortlisted candidates were then interviewed by the Chairman, the Chair of the Audit Committee, the Group Chief Executive and the Managing Director, Port of Tilbury. The results of the interviews were discussed with members of the Nomination Committee. The members of the Nomination Committee then interviewed the preferred candidate who also met the other Board members; and
- d Thereafter, the Nomination Committee recommended to the Board that Stuart Paterson be offered the position of Group Finance Director and his appointment was confirmed at the October Board meeting.

A short biography of Stuart Paterson can be found on page 29. The Committee is delighted that Stuart Paterson has accepted the position of Group Finance Director. He brings a wealth of financial experience and the Committee is confident he will make a valuable contribution to the Company.

Following their appointment new Directors and Senior Managers participate in the Company's induction programmes where each individual will meet Senior Managers, be shown the principal locations of the Group and be given presentations on the Company's strategy, targets and different business units.

David Richardson
Chairman

22nd March 2011

We have audited the financial statements of Forth Ports PLC for the year ended 31st December 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows, the Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- > the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st December 2010 and of the Group's profit and Group's and parent Company's cash flows for the year then ended;
- > the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- > the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- > the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- > the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report
by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- > adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- > certain disclosures of Directors' remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- > the Directors' statement, set out on page 36, in relation to going concern;
- > the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- > certain elements of the report to shareholders by the Board on Director's remuneration.

Mark Hoskyns-Abrahall (Senior Statutory Auditor)

for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

22nd March 2011

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2010

	Notes	Before Exceptional Items and Revaluations £m	Exceptional Items and Revaluations £m	Total 2010 £m	Before Exceptional Items and Revaluations* £m	Exceptional Items and Revaluations* £m	Total 2009* £m
Group revenue	1,2	181.9	–	181.9	173.9	–	173.9
Cost of sales	3,4	(106.8)	0.4	(106.4)	(106.4)	–	(106.4)
Gross profit		75.1	0.4	75.5	67.5	–	67.5
Administrative expenses	3,4	(25.3)	(1.1)	(26.4)	(25.3)	(12.3)	(37.6)
Other income	4	–	20.4	20.4	–	10.4	10.4
Group operating profit	1	49.8	19.7	69.5	42.2	(1.9)	40.3
Finance income	1,7	0.2	–	0.2	0.9	–	0.9
Finance costs	1,8	(14.8)	–	(14.8)	(11.5)	–	(11.5)
Acquisition accounting adjustment	4,39	–	–	–	–	18.3	18.3
Share of results of joint ventures	1,4	–	–	–	0.9	(2.6)	(1.7)
Share of results of associates	1,4	1.4	–	1.4	0.7	–	0.7
Profit before tax	3	36.6	19.7	56.3	33.2	13.8	47.0
Taxation	4,9	(9.4)	(1.8)	(11.2)	(7.7)	(2.2)	(9.9)
Profit for the year	10	27.2	17.9	45.1	25.5	11.6	37.1
Profit/(loss) attributable to non-controlling interest		0.1	–	0.1	(0.1)	0.0	(0.1)
Profit attributable to equity shareholders		27.1	17.9	45.0	25.6	11.6	37.2
		27.2	17.9	45.1	25.5	11.6	37.1
Earnings per share							
Basic earnings per share	12			98.4p			81.7p
Diluted earnings per share	12			97.3p			80.9p

All activities relate to continuing activities.

* Revised for measurement period adjustment (Note 39) and reallocation of net finance cost on pension liability (Note 32)

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010 £m	2009 £m
Profit for the year	45.1	37.1
Interest rate hedge	(2.0)	(4.7)
Deferred tax on interest rate hedge	1.8	–
Share of joint venture's movement on cash flow hedge	–	0.4
Share of associate's movement on cash flow hedge	0.1	0.0
Revaluation of investment property transferred from operational land and buildings	2.4	9.6
Deferred tax on revaluation	(0.2)	(2.1)
Corporation tax on excess pension contributions	–	1.3
Deferred tax on excess pension contributions	–	(1.3)
Actuarial loss in defined benefit pension scheme	(1.0)	(30.7)
Corporation tax on actuarial loss	0.3	–
Deferred tax on actuarial loss	–	8.6
Effect of tax rate change for deferred tax on defined benefit pension scheme opening balance	(0.2)	–
Share of associate's actuarial gain/(loss) in defined benefit pension scheme	0.1	(2.6)
Deferred tax on associate's actuarial gain/(loss)	(0.0)	0.7
Effect of tax rate change for deferred tax on associate's actuarial gain	0.0	–
Other comprehensive income/(expense) recognised directly in equity	1.3	(20.8)
Total comprehensive income for the year	46.4	16.3
Attributable to:		
Non-controlling interest	0.1	(0.1)
Equity shareholders	46.3	16.4
	46.4	16.3

BALANCE SHEETS
AT 31ST DECEMBER 2010

	Notes	Group 2010 £m	Group 2009* £m	Company 2010 £m	Company 2009 £m
ASSETS					
Non-current assets					
Property, plant and equipment	13	202.9	211.4	58.1	62.0
Investment property	14	332.1	308.2	44.4	44.5
Intangible assets	15	25.5	26.6	1.3	1.6
Investment in associate	17	10.0	8.4	–	–
Investment in subsidiaries	18	–	–	173.5	173.5
Deferred tax assets	21	7.9	8.7	7.9	8.7
		578.4	563.3	285.2	290.3
Current assets					
Inventories	19	30.2	28.5	2.1	1.0
Trade and other receivables	20	34.6	33.4	113.0	116.9
Current tax receivable	22	–	–	1.3	2.1
Cash and cash equivalents	23	18.3	6.3	15.8	3.2
		83.1	68.2	132.2	123.2
LIABILITIES					
Current liabilities					
Trade and other payables	24	(27.7)	(26.4)	(41.4)	(23.6)
Current tax liabilities	25	(5.7)	(4.0)	–	–
Derivative financial instruments		(7.9)	(7.2)	(4.7)	(4.1)
Borrowings	26	(0.0)	(0.0)	(0.0)	(0.0)
Provisions	27	(0.4)	(0.3)	(0.2)	(0.1)
		(41.7)	(37.9)	(46.3)	(27.8)
Net current assets		41.4	30.3	85.9	95.4
Non-current liabilities					
Borrowings	26	(249.8)	(257.4)	(182.0)	(189.7)
Deferred tax liabilities	28	(59.2)	(59.9)	(11.3)	(12.5)
Retirement benefit obligations	32	(29.4)	(31.3)	(29.4)	(31.3)
Derivative financial instruments		(7.0)	(5.4)	(0.1)	(0.6)
Provisions	27	(0.4)	(0.4)	(0.3)	(0.3)
		(345.8)	(354.4)	(223.1)	(234.4)
Total assets less total liabilities		274.0	239.2	148.0	151.3
SHAREHOLDERS' EQUITY					
Share capital	29	22.9	22.8	22.9	22.8
Share premium		19.6	19.2	19.6	19.2
Own shares held	31	(3.9)	(4.0)	(3.9)	(4.0)
Fair value and other reserves		9.1	9.2	63.1	61.6
Retained earnings		226.0	191.8	46.3	51.7
Total shareholders' equity		273.7	239.0	148.0	151.3
Non-controlling interest in equity		0.3	0.2	–	–
Total equity		274.0	239.2	148.0	151.3

*Revised for measurement period adjustment (Note 39)

The accounts on pages 47 to 92 were approved and authorised for issue by the Board of Directors on 22nd March 2011 and signed on its behalf by:

David Richardson
Chairman

Wilson Murray
Group Finance Director

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Non-controlling interest	Total equity
	Share capital £m	Share premium £m	Own shares held £m	Fair value and other reserves £m	Retained earnings £m	£m	£m
Group							
Balance at 1st January 2009	22.8	19.2	(4.9)	13.5	179.3	0.3	230.2
Interest rate hedge	–	–	–	(4.7)	–	–	(4.7)
Share of joint venture's movement on cash flow hedge	–	–	–	0.4	–	–	0.4
Share of associate's movement on cash flow hedge	–	–	–	0.0	–	–	0.0
Revaluation of investment property transferred from operational land and buildings	–	–	–	–	9.6	–	9.6
Deferred tax on revaluation	–	–	–	–	(2.1)	–	(2.1)
Corporation tax on excess pension contributions	–	–	–	–	1.3	–	1.3
Deferred tax on excess pension contributions	–	–	–	–	(1.3)	–	(1.3)
Actuarial loss in defined benefit pension scheme	–	–	–	–	(30.7)	–	(30.7)
Deferred tax on actuarial loss	–	–	–	–	8.6	–	8.6
Share of associate's actuarial loss in defined benefit pension scheme	–	–	–	–	(2.6)	–	(2.6)
Deferred tax on associate's actuarial loss	–	–	–	–	0.7	–	0.7
Other comprehensive expense recognised directly in equity	–	–	–	(4.3)	(16.5)	–	(20.8)
Profit/(loss) for the year	–	–	–	–	37.2	(0.1)	37.1
Total comprehensive (expense)/income for the year	–	–	–	(4.3)	20.7	(0.1)	16.3
LTIP shares – value of services provided	–	–	–	–	1.5	–	1.5
SAYE scheme – value of services provided	–	–	–	–	0.1	–	0.1
Consideration received for own shares held	–	–	0.9	–	–	–	0.9
Dividends	–	–	–	–	(9.8)	–	(9.8)
Balance at 31st December 2009	22.8	19.2	(4.0)	9.2	191.8	0.2	239.2

	Attributable to equity holders of the Company					Non-controlling interest	Total equity
	Share capital £m	Share premium £m	Own shares held £m	Fair value and other reserves £m	Retained earnings £m	£m	£m
Group							
Balance at 1st January 2010	22.8	19.2	(4.0)	9.2	191.8	0.2	239.2
Interest rate hedge	-	-	-	(2.0)	-	-	(2.0)
Deferred tax on interest rate hedge	-	-	-	1.8	-	-	1.8
Share of associate's movement on cash flow hedge	-	-	-	0.1	-	-	0.1
Revaluation of investment property transferred from operational land and buildings	-	-	-	-	2.4	-	2.4
Deferred tax on revaluation	-	-	-	-	(0.2)	-	(0.2)
Actuarial loss in defined benefit pension scheme	-	-	-	-	(1.0)	-	(1.0)
Corporation tax on actuarial loss	-	-	-	-	0.3	-	0.3
Effect of tax rate change for deferred tax on defined benefit pension scheme opening balance	-	-	-	-	(0.2)	-	(0.2)
Share of associate's actuarial gain in defined benefit pension scheme	-	-	-	-	0.1	-	0.1
Deferred tax on associate's actuarial gain	-	-	-	-	(0.0)	-	(0.0)
Effect of tax rate change for deferred tax on associate's actuarial gain	-	-	-	-	0.0	-	0.0
Other comprehensive (expense)/income recognised directly in equity	-	-	-	(0.1)	1.4	-	1.3
Profit for the year	-	-	-	-	45.0	0.1	45.1
Total comprehensive (expense)/income for the year	-	-	-	(0.1)	46.4	0.1	46.4
LTIP shares – value of services provided	-	-	-	-	1.5	-	1.5
SAYE scheme – value of services provided	-	-	-	-	(0.4)	-	(0.4)
New shares issued for LTIP scheme	0.1	-	-	-	-	-	0.1
New shares issued for SAYE scheme	-	0.4	-	-	-	-	0.4
Consideration received for own shares held	-	-	0.1	-	-	-	0.1
Dividends	-	-	-	-	(13.3)	-	(13.3)
Balance at 31st December 2010	22.9	19.6	(3.9)	9.1	226.0	0.3	274.0

The share premium, own shares held and fair value and other reserves are non-distributable. The purpose of the fair value and other reserves is to maintain the Company's capital and they include the following cumulative amounts: special reserve £12.7m, capital reserve £3.8m, capital redemption reserve £1.5m and a cash flow hedge reserve of £(8.9)m. Retained earnings include the following non-distributable amounts:

	2010 £m	2009 £m
Unrealised increases in fair value of investment properties net of deferred tax	130.4	113.2
Unrealised property gains in subsidiary	0.9	0.9
Investment in associates	10.0	8.4
Balance at 31st December	141.3	122.5

STATEMENT OF CHANGES IN EQUITY
CONTINUED

	Share capital £m	Share premium £m	Own shares held £m	Fair value and other reserves £m	Retained earnings £m	Total equity £m
Company						
Balance at 1st January 2009	22.8	19.2	(4.9)	66.3	69.5	172.9
Conversion of loan owed by joint venture to equity	–	–	–	–	7.9	7.9
Interest rate hedge	–	–	–	(4.7)	–	(4.7)
Revaluation of investment property transferred from operational land and buildings	–	–	–	–	2.9	2.9
Deferred tax on revaluation	–	–	–	–	(0.8)	(0.8)
Corporation tax on excess pension contributions	–	–	–	–	1.3	1.3
Deferred tax on excess pension contributions	–	–	–	–	(1.3)	(1.3)
Actuarial loss in defined benefit pension scheme	–	–	–	–	(30.7)	(30.7)
Deferred tax on actuarial loss	–	–	–	–	8.6	8.6
Other comprehensive expense recognised directly in equity	–	–	–	(4.7)	(12.1)	(16.8)
Profit for the year	–	–	–	–	2.5	2.5
Total comprehensive expense for the year	–	–	–	(4.7)	(9.6)	(14.3)
LTIP shares – value of services provided	–	–	–	–	1.5	1.5
SAYE scheme – value of services provided	–	–	–	–	0.1	0.1
Consideration received for own shares held	–	–	0.9	–	–	0.9
Dividends	–	–	–	–	(9.8)	(9.8)
Balance at 31st December 2009	22.8	19.2	(4.0)	61.6	51.7	151.3
Interest rate hedge	–	–	–	0.2	–	0.2
Deferred tax on interest rate hedge	–	–	–	1.3	–	1.3
Revaluation of investment property transferred from operational land and buildings	–	–	–	–	1.0	1.0
Deferred tax on revaluation	–	–	–	–	(0.2)	(0.2)
Actuarial loss in defined benefit pension scheme	–	–	–	–	(1.0)	(1.0)
Corporation tax on actuarial loss	–	–	–	–	0.3	0.3
Effect of tax rate change for deferred tax on defined benefit pension scheme opening balance	–	–	–	–	(0.2)	(0.2)
Other comprehensive income/(expense) recognised directly in equity	–	–	–	1.5	(0.1)	1.4
Profit for the year	–	–	–	–	6.9	6.9
Total comprehensive income for the year	–	–	–	1.5	6.8	8.3
LTIP shares – value of services provided	–	–	–	–	1.5	1.5
SAYE scheme – value of services provided	–	–	–	–	(0.4)	(0.4)
New shares issued for LTIP scheme	0.1	–	–	–	–	0.1
New shares issued for SAYE scheme	–	0.4	–	–	–	0.4
Consideration received for own shares held	–	–	0.1	–	–	0.1
Dividends	–	–	–	–	(13.3)	(13.3)
Balance at 31st December 2010	22.9	19.6	(3.9)	63.1	46.3	148.0

The share premium, own shares held and fair value and other reserves are non-distributable.

Fair value and other reserves include amounts of £64.8m, £1.5m and £(3.2)m in relation to a special reserve, a capital redemption reserve and an interest rate hedge reserve respectively. The special reserve arose from the reduction in share capital in 1995, the capital redemption reserve arose in previous years on the repurchase of 2.9 million of the Company's own shares and the interest rate hedge arose on our fixed interest rate. The purpose of these reserves is to maintain the Company's capital.

Retained earnings include the following non-distributable amounts:

	2010 £m	2009 £m
Unrealised increases in fair value of investment properties net of deferred tax	19.5	19.8

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2010

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash flows from operating activities					
Cash generated from operations	36	58.7	55.7	46.4	43.4
Interest paid		(13.4)	(9.1)	(8.9)	(9.5)
Interest received		0.3	0.2	5.5	7.2
Tax (paid)/repaid		(7.7)	0.8	(7.7)	0.2
Net cash generated from operating activities		37.9	47.6	35.3	41.3
Cash flows used in investing activities					
Purchase of property, plant and equipment, intangibles and investment property		(5.2)	(7.6)	(2.0)	(1.5)
Loan to joint venture company		–	(5.0)	–	(5.0)
Acquisition of subsidiary		–	(2.0)	–	(2.0)
Cash acquired with subsidiary		–	0.8	–	–
Sale of property, plant and equipment		0.0	0.0	0.0	0.0
Net cash used in investing activities		(5.2)	(13.8)	(2.0)	(8.5)
Net cash inflow before financing activities		32.7	33.8	33.3	32.8
Cash flows used in financing activities					
New loans advanced		–	50.0	–	50.0
Loan repayments		(8.0)	(73.0)	(8.0)	(73.0)
Arrangement fees for loans		–	(0.2)	–	(0.2)
Capital element of finance leases		(0.0)	(0.1)	(0.0)	(0.0)
Equity dividends paid		(13.3)	(9.8)	(13.3)	(9.8)
Issue of ordinary shares		0.5	–	0.5	–
Proceeds from sale of own shares held		0.1	0.9	0.1	0.9
Net cash used in financing activities		(20.7)	(32.2)	(20.7)	(32.1)
Increase in cash and cash equivalents	36	12.0	1.6	12.6	0.7
Cash and cash equivalents at start of year		6.3	4.7	3.2	2.5
Cash and cash equivalents at end of year		18.3	6.3	15.8	3.2

General Information

Forth Ports PLC is a company incorporated in Scotland under the Companies Act 2006. The address of its registered office is given on page 29. The nature of the Group's operations and its principal activities are the provision of port, cargo handling, towage and related services and facilities. The Group also has a recycling business and extensive property interests.

These consolidated accounts have been approved for issue by the Board of Directors on 22nd March 2011.

Basis of Preparation

The results have been prepared in accordance with IFRS and IFRICS as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated accounts have been prepared under the historical cost convention as modified by the revaluation of investment properties at fair value and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of accounts, in accordance with IFRS as adopted by the EU, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Changes in Accounting Policy and Disclosures

The annual financial statements for the year ended 31st December 2009 have been revised in accordance with IFRS 3 (revised), as early adopted by the Group, in relation to the accounting for the Group's acquisition of the remaining 50% share capital of OTL on 17th December 2009. These adjustments are in relation to a change in view of the recognition of historical losses within OTL, with a related deferred tax asset balance recognised at date of acquisition and recognition of a deferred tax asset balance in relation to the cash flow hedge creditor at acquisition (see Note 39 for further information).

The Group has also opted to show the interest component of the pension scheme costs as an element of Finance Costs (see Note 32 for further information).

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2010, but have no material impact on the Group results for the current period:

> IFRIC 17 (Distribution of non-cash Assets to Owners) (effective on or after 1st July 2009) – the interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only

when they are available for distribution in their present condition and the distribution is highly probable.

- > IFRIC 18 (Transfers of Assets from Customers) (effective for transfer of assets received on or after 1st July 2009) – this interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).
- > IFRIC 9 (Reassessment of Embedded Derivatives) and IAS 39 (Financial Instruments: Recognition and Measurement) (effective 1st July 2009) – this amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the "fair value through the Income Statement" category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through the Income Statement in its entirety.
- > IFRIC 16 (Hedges of a Net Investment in a Foreign Operation) (effective 1st July 2009) – this amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group.
- > IAS 38 (amendment) (Intangible Assets) (effective 1st January 2010) – the amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.
- > IAS 1 (amendment) (Presentation of Financial Statements) – the amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- > IAS 36 (amendment) (Impairment of Assets) (effective 1st January 2010) – the amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8 (Operating Segments) (that is, before the aggregation of segments with similar economic characteristics).
- > IFRS 2 (amendments) (Group Cash-settled Share-based Payment Transactions) (effective from 1st January 2010) – in addition to incorporating IFRIC 8 (Scope of IFRS 2) and IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions), the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.
- > IFRS 5 (amendment) (Non-current Assets Held for Sale and Discontinued Operations) – the amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.
- > (Classification of Rights Issues) (amendment to IAS 32) (issued in October 2009) – the amendment applies to annual periods beginning on or after 1st February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 (Accounting Policies, changes in Accounting Estimates and Errors). The Group will apply the amended standard from 1st January 2011.
- > IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments) (effective 1st July 2010) – the interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in the Income Statement, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1st January 2011, subject to endorsement by the EU. It is not expected to have any impact on the Group or the parent entity's financial statements.

The following new standards, amendments and new interpretations to standards and interpretations have been issued but are not effective for the financial year beginning 1st January 2010 and have not been early adopted:

The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

- > IFRS 9 (Financial Instruments) (issued in November 2009) – this standard is the first step in the process to replace IAS 39 (Financial Instruments: Recognition and Measurement). IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1st January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.
- > Revised IAS 24 (revised) (Related Party Disclosures) (issued in November 2009) – it supersedes IAS 24 (Related Party Disclosures) (issued in 2003). IAS 24 (revised) is mandatory for periods beginning on or after 1st January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for Government-related entities to disclose details of all transactions with the Government and other government-related entities. The Group will apply the revised standard from 1st January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. The Group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

- > (Prepayments of a Minimum Funding Requirement) (amendments to IFRIC 14) – the amendments correct an unintended consequence of IFRIC 14 (IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction). Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1st January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1st January 2011.

Exceptional Items

Exceptional items are those material items of income and expenditure which the Group has disclosed separately because of their quantum or incidence so as to give a clearer understanding of the Group's financial performance.

The Group has also separately disclosed the effect of revaluation of investment properties per IAS 40.

Consolidation

(1) Subsidiaries

Subsidiaries (which are those entities (including Special Purpose Entities) in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies) are consolidated.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The acquisition method of accounting is used to account for the purchase of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. Acquisition-related costs are recognised in the Income Statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e., the date the Group attains control) and the resulting gain or loss, if any, is recognised in the Income Statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the Income Statement, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (revised) are recognised at their fair value at the acquisition date, except that:

- > deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income taxes" and IAS 19 "Employee benefits" respectively;
- > liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 "Share-based payment"; and
- > assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 "Non-current assets held-for-sale and discontinued operations" are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that exist as of the acquisition date. This period is subject to a maximum of one year.

The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated fully on consolidation; unrealised losses are also eliminated unless costs cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(2) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the Income Statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

(3) Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Group's interests in joint ventures are accounted for by the equity method of accounting. The investment in the joint venture is initially recorded at cost and is adjusted thereafter for the post-acquisition change in the Group's share of net assets of the jointly controlled entity.

The Group Income Statement includes the Group's share of the profit or loss of the joint venture. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result

from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately. When the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses unless the Group has incurred obligations or made payments on behalf of the joint venture.

Goodwill

Goodwill arising in a business combination is recognised, at cost less accumulated impairment costs, as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill on businesses acquired after 1st January 1999 is shown as an intangible asset with an indefinite useful life and is subject to an annual impairment test at each cash generating unit and is also subject to a test whenever there is an indication of impairment. Any such goodwill impairment is not reversed. Goodwill arising on acquisitions prior to 1st January 1999 was written off immediately against reserves.

Where there is an excess of the Group's interest in the net fair value of the acquiree's identifiable assets over the purchase price ("negative goodwill"), this amount is taken to the Income Statement in the year of acquisition.

Segmental Reporting

The Group has identified three primary business segments that provide services that are subject to risks and returns that are different from one another. Information relating to Ports, Recycling and Property segments are shown. All inter-segment transactions and balances are eliminated on consolidation. The Group considers that all revenues, costs, assets and liabilities can be identified as relating to either Ports, Recycling or Property. Port income includes rental and other income from investment property located within or adjacent the port estates.

Revenue Recognition

Revenue from Port activities represents the income earned from the provision of port facilities, which comprise cargo handling, towage, pilotage, conservancy services and port related rental income. Such revenue is recorded once the service has been provided.

Revenue from Recycling represents income earned from waste paper collection and baling and the management of other commercial waste. Such revenue is recorded once the service has been provided. Revenue from paper sales is shown on the basis of net commission and is recorded at point of delivery.

Revenue from Property includes rental income and sales of property developments. Both Property and port related rental income (net of any incentives given to lessees) is

recognised on a straight line basis over the lease term. Revenue excludes value added tax and is shown on a gross basis in relation to recoverable charges such as utilities, recoverable overtime and recoverable plant hire costs.

Profits and losses arising on the sale of sites or completed developments are recognised when contracts for sale have been exchanged and all material conditions have been satisfied. The Board will have due regard to all the circumstances of any individual transaction in determining whether or not any conditions are material or have been satisfied.

Where sites or completed developments are sold to joint ventures or associates, profits are only recognised in proportion to third parties' interests in those entities. The remaining profits are recognised when the sites or completed developments are sold by the joint ventures or associates to unrelated parties.

Consideration is given to the collectability of any debt outstanding arising from the sale of sites or property developments and provisions are made where necessary. The need for such provisions is reviewed on a regular basis.

Property, Plant and Equipment

Operational land and buildings and plant and equipment are stated at historical cost less depreciation. Land and capital works in progress are not depreciated. Cost is the original purchase price of the asset and the cost of bringing the asset to its current condition and includes transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchase costs where appropriate.

All operational buildings and plant and equipment in the course of construction are recorded as capital work in progress until such time as they are brought into use by the Group. Capital work in progress includes all direct expenditure and may include capitalised interest in accordance with the accounting policy on that subject. On completion, such assets are transferred to the appropriate asset category.

In circumstances where there is a change in use of operational land and buildings to investment property, the fair value of the asset is established at a date when it has been decided to transfer the asset from operational land and buildings to investment property.

Depreciation is charged to write off the cost less any residual value of the asset on a straight line basis over the estimated useful lives as follows:

Buildings and dock structures	15-50 years
Plant and equipment	3-35 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of assets are included in operating profit.

Repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining life of the related asset.

Investment Property

Investment property, principally comprising tenanted land and buildings within the port estates, is held for long-term rental yields and is not occupied by the Group. It also includes the Ocean Terminal Shopping Centre in Leith. Investment property is treated as a long-term investment and is carried at fair value determined annually or at interim balance sheet dates where there is a material change in fair value. Changes in fair values are recorded in the Income Statement in accordance with IAS 40 and are included in other income or taken directly to reserves as appropriate.

Intangible Assets

Excluding goodwill, intangible assets refer principally to computer software and customer relationships and are carried at cost less accumulated amortisation.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of those involved in the software development.

Expenditure which enhances or extends the performance of identifiable computer software products beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 10 years.

If a business is acquired which has long-term customer relationships, those relationships are valued and an intangible asset set up to reflect that value. They are written off on a straight-line basis over a period of up to fifteen years.

Impairment of Assets

Property, plant and equipment and other non-current assets, excluding goodwill, are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount which is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Investment in Subsidiaries

Investments in subsidiaries are stated at cost less any permanent diminution in value by the Company.

Finance and Operating Leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments, and are depreciated over the lower of the useful lives and the term of the lease. The interest element of the rental payments is charged to the Income Statement over the period of the lease contract on the basis of the capital element outstanding. The finance charges outstanding are included in short-term and long-term payables as appropriate.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The cost of operating leases is charged to the Income Statement on a straight-line basis over the life of the lease.

Lease Incentives

Any lease incentive paid or payable for the agreement of a new or existing operating lease is allocated over the term of the lease regardless of its form or cash flow effect. Such incentives are recognised over the lease term, unless another systematic basis is appropriate, in order to ensure the Income Statement reflects the true effective rental charge irrespective of the particular cash flow arrangements agreed.

Grants relating to the Purchase of Property, Plant and Equipment

Capital grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all conditions pertaining to the grant. Grants receivable are amortised over the life of the asset. The amount amortised in each period is set against the depreciation charge of the asset to which it relates.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Restructuring provisions are recognised in the period in which the Group has a present legal or constructive obligation for payment. Costs relating to the ongoing activities of the Group are not provided in advance.

Dividends

Dividends are recorded in the Group's accounts in the period in which they are approved by the shareholders or when paid in the case of interim dividends. Inter-group dividends are recorded in the period in which they are approved and paid by the subsidiary company's Board.

Inventories

Property work in progress relates to expenditure on property development projects, land held for development and project work in progress and is included at cost less amounts written off which are deemed to be irrecoverable. Cost includes all direct expenditure and associated indirect costs and related costs of finance where appropriate. On completion, such assets are transferred to investment properties or sold to third parties.

Expenditure which is directly attributable to the cost of obtaining planning consents for energy projects is included in work in progress where, in the opinion of the Directors, the related project is likely to be successful and the benefits arising from the sale of the consent or from future operations will at least equal the amount capitalised to date. Costs associated with reaching the consented stage include planning application costs, wind surveys, environmental impact studies and salary costs. If planning consent for the project is refused the related costs are written off as an expense to the Income Statement.

Trade Receivables and Accrued Property Income

Trade receivables and accrued property income are carried at original invoice amount less an allowance made for impairment of these receivables. An allowance for impairment of trade receivables and accrued property income is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. The carrying amount of the asset is reduced through the use of this impairment allowance and the amount of the loss is recognised in the Income Statement. In future periods the unwinding of the discount is recognised within finance income.

Borrowing Costs

Borrowing costs are generally expensed as incurred. The Group's policy is to capitalise interest and other borrowing costs directly incurred with respect to the acquisition or development of qualifying assets. Such costs are capitalised and included in the carrying value of the assets. Capitalisation of borrowing costs commences when:

- > expenditures for the asset and borrowing costs are incurred; and
- > activities necessary to prepare the asset for its intended use or sale are in progress.

If active development is interrupted for an extended period, capitalisation is suspended. Capitalisation ceases when the asset is substantially ready for its intended use or sale.

A weighted average cost of borrowing is used.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the Balance Sheet at cost. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the Balance Sheet.

Share Capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than in connection with business combinations, are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders' equity as own shares held. Where such shares are subsequently sold, any consideration received is included in shareholders' equity.

Borrowings

Borrowings are recognised initially at the fair value of the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings.

Accounting for Taxation

The charge for taxation is based on the profit for the period and takes into account deferred taxation.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Current tax rates in the relevant jurisdiction are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Employee Benefits

Pension contributions are charged principally at a rate calculated by the Actuary to provide, over the expected remaining service lives of current employees, for all retirement benefits related to projected final salaries and wages.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Balance Sheet date minus the fair value of plan assets, together with adjustments for past service cost. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using market yields on high quality corporate bonds.

Actuarial gains and losses are recognised in full as they arise in the Statement of Comprehensive Income.

Share Based Payment

The Group awards shares in Forth Ports PLC to all eligible Executive Directors and Senior Managers under the LTIPs which were approved at the Annual General Meeting of the Company in May 2006. The shares are granted to the employee at nil cost. In addition, all eligible employees were offered the opportunity to take part in an approved Save As You Earn ("SAYE") scheme which started in 2004 as approved at the Annual General Meeting of the Company in May 2004. The option price was granted to employees at a discount to the market price of the shares at the date of issue.

In both cases, the Group makes a charge to the Income Statement over the option period that recognises the fair value of the share options at the date of their grant, having regard as appropriate to such factors as the weighted average share price, exercise price (where applicable), expected dividends, the risk-free interest rate and the expected rates of early exercise.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

Financial Risk Management

Financial Risk Factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures.

Risk management is carried out by a central treasury function (Group Treasury), operating under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

Foreign Exchange Risk

The Group has relatively little exposure to foreign exchange risk. Where appropriate, entities in the Group use forward contracts, transacted by Group Treasury, to hedge their exposure to foreign currency risk in connection with the measurement currency.

Where appropriate, the Group hedges the foreign currency exposure of its contract commitments to purchase certain assets mainly from Europe. The forward contracts used in its programme mature in twelve months or less, consistent with the related purchase commitments.

Interest Rate Risk

The Group borrows at variable rates and may use interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit Risk

The Group's policy is to ensure that property sales are covered by either controlled release of land plots in exchange for cash, fixed charge securities or bank bonds. The Group also checks that Port customers have an appropriate credit history when likely future revenue exceeds limits agreed by the Board. Derivative counterparties and cash transactions are limited to quality financial institutions with a long-term Standard & Poor's credit index rating of at least A.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group has the authority to return capital to shareholders. It may issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated Balance Sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated Balance Sheet.

Compliance with banking covenants is discussed in the Chairman's Statement.

Accounting for Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are initially recognised in the Balance Sheet at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. The Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the Income Statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. During the period the Group did not hold any fair value hedges.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognised in equity. Where the forecasted transaction or firm commitment results in the recognition of an asset (for example, property, plant and equipment) or of a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the Income Statement and classified as revenue or expense in the same periods during which the hedged firm commitments or forecasted transaction affects the Income Statement (for example, when the forecasted sale takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the committed or forecasted transaction ultimately is recognised in the Income Statement. When a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows or hedged items.

Fair Value Estimation of Financial Instruments

The fair value of publicly traded derivatives and trading and available-for-sale securities is based on quoted market prices at the Balance Sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each Balance Sheet date. Quoted market prices or dealer quotes for the specific or similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Key Assumptions and Estimates

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The Board has considered the critical accounting estimates and assumptions used in the Accounts and concluded that the main area of significant risk which may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year is in respect of the assumptions used to calculate pension benefits. The assumptions include gilt yield at the year end, investment return (including a risk margin over gilt yield), price and salary inflation and mortality assumptions. For example, a 0.25% change in the discount rate assumed could affect the shortfall position within the Scheme positively or negatively by over £10.5m and a one year increase in life expectancy would increase the liabilities by nearly £7.0m. Full details of the assumptions used to calculate the pension assets and liabilities may be found in Note 32.

For information on key assumptions and estimates used in the property valuation please refer to Note 14.

Impairment assumptions relating to Goodwill are as noted in Note 15.

NOTES ON THE ACCOUNTS

1. SEGMENT INFORMATION

The chief operating decision maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Board assesses the performance of the operating segments based on a measure of operating profit before interest and tax.

For management purposes, the Group is organised into three business segments:

- 1 Port operations;
- 2 Recycling; and
- 3 Property

The segment results for the year ended 31st December 2010 were as follows:

	Port Operations £m	Recycling £m	Property £m	Group Total 2010 £m
Total revenue*	157.4	15.7	8.8	181.9
Underlying** operating profit before exceptional items and revaluations	43.0	1.1	5.7	49.8
Exceptional items and revaluations				
Write-back of asset impairment	0.4	–	–	0.4
Rule 2.4 costs in respect of approach from the Consortium	(1.1)	–	–	(1.1)
Change in fair value of investment properties	16.8	–	3.6	20.4
	16.1	–	3.6	19.7
Operating profit/segment result	59.1	1.1	9.3	69.5
Finance income (Note 7)	0.2	0.0	0.0	0.2
Finance costs (Note 8)	(5.8)	(1.6)	(7.4)	(14.8)
Share of operating results of associate				
Operating profit	2.2	–	–	2.2
Finance costs	(0.3)	–	–	(0.3)
Taxation	(0.5)	–	–	(0.5)
Net share of results of associate	1.4	–	–	1.4
Profit/(loss) before tax	54.9	(0.5)	1.9	56.3
Taxation – normal				(9.4)
– exceptional				(1.8)
Profit for the year				45.1

* Total revenue and underlying operating profit are shown net of Port inter-segment trading of £1.4m with Recycling and £0.4m with Property

** Underlying is defined in Note 4 to the Glossary

The segment results for the year ended 31st December 2009 were as follows:

	Port Operations*** £m	Recycling £m	Property**** £m	Group Total 2009 £m
Total revenue*	154.8	17.6	1.5	173.9
Underlying** operating profit/(loss) before exceptional items and revaluations	41.5	1.3	(0.6)	42.2
Exceptional items and revaluations				
Charge for impairment of goodwill	–	(12.3)	–	(12.3)
Change in fair value of investment properties	10.5	–	(0.1)	10.4
	10.5	(12.3)	(0.1)	(1.9)
Operating profit/(loss)/segment result	52.0	(11.0)	(0.7)	40.3
Finance income (Note 7)	0.3	0.0	0.6	0.9
Finance costs (Note 8)	(6.4)	(1.6)	(3.5)	(11.5)
Acquisition accounting adjustment (Note 39)	–	–	18.3	18.3
Share of operating results of joint ventures				
Operating profit	–	–	2.9	2.9
Revaluation	–	–	(2.6)	(2.6)
Finance costs	–	–	(2.0)	(2.0)
Taxation	–	–	–	–
Net share of results of joint ventures	–	–	(1.7)	(1.7)
Share of operating results of associate				
Operating profit	1.3	–	–	1.3
Finance costs	(0.3)	–	–	(0.3)
Taxation	(0.3)	–	–	(0.3)
Net share of results of associate	0.7	–	–	0.7
Profit/(loss) before tax	46.6	(12.6)	13.0	47.0
Taxation – normal				(7.7)
– exceptional				(2.2)
Profit for the year				37.1

Inter-segment transfers and transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

* Total revenue and underlying operating profit are shown net of Port inter-segment trading of £1.3m with Recycling and £0.4m with Property

** Underlying is defined in Note 4 to the Glossary

*** Revised for reallocation of net finance cost on pension liability (Note 32)

**** Revised for measurement period adjustment (Note 39)

Other segment items included in the Income Statement are as follows:

	Port Operations £m	Recycling £m	Property £m	Group Total 2010 £m
Depreciation of property, plant and equipment (Note 3)	(14.1)	(0.5)	(0.1)	(14.7)
Amortisation of intangibles (Note 3)	(0.6)	(0.6)	–	(1.2)
Amortisation of capital grants (Note 3)	0.7	–	–	0.7
Impairment of trade receivables (Note 3)	(0.3)	(0.0)	0.0	(0.3)
Impairment of assets reversal (Note 3)	0.4	–	–	0.4

1. SEGMENT INFORMATION CONTINUED

	Port Operations £m	Recycling £m	Property £m	Group Total 2009 £m
Depreciation of property, plant and equipment (Note 3)	(13.6)	(0.5)	(0.0)	(14.1)
Amortisation of intangibles (Note 3)	(0.8)	(0.6)	–	(1.4)
Amortisation of capital grants (Note 3)	0.7	–	–	0.7
Impairment of trade receivables (Note 3)	(0.2)	(0.0)	(0.1)	(0.3)

The segment assets, liabilities and capital expenditure were as follows:

	Port Operations £m	Recycling £m	Property £m	Group Total 2010 £m
Assets				
Segment assets	453.5	54.5	135.6	643.6
Deferred tax assets	7.9	–	–	7.9
Associate	10.0	–	–	10.0
Total assets	471.4	54.5	135.6	661.5

Liabilities				
Segment liabilities	114.1	69.8	138.7	322.6
Deferred tax liabilities	70.2	0.2	(11.2)	59.2
Current tax liabilities	5.7	0.0	0.0	5.7
Total liabilities	190.0	70.0	127.5	387.5

Capital expenditure				
Property, plant and equipment (Note 13)	5.5	0.3	0.0	5.8
Investment property (Note 14)	0.0	–	0.4	0.4
Intangible assets (Note 15)	0.0	0.0	0.0	0.0
Total capital additions	5.5	0.3	0.4	6.2

	Port Operations £m	Recycling £m	Property* £m	Group Total 2009* £m
Assets				
Segment assets	439.9	55.1	119.4	614.4
Deferred tax assets	8.7	–	–	8.7
Associate	8.4	–	–	8.4
Total assets	457.0	55.1	119.4	631.5

Liabilities				
Segment liabilities	135.4	68.9	124.1	328.4
Deferred tax liabilities	70.1	0.3	(10.5)	59.9
Current tax liabilities	3.8	0.2	0.0	4.0
Total liabilities	209.3	69.4	113.6	392.3

Capital expenditure				
Property, plant and equipment (Note 13)	4.2	0.6	0.7	5.5
Intangible assets (Note 15)	0.0	0.0	–	0.0
Total capital additions	4.2	0.6	0.7	5.5

The Group operates wholly in the UK.

* Revised for measurement period adjustment (Note 39)

2. PILOTAGE

The undernoted information is given in accordance with Article 4 of the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988; this income is included within Group revenue.

	2010 £m	2009 £m
Pilotage revenue	5.3	5.1
Revenue from pilotage exemption certificates	0.0	0.0
Aggregate expenditure	4.7	4.7

3. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

	2010 £m	2009 £m
Depreciation		
– owned assets (cost of sales)	14.1	13.7
– owned assets (administrative expenses)	0.5	0.3
– assets held under finance leases and hire purchase contracts (cost of sales)	0.1	0.1
Amortisation		
– intangible assets – customer relationships (cost of sales)	0.8	0.8
– intangible assets – other (administrative expenses)	0.4	0.6
– capital grants (cost of sales)	(0.7)	(0.7)
Impairment of assets reversal (cost of sales)	(0.4)	–
Impairment of trade receivables (cost of sales)	0.3	0.3
Other gains on disposal (cost of sales)	(0.0)	(0.0)
Repairs and maintenance expenditure on property, plant and equipment (cost of sales)	8.5	7.1
Property rentals (revenue)	(30.7)	(23.2)
Other operating lease rentals payable		
– plant and equipment (cost of sales)	4.3	4.6
– plant and equipment (administrative expenses)	0.4	0.4
Hire of plant and machinery	2.0	3.8
Inventories		
– cost of inventories recognised as an expense (property cost of sales)	0.7	0.6
Employee costs (Note 6)		
– cost of sales	36.6	35.3
– administrative expenses	14.5	13.8
– finance costs	0.7	1.0
Foreign exchange losses (administrative expenses)	0.0	0.0
Change in fair value of investment properties (other income)	(20.4)	(10.4)
Auditors' remuneration (administrative expenses)		
– fees payable for audit of the parent Company's annual accounts	0.2	0.2
– fees payable for audit of underlying subsidiaries' annual accounts	0.2	0.2
– other services pursuant to legislation	0.0	0.0
– tax services – compliance work	0.0	0.0
– other services not covered above	0.0	–

The total amount charged against profits in respect of finance leases and hire purchase contracts is £0.1m (2009 – £0.1m) (of which part is shown as depreciation and the balance is shown as finance costs in Note 8).

4. EXCEPTIONAL ITEMS AND REVALUATIONS

Exceptional items and revaluations have been disclosed separately because of their quantum or incidence so as to give a clearer understanding of the Group's financial performance and are charged/(credited) to the Income Statement as follows:

	2010 £m	2009 £m
Cost of sales		
Write-back of operational property asset impairment	(0.4)	–
Administrative expenses		
Rule 2.4 costs in respect of approach from the Consortium	1.1	–
Charge for impairment of goodwill (Note 15)	–	12.3
	1.1	12.3
Other income		
Change in fair value of investment properties (Note 14)	(20.4)	(10.4)
Acquisition accounting adjustment* (Note 39)	–	(18.3)
Share of results of joint ventures		
Group's share of change in fair value of investment property (Note 16)	–	2.6
Taxation		
Deferred taxation:		
Tax effect of write-back of operational property asset impairment	0.1	–
Tax effect of change in fair value of investment property	5.4	2.2
Deferred tax liability previously recognised now released	(1.9)	–
Net deferred tax asset previously not recognised	(1.8)	–
Total taxation	1.8	2.2

* Revised for measurement period adjustment (Note 39)

5. DIRECTORS' EMOLUMENTS

Detailed disclosures of Directors' individual remuneration and share options are given within the tables in the Directors' Remuneration Report on pages 39 to 43. These statutory disclosures form part of the accounts.

	2010 £m	2009 £m
Aggregate emoluments	2.4	2.1
Aggregate gains on exercise of share options	0.4	0.3

Retirement benefits are accruing to three Directors (2009 – three Directors) under The Forth Ports Group Pension Scheme, a defined benefit scheme. Only one Director (2009 – one Director) made contributions to the scheme.

6. EMPLOYEE COSTS

The aggregate remuneration of all Employees and Directors was:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Wages and salaries	41.7	41.2	15.9	16.0
Social security costs	4.1	3.8	1.8	1.6
Share options granted to directors and employees	1.1	1.6	1.1	1.6
Pension costs – defined benefit plans	4.8	3.4	4.8	3.4
– defined contribution plans	0.1	0.1	0.0	0.0
	51.8	50.1	23.6	22.6

Average number of Employees and Directors:

	Group 2010 No	Group 2009 No	Company 2010 No	Company 2009 No
Operational	712	733	223	232
Maintenance	114	115	51	52
Administrative	294	290	160	163
	1,120	1,138	434	447

7. FINANCE INCOME

	2010 £m	2009 £m
Interest receivable on overpaid corporation tax	0.1	0.2
Interest receivable on bank and other deposits	0.1	0.1
Unwinding of discount on zero coupon loan stock at amortised cost	–	0.6
	0.2	0.9

8. FINANCE COSTS

	2010 £m	2009* £m
Interest on pension liability	12.9	11.1
Expected return on pension liability	(12.2)	(10.1)
Net finance cost on pension liability	0.7	1.0
Interest on underpaid corporation tax	0.0	0.0
Interest on bank loans and overdrafts	13.7	9.1
Interest on other loans	0.0	0.0
Interest on finance leases and hire purchase contracts	0.0	0.0
Amortisation of loan arrangement fees	0.4	0.3
Write-down of zero coupon loan stock to amortised cost	–	1.1
	14.8	11.5

* Revised for reallocation of net finance cost on pension liability (Note 32)

9. TAXATION

	2010 £m	2009 £m
Current tax		
– current year	9.8	10.5
– prior year	(0.1)	(1.5)
UK income tax at 40% (2009 – 40%) (ESOP)	0.0	0.0
Total current tax	9.7	9.0
Deferred tax charge (Note 21)	0.6	–
Deferred tax charge (Note 28)	0.9	0.9
Total deferred tax	1.5	0.9
Tax charge	11.2	9.9

The tax charge for the year is lower (2009 – lower) than the standard rate of corporation tax in the UK of 28%. The differences are explained below:

	2010 £m	2009 £m
Profit before tax	56.3	47.0
Profit multiplied by rate of corporation tax in the UK of 28% (2009 – 28%)	15.7	13.2
Effects of:		
Impact of joint venture company's tax	–	0.5
Impact of associated undertaking's tax	(0.4)	(0.2)
Adjustments in respect of prior years – current tax	(0.1)	(1.5)
Adjustments in respect of prior years – deferred tax	0.1	(0.4)
Effect of tax rate change on current year deferred tax	(0.2)	–
Effect of tax rate change on deferred tax opening balances	(1.6)	–
Deferred tax liability previously recognised now released	(1.9)	–
Net deferred tax asset previously not recognised	(1.8)	–
Income not chargeable to tax	–	(0.1)
Expenses not deductible for tax purposes	1.1	0.7
Non-taxable element of revaluation gains	0.3	(0.6)
Acquisition accounting adjustment	–	(5.1)
Goodwill impairment	–	3.4
Income tax	0.0	0.0
Tax charge	11.2	9.9

In the 2010 budget on 22nd June 2010, the UK Government announced its intention to reduce the UK corporate income tax rate from 28% to 24% by 1% per annum over a four year period. The change from 28% to 27% was enacted at the balance sheet date and has, therefore, been included in these accounts. The effect of the reduction to 27% has been to reduce the deferred tax asset recognised at 31st December 2010 by £0.3m, from £8.2m to £7.9m, and to reduce the deferred tax liability by £2.2m, from £61.4m to £59.2m. The £1.9m net decrease in the deferred tax asset and deferred tax liability has increased profits for the period by £1.8m and increased other comprehensive income by £0.1m.

The proposed reductions in the main rate of corporation tax by 1% per year to 24% are expected to be enacted separately each year. The overall effect of a further reduction to 24%, if applied to the deferred tax balances at 31st December, would be to reduce the deferred tax asset by approximately £0.9m (being £0.3m recognised in each of the years 2011, 2012 and 2013), and to reduce the deferred tax liability by £6.6m (being £2.2m recognised in each of the years 2011, 2012 and 2013).

10. HOLDING COMPANY'S PROFIT FOR THE FINANCIAL YEAR

As permitted by Section 408 of the Companies Act 2006, the Holding Company's Income Statement is not shown separately in these accounts. The profit for the financial year is as follows:

	2010 £m	2009 £m
Holding Company's profit after taxation for the year	6.9	2.5

11. DIVIDENDS

	2010 £m	2009 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31st December 2009 of 19.1p per share	8.7	–
Final dividend for the year ended 31st December 2008 of 12p per share	–	5.5
Interim dividend for the year ended 31st December 2010 of 10p per share	4.6	–
Interim dividend for the year ended 31st December 2009 of 9.5p per share	–	4.3
	13.3	9.8
Proposed final dividend for the year ended 31st December 2010 of 20p (2009 – 19.1p) per share	9.1	8.7

Dividends amounting to £nil (2009 – £24,000) in respect of the Company's shares held by the ESOP Trust (Note 31) have been deducted in arriving at the aggregate of dividends paid. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these accounts.

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders by the weighted average number of shares in issue during the year, excluding those held by the ESOP Trust which are treated as cancelled.

For diluted earnings per share in 2010, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares, being those share options granted to employees under a SAYE share option scheme and the contingently issuable shares under the LTIP schemes. In 2009, the options granted under the SAYE Scheme were non-dilutive as the option price exceeded the average share price for the year.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Earnings £m	2010 Weighted Average Number of Shares 000	Earnings per Share Pence	Earnings £m	2009* Weighted Average Number of Shares 000	Earnings per Share Pence
<i>Continuing operations</i>						
Profit attributable to equity holders of the Company	45.0			37.2		
Total shares issued	–	45,728		–	45,646	
Shares held by ESOP Trust	–	(1)		–	(96)	
Basic EPS	45.0	45,727	98.4	37.2	45,550	81.7
Effect of dilutive securities (share options)	–	545		–	439	
Diluted EPS	45.0	46,272	97.3	37.2	45,989	80.9
Share of profit attributable to equity holders of the Company before exceptional items and revaluations	27.1			25.6		
Underlying EPS	27.1	45,727	59.3	25.6	45,550	56.2

* Revised for measurement period adjustment (Note 39)

13. PROPERTY, PLANT AND EQUIPMENT

	Operational Land and Buildings £m	Plant and Equipment £m	Capital Works in Progress £m	Total £m
Group				
Cost (net of capital grants)				
At 1st January 2010	251.2	127.3	15.3	393.8
Additions	0.3	1.2	4.3	5.8
Disposals	(0.5)	(1.6)	–	(2.1)
Transfers between asset categories	1.5	1.3	(3.8)	(1.0)
At 31st December 2010	252.5	128.2	15.8	396.5
Accumulated depreciation (net of grant amortisation)				
At 1st January 2010	109.6	72.8	–	182.4
Depreciation charge (net of grant amortisation)	7.1	6.9	–	14.0
Impairment reversal	(0.2)	(0.2)	–	(0.4)
Disposals	(0.5)	(1.6)	–	(2.1)
Transfers between asset categories	(0.3)	(0.0)	–	(0.3)
At 31st December 2010	115.7	77.9	–	193.6
Net book value at 31st December 2010	136.8	50.3	15.8	202.9
Group				
Cost (net of capital grants)				
At 1st January 2009	247.7	125.9	18.2	391.8
Acquired on purchase of subsidiary	–	0.0	–	0.0
Additions	1.4	0.8	3.3	5.5
Disposals	(0.1)	(3.3)	–	(3.4)
Transfers between asset categories	2.2	3.9	(6.2)	(0.1)
At 31st December 2009	251.2	127.3	15.3	393.8
Accumulated depreciation (net of grant amortisation)				
At 1st January 2009	103.0	69.5	–	172.5
Depreciation charge (net of grant amortisation)	6.8	6.6	–	13.4
Disposals	(0.1)	(3.3)	–	(3.4)
Transfers between asset categories	(0.1)	–	–	(0.1)
At 31st December 2009	109.6	72.8	–	182.4
Net book value at 31st December 2009	141.6	54.5	15.3	211.4

The Directors are of the opinion that there is no material difference between the net book value of operational land and buildings above and their fair value in existing use.

The net book value of plant and equipment includes £0.7m (2009 – £0.8m) in respect of assets held under finance leases and hire purchase contracts.

The net book value of property, plant and equipment also includes capitalised interest of £1.1m (2009 – £1.2m).

Capital grants included in property, plant and equipment have the following net book amount:

	Operational Land and Buildings £m	Plant and Equipment £m	Total £m	
Group				
Cost	18.9	7.0	25.9	
Accumulated amortisation	(11.3)	(3.3)	(14.6)	
Net book amount at 31st December 2010	7.6	3.7	11.3	
Cost	18.9	7.0	25.9	
Accumulated amortisation	(10.8)	(3.1)	(13.9)	
Net book amount at 31st December 2009	8.1	3.9	12.0	
	Operational Land and Buildings £m	Plant and Equipment £m	Capital Works in Progress £m	Total £m
Company				
Cost (net of capital grants)				
At 1st January 2010	79.3	55.5	0.1	134.9
Additions	0.2	0.2	2.0	2.4
Disposals	–	(0.7)	–	(0.7)
Transfers between asset categories	–	0.2	(0.3)	(0.1)
Transfers between group companies	–	(3.5)	–	(3.5)
At 31st December 2010	79.5	51.7	1.8	133.0
Accumulated depreciation (net of grant amortisation)				
At 1st January 2010	41.2	31.7	–	72.9
Depreciation charge (net of grant amortisation)	2.2	2.7	–	4.9
Impairment reversal	(0.2)	(0.2)	–	(0.4)
Disposals	–	(0.7)	–	(0.7)
Transfers between asset categories	–	(0.0)	–	(0.0)
Transfers between group companies	–	(1.8)	–	(1.8)
At 31st December 2010	43.2	31.7	–	74.9
Net book value at 31st December 2010	36.3	20.0	1.8	58.1
Company				
Cost (net of capital grants)				
At 1st January 2009	79.5	55.2	2.1	136.8
Additions	0.2	0.2	0.5	0.9
Disposals	(0.0)	(2.1)	–	(2.1)
Transfers between asset categories	(0.4)	2.2	(2.5)	(0.7)
Transfers between group companies	–	(0.0)	–	(0.0)
At 31st December 2009	79.3	55.5	0.1	134.9
Accumulated depreciation (net of grant amortisation)				
At 1st January 2009	39.3	31.1	–	70.4
Depreciation charge (net of grant amortisation)	2.0	2.7	–	4.7
Disposals	(0.0)	(2.1)	–	(2.1)
Transfers between asset categories	(0.1)	–	–	(0.1)
Transfers between group companies	–	(0.0)	–	(0.0)
At 31st December 2009	41.2	31.7	–	72.9
Net book value at 31st December 2009	38.1	23.8	0.1	62.0

The net book value of plant and equipment includes £0.5m (2009 – £0.5m) in respect of assets held under finance leases and hire purchase contracts.

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Capital grants included in property, plant and equipment have the following net book amount:

	Operational Land and Buildings £m	Plant and Equipment £m	Total £m
Company			
Cost	11.1	6.0	17.1
Accumulated amortisation	(6.1)	(2.4)	(8.5)
Net book amount at 31st December 2010	5.0	3.6	8.6
2009			
Cost	11.1	6.0	17.1
Accumulated amortisation	(5.8)	(2.1)	(7.9)
Net book amount at 31st December 2009	5.3	3.9	9.2

14. INVESTMENT PROPERTY

	2010 £m	2009 £m
Group		
Valuation		
At 1st January	308.2	205.7
Acquired on purchase of subsidiary	–	82.5
Fair value movement – to Income Statement	20.4	10.4
– to reserves	2.4	9.6
Additions	0.4	0.0
Transfers between asset categories	0.7	(0.0)
At 31st December	332.1	308.2
Company		
Valuation		
At 1st January	44.5	46.2
Fair value movement – to Income Statement	(1.1)	(5.2)
– to reserves	1.0	2.9
Additions	0.0	–
Transfers between asset categories	0.0	0.6
Transfers between group companies	–	0.0
At 31st December	44.4	44.5

The valuations have been incorporated into the accounts at 31st December 2010 with the resulting increase in fair value of £20.4m being taken to the Income Statement and the increase of £2.4m to reserves in relation to the transfer of property from operational land and buildings to investment property during the year. Deferred tax is provided on timing differences arising from the revaluation of investment property.

The Group's investment properties were valued at 31st December 2010 by DTZ, as Independent Valuers in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors ("RICS") and the International Valuation Standards (IVS1). The valuation of each investment property was on the basis of Market Value, subject to the assumption that the investment properties would be sold subject to any existing leases. The Market Value was primarily derived using comparable recent market transactions on arm's length terms.

DTZ has assumed that each Port will continue to be operational and has made the special assumption that all investment properties are free from contamination and that any spillages or contamination will be removed by the tenant prior to the termination of the lease.

In accordance with the Valuation Standards, DTZ confirms that it has not provided other property advice. In relation to the firm's preceding year the total fees paid by the Company as a percentage of the firm's total fee income was less than 5%. DTZ maintains a policy of rotating valuers in accordance with Practice Statement 5.2.2. of the RICS Appraisal and Valuation Standards (The Red Book).

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to £30.7m (2009 – £23.2m). Direct operating expenses arising on the investment property in the year amounted to £1.7m (2009 – £1.0m).

Capital grants included in investment property have a net book amount of £0.1m (2009 – £0.1m).

15. INTANGIBLE ASSETS

	Goodwill £m	Customer Relationships £m	Software £m	Work in Progress £m	Total £m
Group					
Cost					
At 1st January 2010	27.9	11.4	7.7	0.0	47.0
Additions	–	–	0.1	–	0.1
Transfers between asset categories	–	–	0.0	(0.0)	0.0
At 31st December 2010	27.9	11.4	7.8	–	47.1
Accumulated amortisation and impairment					
At 1st January 2010	12.3	1.9	6.2	–	20.4
Charge for the year	–	0.8	0.4	–	1.2
Transfers between asset categories	–	–	0.0	–	0.0
At 31st December 2010	12.3	2.7	6.6	–	21.6
Net book value at 31st December 2010	15.6	8.7	1.2	–	25.5
Group					
Cost					
At 1st January 2009	27.9	11.4	7.7	0.0	47.0
Additions	–	–	0.0	0.0	0.0
Disposals	–	–	(0.0)	–	(0.0)
Transfers between asset categories	–	–	0.0	(0.0)	–
At 31st December 2009	27.9	11.4	7.7	0.0	47.0
Accumulated amortisation and impairment					
At 1st January 2009	–	1.1	5.6	–	6.7
Charge for the year	–	0.8	0.6	–	1.4
Impairment	12.3	–	–	–	12.3
Disposals	–	–	(0.0)	–	(0.0)
At 31st December 2009	12.3	1.9	6.2	–	20.4
Net book value at 31st December 2009	15.6	9.5	1.5	0.0	26.6

The net book value of software includes internally generated assets of £1.2m (2009 – £1.5m) and externally purchased assets of £0.0m (2009 – £0.0m).

Goodwill arising on the acquisition of the Nordic Group is considered to have an indefinite life in accordance with IFRS 3 (revised). Customer relationships recognised on the acquisition of the Nordic Group are written off on a straight-line basis over a period of up to fifteen years.

Amortisation of customer relationships of £0.8m (2009 – £0.8m) is included in the cost of sales line in the Income Statement. Amortisation of software of £0.0m (2009 – £0.0m) is charged to cost of sales and £0.4m (2009 – £0.6m) to administrative expenses.

Goodwill of £14.1m and £1.5m has been allocated for impairment purposes to individual cash generating units (CGUs), being two of the trading divisions of the Nordic Group – Nordic Recycling Limited (“NRL”) and Nordic Data Management Limited (“NDM”) respectively. The allocation was based on management’s expectation of future economic benefits from those CGUs, and is the lowest level at which goodwill is monitored.

15. INTANGIBLE ASSETS CONTINUED

The recoverable amount has been determined on a value in use basis. The calculations are based on five year pre-tax cash flow projections approved by management. Cash flows beyond the initial five year period are extrapolated using the growth rate below.

The key assumptions used in determining the value in use are as follows:

Assumption	How Determined
Revenue	Estimated revenue has been based on management projections taking into account experience and minimum contracted revenue.
Operating margin	Estimated operating margin has been based on management projections taking into account experience and changes in cost base following acquisition by the Group. This includes operating costs and maintenance capital expenditure.
Growth rate	The growth rates in the first five years for all the CGUs range from 2.25% to 27.5%. The weighted average growth rate used after the fifth year is 2.25% which is consistent with the UK's long-term average growth in GDP.
Discount rate	A pre-tax discount rate of 15.0% has been used and reflects the risks relating to the acquired group. Management consider that there is no difference between the risk profile of the Group and that of the CGUs.

	Software £m	Work in Progress £m	Total £m
Company			
Cost			
At 1st January 2010	7.8	0.0	7.8
Additions	0.0	–	0.0
Transfers between asset categories	0.1	–	0.1
At 31st December 2010	7.9	0.0	7.9
Accumulated amortisation			
At 1st January 2010	6.2	–	6.2
Charge for the year	0.4	–	0.4
Transfers between asset categories	0.0	–	0.0
At 31st December 2010	6.6	–	6.6
Net book value at 31st December 2010	1.3	0.0	1.3

Company			
Cost			
At 1st January 2009	7.7	0.0	7.7
Additions	0.1	0.0	0.1
Transfers between asset categories	0.0	(0.0)	–
At 31st December 2009	7.8	0.0	7.8
Accumulated amortisation			
At 1st January 2009	5.6	–	5.6
Charge for the year	0.6	–	0.6
At 31st December 2009	6.2	–	6.2
Net book value at 31st December 2009	1.6	0.0	1.6

The net book value of software includes internally generated assets of £1.3m (2009 – £1.6m) and externally purchased assets of £0.0m (2009 – £0.0m).

16. INVESTMENT IN JOINT VENTURES

	2009 £m
Group	
At 1st January	(26.1)
Share of loss	(1.7)
Movement in hedge reserve	0.4
Conversion of loans owed by joint ventures to equity	27.1
Release of unrealised profit elimination	4.5
Share of acquired company's profit elimination	0.1
Released on acquisition of remaining share capital	(4.3)
At 31st December	–

The Group's share of the results of its principal joint ventures, all of which were unlisted were as follows:

	2009 £m
Revenues	3.7
Other expenses	(2.6)
Expenses	(2.8)
Loss for the year	(1.7)

Other expenses represents the Group's share of the movement on revaluation of investment property within a joint venture company.

	2009 £m
Company	
Cost at 1st January	10.0
Conversion of loans owed by joint ventures to equity	35.0
Transfer to investment in subsidiaries	(45.0)
Cost at 31st December	–
Impairment at 1st January	(10.0)
Written off during year	(30.0)
Transfer to investment in subsidiaries	40.0
Impairment at 31st December	–
Carrying value at 31st December	–

17. INVESTMENT IN ASSOCIATE

	2010 £m	2009 £m
Group		
At 1st January	8.4	9.6
Share of profit	1.4	0.7
Actuarial gain/(loss) relating to retirement benefit obligations	0.1	(1.9)
Cash flow hedge movement	0.1	0.0
At 31st December	10.0	8.4

The Group's share of the results of its principal associate, which is unlisted, and its share of assets and liabilities are as follows:

	2010 £m	2009 £m
Assets	24.3	22.2
Liabilities	(14.3)	(13.8)
Net assets	10.0	8.4
Revenues	11.0	10.2
Profit	1.4	0.7
Actuarial gain/(loss) relating to retirement benefit obligations	0.1	(1.9)

The Group's significant interest is as follows:

Name of undertaking	Interest held %	Country of incorporation
Tilbury Container Services Limited ("TCS")	33	United Kingdom

The interest in TCS (which has an accounting year end date of 31st December) is held by a subsidiary company.

18. INVESTMENT IN SUBSIDIARIES

	2010 £m	2009 £m
Company		
Cost at 1st January	211.7	164.7
Transfer from investment in joint venture	–	45.0
Addition	–	2.0
Cost at 31st December	211.7	211.7
Provision at 1st January	(38.2)	(0.5)
Transfer from investment in joint venture	–	(40.0)
Amount written back	–	2.3
Provision at 31st December	(38.2)	(38.2)
Net book value at 31st December	173.5	173.5

The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures of the Group. All Group companies have year end dates of 31st December and will make individual Annual Returns to the Registrar of Companies.

Name of subsidiary undertaking	Interest held %	Description of Undertaking
International Transport Limited	100	Intermediate holding company
Port of Tilbury London Limited	100	Port operator
Port of Dundee Limited	100	Port operator
Forth Estuary Towage Limited	100	Towage services
Forth Properties Limited	100	Property development
FP Newhaven Two Limited	100	Property development
Nordic Limited	100	Intermediate holding company
Nordic Forest Terminals Limited	100	Port operator
Nordic Recycling Limited	100	Waste paper and commercial waste management
Ocean Terminal Limited	100	Property investment company
Forth Property Investments Limited	90	Property investment company
Forth Property Holdings Limited	90	Intermediate holding company
Forth Property Developments Limited	90	Property development

The interests in International Transport Limited, Port of Dundee Limited, Forth Estuary Towage Limited and Forth Property Holdings Limited are held directly by Forth Ports PLC. In all other cases the interest is held by a subsidiary. The principal country of registration and operation of the above undertakings is Scotland, with the exception of International Transport Limited, Port of Tilbury London Limited and the Nordic group of companies which are registered and operate in England. Subsidiaries are accounted for by the Company at historical cost less provision for any impairments.

A full list of subsidiaries is included in the Company's Annual Return to Companies House.

19. INVENTORIES

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Materials and spare parts	2.3	2.2	0.7	0.7
Energy projects work in progress	1.4	0.3	1.4	0.3
Property developments and land held for sale	26.5	26.0	–	–
	30.2	28.5	2.1	1.0

Energy projects work in progress represents the Group's share of costs spent on bringing various renewable energy projects to planning consent stage.

Expenditure on property development projects and energy projects is charged to inventories at cost. In determining whether the carrying value is at the lower of cost or net realisable value, a review is carried out on each individual property development site (Granton Harbour, Western Harbour and The Harbour, Leith Docks) at 31st December each year. The estimated sales receipts are assessed for each development as are the existing costs and the expected costs to complete (including sales costs) which are then compared with the carrying value. For a more detailed commentary on the valuation approach, please see Glossary on page 93.

The amount expected to be recovered after more than one year is £27.9m (2009 – £26.3m) for the Group and £1.4m (2009 – £0.3m) for the Company.

20. TRADE AND OTHER RECEIVABLES

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Current assets:				
Trade receivables	26.4	24.9	9.6	9.6
Less: provision for allowance for credit losses	(3.3)	(3.1)	(0.6)	(0.6)
Trade receivables – (net)	23.1	21.8	9.0	9.0
Amounts owed by subsidiary undertakings	–	–	100.8	105.3
Other receivables	4.4	3.4	0.7	0.4
Prepayments and accrued income	6.9	7.9	2.5	2.2
Amounts owed by associated undertakings – trading balances	0.2	0.3	–	–
	34.6	33.4	113.0	116.9

The ageing of trade receivables is as follows:

Not past due date	9.8	9.3	1.6	1.9
Less than 30 days past due date	8.5	8.7	4.5	4.6
31-60 days past due date	3.5	2.8	2.2	2.1
61-90 days past due date	0.8	0.8	0.5	0.4
Over 90 days past due date	3.8	3.3	0.8	0.6
	26.4	24.9	9.6	9.6

At 31st December 2010, Group and Company trade receivables of £9.8m and £1.6m (2009 – £9.3m and £1.9m) respectively were not past due or impaired. With respect to trade receivables that are neither past their due date nor impaired, there are no indications as at the reporting date that the payment obligations will not be met. Group and Company trade receivables of £3.3m and £0.6m (2009 – £3.1m and £0.6m) respectively were identified as being impaired, all of which are provided for and analysed below. The factor considered in providing for impaired trade receivables is mainly that of the financial position of the customer.

The other classes within Trade and other receivables do not contain impaired assets.

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
The ageing of the allowance for credit losses of trade receivables is as follows:				
Not past due date	(0.0)	(0.0)	–	–
Less than 30 days past due date	(0.1)	(0.0)	(0.0)	(0.0)
31-60 days past due date	(0.0)	(0.1)	(0.0)	(0.0)
61-90 days past due date	(0.0)	(0.0)	(0.0)	(0.0)
Over 90 days past due date	(3.2)	(3.0)	(0.6)	(0.6)
	(3.3)	(3.1)	(0.6)	(0.6)

The movement on the allowance for credit losses is as follows:

At 1st January	(3.1)	(4.8)	(0.6)	(0.5)
Increase in year	(0.3)	(0.3)	(0.0)	(0.1)
Amounts written off/back	0.1	2.0	0.0	0.0
At 31st December	(3.3)	(3.1)	(0.6)	(0.6)

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers sufficiently dispersed. The maximum exposure to credit risk at the year end is the value of each class of receivable mentioned above. The Group does not hold any collateral as security over port receivables, however, property trade receivables which relate to land sales have the title of the land as standard security collateral. There is no material difference between the fair value of trade and other receivables and their carrying amount stated above. The amounts owed by subsidiary undertakings are unsecured and receivable on demand but are not expected to be fully received within the next twelve months. Interest on amounts owed by subsidiary undertakings was applied at rates based on LIBOR and Bank of England base rate.

21. DEFERRED TAX ASSETS

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Deferred tax asset				
Retirement benefit obligations	7.9	8.7	7.9	8.7
Deferred tax asset – movement				
Asset at 1st January	8.7	1.4	8.7	1.4
Deferred tax on actuarial losses recognised				
– in Statement of Comprehensive Income	–	8.6	–	8.6
– in Income Statement	0.3	–	0.3	–
Effect of tax rate change from 28% to 27%				
– charged to Income Statement	(0.1)	–	(0.1)	–
– charged to Statement of Comprehensive Income	(0.2)	–	(0.2)	–
Deferred tax on excess pension contributions				
– charged to Statement of Comprehensive Income	–	(1.3)	–	(1.3)
– charged to Income Statement	(0.8)	–	(0.8)	–
Asset at 31st December	7.9	8.7	7.9	8.7

22. CURRENT TAX RECEIVABLE

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Recoverable within one year	–	–	1.3	2.1

23. CASH AND CASH EQUIVALENTS

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cash at bank and in hand	18.3	6.3	15.8	3.2

24. TRADE AND OTHER PAYABLES – CURRENT LIABILITIES

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Trade payables	6.0	6.3	3.8	3.7
Amounts owed to subsidiary undertakings	–	–	25.5	10.2
Other taxation and social security	1.6	1.5	0.6	0.6
Accruals and deferred income	20.1	18.6	11.5	9.1
	27.7	26.4	41.4	23.6

Trade payables are mainly contractually due to be paid within one month. The amounts owed to subsidiary undertakings are unsecured and payable on demand but are not expected to be fully paid within the next twelve months. Interest on amounts owed to subsidiary undertakings was applied at rates based on LIBOR and Bank of England base rate.

25. CURRENT TAX LIABILITIES

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Due within one year	5.7	4.0	–	–

26. BORROWINGS

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Non-current				
Bank borrowings	249.3	256.9	181.5	189.2
Other loans	0.5	0.5	0.5	0.5
Finance leases	0.0	0.0	–	–
	249.8	257.4	182.0	189.7
Current				
Finance leases	0.0	0.0	0.0	0.0
Total borrowings	249.8	257.4	182.0	189.7
The borrowings are repayable as follows:				
On demand or within one year	0.0	0.0	–	0.0
In the second year	181.5	0.0	181.5	–
In the third to fifth years inclusive	67.8	256.9	–	189.2
After five years	0.5	0.5	0.5	0.5
	249.8	257.4	182.0	189.7
Less: amount due for settlement within one year (shown under current liabilities)	(0.0)	(0.0)	(0.0)	(0.0)
Amount due for settlement after one year	249.8	257.4	182.0	189.7

£63m of the total Group borrowings is non-recourse to the Company.

The minimum lease payments under finance leases are not materially different to the present value of the lease liabilities.

All borrowings are denominated in UK sterling.

The exposure of the Group and Company borrowings to interest rate changes and the contractual repricing dates at the year end are as follows:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
6 months or less	249.3	256.9	181.5	189.2
Over 5 years	0.5	0.5	0.5	0.5
	249.8	257.4	182.0	189.7
Finance leases with no contractual repricing date	0.0	0.0	0.0	0.0
	249.8	257.4	182.0	189.7

Group and Company

The Group's principal bank loans are as follows:

The Group has a revolving credit facility with Bank of Scotland of £150m with a repayment date of 30th June 2012. The loan is unsecured and carries interest at 1.7% over LIBOR. The Group fixed the interest rate on £100m of this loan at 2.8% plus margin for three years commencing 5th January 2009.

The Group also has further funding with Bank of Scotland comprising an overdraft of £5m. The facility is unsecured. The overdraft carries interest at 3% over Bank of Scotland base rate. The facility matures on 31st July 2011.

The Group also has a revolving credit facility with Lloyds Banking Group of £100m. The loan is unsecured and the interest margin is 1.5% over LIBOR. The repayment date for the facility is 30th June 2012. The Group fixed the interest rate on the £100m loan at 2.77% plus margin for three years commencing 5th January 2009.

The other loan represents £0.5m (2009 – £0.5m) of funded debt. This debt was taken out prior to 1950 and there is no fixed repayment date. The debt is unsecured and carries interest at 3.75%.

Ocean Terminal Limited

As part of the acquisition of the remaining shares in Ocean Terminal Limited, during 2009 the Group acquired the Company's term loan with the Bank of Scotland of £68m which has a repayment date of 31st December 2015. Ocean Terminal Limited has hedged the interest rate risk through the use of an interest rate derivative. At 31st December 2010 the fixed interest rate was 5.59% on £63m and 6.11% on £5m. The non-recourse element relating to this facility is £63m. A maximum of £5m is recourse to Forth Ports until 31st December 2013.

The weighted average interest rates paid on Group borrowings were as follows:

	2010 %	2009 %
Bank borrowings	4.37	4.40
Bank overdraft	3.50	3.50
Other loan	3.75	3.75

The effective interest rates at the Balance Sheet date were as follows:

	2010 %	2009 %
Bank borrowings	4.38	4.37
Bank overdraft	3.50	3.50
Other loan	3.75	3.75

The fair value of bank borrowings approximates to book value because the interest rate is reset after periods not greater than six months.

The Group has the following undrawn committed borrowing facilities available at 31st December:

	2010 £m	2009 £m
Floating rate		
Expiring within one year	5.0	25.0
Expiring in more than one year	68.0	60.0
	73.0	85.0

The facilities expiring in more than one year are the undrawn element of the Bank of Scotland revolving credit loan. The overdraft expires within one year.

Interest on borrowings fall due as follows:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Amounts falling due within one year	11.8	12.1	8.0	8.3
Amounts falling due after more than one year but not more than two years	7.8	12.1	4.0	8.3
Amounts falling due after more than two years but not more than five years	10.8	17.7	–	6.2
Amounts falling due after more than five years	–	3.8	–	–
	30.4	45.7	12.0	22.8

Covenants

The Group has arranged certain banking covenants which require minimum levels of tangible net worth, gearing and interest cover. If these covenants were to be breached, the Group's bankers could demand the immediate repayment of all advances and interest outstanding.

Sensitivity Analysis

The Group has fixed interest rates until early 2012 therefore no sensitivity analysis has been prepared.

27. PROVISIONS

	Insurance Claims £m	Employers' National Insurance on Share Options £m	2010 Total £m
Group			
At 1st January	0.4	0.3	0.7
Additional provision in year	0.2	0.3	0.5
Utilisation of provision	(0.3)	(0.1)	(0.4)
At 31st December	0.3	0.5	0.8
Included in current liabilities			0.4
Included in non-current liabilities			0.4
			0.8

At 31st December 2009 the amount included in current liabilities was £0.3m and included in non-current liabilities was £0.4m.

Company

At 1st January	0.1	0.3	0.4
Additional provision in year	–	0.3	0.3
Utilisation of provision	(0.1)	(0.1)	(0.2)
At 31st December	0.0	0.5	0.5
Included in current liabilities			0.2
Included in non-current liabilities			0.3
			0.5

At 31st December 2009 the amount included in current liabilities was £0.1m and included in non-current liabilities was £0.3m.

The Insurance Claims provision represents management's best estimate of claims under the General, Marine and Employer's Liability policies. Settlement of such claims is dependent on negotiation and, potentially, litigation with third parties, the timing of which cannot be predicted with complete accuracy.

The Employer's National Insurance on Share Option provision is calculated in accordance with IFRS 2 (Share-based Payment) in respect of the LTIP share option plans. Settlement of the provision follows the maturity date of the LTIP options.

28. DEFERRED TAX LIABILITIES

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Deferred tax liability				
Intangible assets – customer relationships	2.4	2.7	–	–
Capital allowances	44.2	42.6	11.2	11.5
Short-term differences	(16.9)	(11.2)	(2.4)	(1.3)
Rolled over capital gains	–	1.9	–	–
Investment property revaluation surplus	29.5	23.9	2.5	2.3
	59.2	59.9	11.3	12.5
Deferred tax liability – movement				
Liability at 1st January	59.9	67.6	12.5	13.1
Effect of tax rate change from 28% to 27% – credited to Income Statement (Note 9)	(1.8)	–	(0.3)	–
Measurement period adjustment (Note 39)	–	(10.7)	–	–
Amount charged/(credited) to Income Statement (Note 9)	2.7	0.9	0.2	(1.4)
Amount (credited)/charged to Statement of Comprehensive Income	(1.6)	2.1	(1.1)	0.8
Liability at 31st December	59.2	59.9	11.3	12.5

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to offset and where the deferred tax relates to the same authority.

Within short-term differences, deferred tax assets of £9.5m (2009 – nil) are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. We expect £1.5m of the deferred tax asset to be released within 12 months from the Balance Sheet date.

Deferred tax assets which require to be disclosed separately are detailed in Note 21.

29. SHARE CAPITAL

Group and Company	2010 £m	2009 £m
Authorised:		
58 million Ordinary Shares of 50p (2009 – 58 million shares of 50p)	29.0	29.0
Allotted, called up and fully paid:		
45.7 million Ordinary Shares of 50p (2009 – 45.6 million shares of 50p)	22.9	22.8

During 2010, the Company issued 103,610 ordinary shares with a nominal value of £52,000 to satisfy options vesting under the LTIP and SAYE schemes.

The Company has one class of Ordinary Share which carries no right to fixed income.

At the year end nil Ordinary Shares (2009 – 13,000 Ordinary Shares) with a nominal value of £nil (2009 – £6,500) were treated as own shares held.

Potential issue of Ordinary Shares

Under the Group's LTIP, the Executive Directors and certain Senior Managers have rights that may result in the issue of shares (see pages 40 and 41).

30. SHARE BASED PAYMENTS – EQUITY SETTLED TRANSACTIONS

Group and Company

SAYE scheme

There are no options outstanding under the SAYE scheme as at 31st December 2010.

The SAYE scheme was introduced during 2004. Options were granted to employees at a fixed price of £10.75 equal to 10% below market price on a three day average on and around the date of grant. The vesting period was five years. If the options remained unexercised after a period of six months from the vesting date, the options expired. Exercise of an option was subject to continued employment although employees ceasing employment due to retirement or redundancy were able to exercise their options pro rata before the full term had elapsed. Employees who left after three years had elapsed could exercise their options pro rata up to their date of leaving.

30. SHARE BASED PAYMENTS – EQUITY SETTLED TRANSACTIONS CONTINUED

The estates of those option holders who died before the term of the savings period had elapsed could exercise options pro rata up to the date of death.

Options were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. The inputs into the option pricing model were as follows:

Grant date	7.5.04
Share price at grant date	£12.01
Exercise price	£10.75
Shares under option	575,000
Vesting period	5.0 years
Expected volatility	14.5%
Option life	5.0 years
Expected life	5.15 years
Risk free rate	4.98%
Expected dividends expressed as dividend yield	3.45%
Possibility of ceasing employment prior to vesting	34.91%
Fair value per option	£2.25
Credit to the Income Statement 2010	£(0.4)m
Charge to the Income Statement 2009	£0.1m

Expected volatility was determined by calculating the historic volatility of the Group's share price over the previous five years. The expected life was the average expected period to exercise. The risk free rate was the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

Details of the share options outstanding during the year are as follows:

	2010		2009	
	Number of Share Options 000	Weighted Average Exercise Price £	Number of Share Options 000	Weighted Average Exercise Price £
Outstanding at 1st January	290	10.75	392	10.75
Forfeited/lapsed	(233)	–	(19)	–
Exercised	(57)	10.75	(83)	10.75
Outstanding at 31st December	–	–	290	10.75
Exercisable at 31st December	–	–	2	10.75

The weighted average share price at the date of exercise for those options exercised during the period was £10.96 (2009 – £12.04).

LTIP plan

An outline of the terms and conditions appertaining to the LTIP plan is given in the Remuneration Report on pages 40 and 41.

2006 LTIP

Options were valued using a present value calculation based on the share price at grant date and the expected dividends over the three year performance period. The inputs into the model are as follows:

Grant date	27.4.07	30.4.08	23.4.09	30.4.10
Share price at grant date	£19.96	£21.77	£9.75	£13.47
Exercise price	nil	nil	nil	nil
Shares under option	108,019	145,682	253,471	217,483
Vesting period	3.0 years	3.0 years	3.0 years	2.75 years
Expected forfeiture	3% p.a.	3% p.a.	3% p.a.	3% p.a.
Option life	3.0 years	3.0 years	3.0 years	2.75 years
Expected life	3.0 years	3.0 years	3.0 years	2.75 years
Expected dividends expressed as dividend yield	2.7% p.a.	2.5% p.a.	2.81% p.a.	2.7% p.a.
Fair value per option	£18.42	£20.21	£8.96	£12.42
(Credit)/charge to Income Statement 2010	£(0.5)m	£0.7m	£0.7m	£0.6m
Charge to Income Statement 2009	£0.6m	£0.9m	£0.4m	n/a

Details of the share options outstanding during the year are as follows:

	2010		2009	
	Number of Share Options 000	Weighted Average Exercise Price £	Number of Share Options 000	Weighted Average Exercise Price £
Outstanding at 1st January	485	nil	365	nil
Granted	217	nil	253	nil
Lapsed/forfeited	(79)	nil	(68)	nil
Exercised	(60)	nil	(65)	nil
Outstanding at 31st December	563	nil	485	nil

There were no options exercisable at 31st December 2010 or 31st December 2009.

The weighted average share price at the date of exercise for those options exercised during the period was £13.97.

31. OWN SHARES HELD

	2010 £m
Group and Company	
Balance at 1st January	4.0
Disposed of on exercise of options	(0.1)
Balance at 31st December	3.9

Forth Ports Trustees Limited holds ordinary shares in Forth Ports PLC as Trustee for the Employee Share Option Trust and as Trustee for the shares outstanding in respect of share options granted to Directors and certain Senior Managers.

The ESOP Trust was set up on the privatisation of Forth Ports Authority in 1992 to allow employees to save towards the purchase of shares in Forth Ports PLC. At 31st December 2010, Forth Ports Trustees Limited held 90 shares (2009 – 13,000) with a market value of £1,211 (2009 – £147,000). The number of shares held under option for employees by the Trustee of the ESOP at 31st December 2010 was nil (2009 – 1,520).

32. RETIREMENT BENEFIT SCHEMES

The Group operates a defined benefit pension scheme called The Forth Ports Group Pension Scheme that covers the vast majority of employees. Other employees are covered by a national scheme. The Nordic Group operates a defined contribution pension scheme.

The pension cost relating to The Forth Ports Group Pension Scheme was assessed in accordance with the advice of a qualified actuary. The latest formal actuarial assessment of the scheme was as at 5th April 2008. The actuaries have provided updated figures for the scheme as at 31st December 2010.

Assets are taken at their market value. Liabilities are valued using various assumptions which are listed overleaf.

The total pension cost was £4.8m (2009 – £3.4m). Member contributions are paid in addition.

A number of employees are members of The Former Registered Dock Workers' Pension Scheme ("FRDW scheme"). The Group also has a contractual relationship with self-employed pilots who operate within the Firth of Forth and the Firth of Tay to provide pilotage services. The self-employed pilots make payments into the Pilots' National Pension Fund ("PNPF").

The FRDW scheme is a multi-employer defined benefit scheme which was set up many years ago on a national basis to provide pensions to Registered Dock Workers. The most recent formal valuation of the FRDW scheme was carried out in 2010 which recorded a small surplus. On an ongoing basis, it was fully funded. The total assets and liabilities of the FRDW scheme are not assigned to specific employers. On the basis that the FRDW scheme is fully funded, the Group does not believe that it has any exposure to this pension scheme. The employers are not entitled to participate in any surplus arising in the FRDW scheme. The contributions paid by the Group are accounted for as a defined contribution scheme as the Group is unable to identify its share of the assets and liabilities in the scheme. The Group contributions during the year were £0.0m (2009 – £0.0m).

The Company and Port of Dundee Limited ("PODL") are the Competent Harbour Authorities in the Firth of Forth and Firth of Tay respectively where they are responsible for the provision of pilotage services. The pilotage acts are provided by self-employed pilots. The Trustee of the PNPF Scheme issued proceedings in the High Court in order to seek directions from the Court as to how, by whom and in what proportion the Scheme's deficit should be made up. The judgement was delivered in June 2010 and the judge decided that, in addition to Competent Harbour Authorities who employ pilots directly, Competent Harbour Authorities whose pilots are self-employed could be required by the Trustee to contribute to the Scheme deficit. This decision has, however, been appealed by a number of Competent Harbour Authorities and until the outcome of that appeal is known, it is not possible to state with certainty what financial effect, if any, there may be on PODL and the Company.

32. RETIREMENT BENEFIT SCHEMES CONTINUED

The employer contributions to the defined contribution pension scheme operated by the Nordic Group of companies during the year was £0.1m (2009 – £0.1m).

The key assumptions used in the valuation of the Group and Company pension scheme were as follows:

Assumptions used to determine benefit obligations at 31st December:

	2010 %	2009 %
Discount rate	5.40	5.70
Rate of compensation increase	4.10	4.30
Pension increases	3.35	3.55
Inflation	3.35	3.55

Assumptions used to determine net pension costs for the year ended 31st December:

	2010 %	2009 %
Discount rate	5.70	6.40
Expected long-term return on plan assets	6.22	5.80
Rate of compensation increase	4.30	4.00

Weighted average life expectancy for mortality tables used to determine benefit obligations at 31st December:

	Male		Female	
	2010	2009	2010	2009
Member age 60 (current life expectancy)	24 years	23 years	27 years	26 years
Member age 45 (life expectancy at age 60)	25 years	24 years	29 years	27 years

Movements in the present value of defined benefit obligations and the fair value of the Scheme's assets were as follows:

	Group and Company 2010 £m	Group and Company 2009 £m
Change in benefit obligation		
Benefit obligation at 1st January	229.4	178.2
Current service cost	4.1	2.4
Interest cost	12.9	11.1
Plan members' contributions	2.5	2.4
Actuarial loss	10.6	42.8
Benefits paid	(7.6)	(7.5)
Benefit obligation at 31st December	251.9	229.4
Analysis of defined benefit obligation		
Plans that are wholly or partly funded	251.9	229.4
Plans that are wholly unfunded	–	–
Total	251.9	229.4
Change in plan assets		
Fair value of plan assets at 1st January	198.1	173.1
Expected return on plan assets	12.2	10.1
Actuarial gain	9.7	12.1
Employer contribution	7.6	7.9
Member contributions	2.5	2.4
Benefits paid	(7.6)	(7.5)
Fair value of plan assets at 31st December	222.5	198.1
Funded status/net amount recognised	(29.4)	(31.3)

The amounts recognised in the Group Income Statement in respect of these defined benefit schemes are as follows:

	Group and Company 2010 £m	Group and Company 2009 £m
Components of pension cost		
Current service cost	4.1	2.4
Interest cost	12.9	11.1
Expected return on plan assets	(12.2)	(10.1)
Total pension cost recognised in the Income Statement	4.8	3.4
Total pension cost recognised in the Income Statement is analysed thus (2009 : restated)		
– cost of sales	3.3	1.9
– administrative expenses	0.8	0.5
– finance costs	0.7	1.0
	4.8	3.4

During the year, the Group decided to show the interest component of the pension scheme costs as an element of Finance Costs. Previously the interest cost was shown partly in Cost of Sales and partly in Administrative Expenses. The analysis of the total pension cost for 2009 above has therefore been restated. The effect has been to reduce Cost of Sales by £0.8m and Administrative Expenses by £0.2m. The overall charge to the Income Statement is unchanged.

Actuarial losses immediately recognised as total pension cost in the Statement of Comprehensive Income	(0.9)	(30.7)
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	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Cumulative actuarial losses recognised in the Statement of Comprehensive Income	(32.2)	(31.3)	(33.4)	(32.5)

Plan assets

The weighted average asset allocations at the year end were as follows:

Asset category	Group and Company Plan Assets at 31st December 2010 %	Group and Company Plan Assets at 31st December 2009 %
Equities	58	57
Bonds	21	22
Gilts	20	20
Other	1	1
Total	100	100

To develop the expected long-term rate of return on assets assumptions, the Company considered the level of expected returns on risk free investments (primarily Government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio and an allowance made for expected expenses. This gave an assumed rate of 5.94% net of expenses at 31st December 2010.

The actual return on plan assets in the year ended 31st December 2010 was £21.9m (2009 – £22.2m).

32. RETIREMENT BENEFIT SCHEMES CONTINUED

History of experience gains and losses

	Group and Company 2010 £m	Group and Company 2009 £m	Group and Company 2008 £m	Group and Company 2007 £m	Group 2006 £m	Company 2006 £m
Difference between expected and actual return on scheme assets:						
Amount	9.7	12.1	(30.2)	(1.1)	4.2	5.7
Percentage of scheme assets	4%	6%	(17%)	(1%)	2%	3%
Experience gains and losses on scheme liabilities:						
Amount	(0.1)	(0.8)	(1.9)	(1.6)	(1.1)	(1.1)
Percentage of scheme liabilities	(0%)	(0%)	(1%)	(1%)	(1%)	(1%)
Present value of scheme liabilities	(251.9)	(229.4)	(178.2)	(186.5)	(189.3)	(189.3)
Fair value of scheme assets	222.5	198.1	173.1	186.0	171.2	171.2
Funding deficit	(29.4)	(31.3)	(5.1)	(0.5)	(18.1)	(18.1)

Contributions

The Schedule of Contributions to the Pension Scheme requires the Group to contribute 17.1% of pensionable salaries plus £2,700,000 in 2011.

33. CAPITAL COMMITMENTS

Capital commitments, including the value of work still to be carried out on contracts placed but not provided for, were £1.2m for the Group and £0.1m for the Company (2009 – Group £0.5m and Company £0.0m) all of which relate to property, plant and equipment. The Group's share of commitments in the associate were £0.0m (2009 – £2.5m).

34. CONTINGENT LIABILITY

During 2008, the Group acquired additional land adjacent the Port of Tilbury. In the event that planning permission is granted to develop that land for port-related use, then an additional payment is due to be made to the previous owner of that land. The amount is dependent on the acreage of land for which planning permission is granted, with the maximum amount payable being £9,750,000 (2009 – £9,750,000).

35. FINANCIAL COMMITMENTS

At 31st December the Group and Company had total commitments under non-cancellable operating leases for plant and machinery as follows:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Within one year	3.5	3.7	0.1	0.4
Between two and five years inclusive	10.0	10.3	0.5	0.7
After five years	2.4	3.0	–	–
	15.9	17.0	0.6	1.1

The Group leases various items of plant and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The Group is required to give, on average, three months notice for the termination of these agreements. The lease expenditure charged to the Income Statement during the year is disclosed in Note 3.

The future minimum lease payments receivable under non-cancellable operating leases for investment property and certain property within inventories are as follows:

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Within one year	26.7	24.3	4.9	4.1
Between two and five years inclusive	72.6	73.5	10.2	11.5
After five years	341.7	340.3	12.2	14.4
	441.0	438.1	27.3	30.0

The Group leases out its investment property with a book value of £332.1m (2009 – £308.2m) (and certain property within inventories with a net book value of £9.3m (2009 – £9.3m)) under non-cancellable operating lease agreements. The leases are for various lengths of time and have varying terms, escalation clauses and renewal rights.

36. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Profit before tax	56.3	47.0	10.9	3.5
Adjustments for:				
– (increase)/decrease in fair value of investment properties	(20.4)	(10.4)	1.1	5.2
– net finance costs	14.6	10.6	4.1	4.1
– impairment of goodwill	–	12.3	–	–
– share of results of joint ventures	–	1.7	–	–
– share of results of associates	(1.4)	(0.7)	–	–
– depreciation of property, plant and equipment and amortisation of intangibles	15.2	14.8	5.3	5.3
– reversal of impairment on operational property assets	(0.4)	–	(0.4)	–
– interest on pension cost in finance costs	(0.7)	(1.0)	(0.7)	(1.0)
– release of unrealised profit elimination	–	(4.5)	–	–
– share of acquired company's profit elimination	–	(0.1)	–	–
– negative goodwill on acquisition	–	(13.7)	–	–
– conversion of loan stock to equity in joint venture company	–	–	–	7.9
– write back of investment in joint venture	–	–	–	(2.3)
– (gain)/loss on sale of property, plant and equipment	(0.0)	(0.0)	0.0	(0.0)
– increase in provisions	0.1	0.0	0.1	0.1
– decrease in retirement benefit obligations	(2.2)	(4.5)	(2.2)	(4.5)
– transfer to property, plant and equipment from inventories	–	(0.0)	–	–
– transfer of property, plant and equipment to subsidiary company	–	–	1.7	–
– share-based payment	1.1	1.6	1.1	1.6
Movement in working capital:				
Increase in inventories	(1.7)	(1.1)	(1.1)	(0.4)
(Increase)/decrease in receivables	(1.3)	6.1	9.8	19.6
(Decrease)/increase in payables	(0.5)	(2.4)	16.7	4.3
Cash generated from operations	58.7	55.7	46.4	43.4
Reconciliation of increase in cash and cash equivalents to movement in net debt:				
Increase in cash and cash equivalents	12.0	1.6	12.6	0.7
Cash outflow from movement in borrowings (net)	8.0	23.3	8.0	23.2
Change in net debt resulting from cash flows	20.0	24.9	20.6	23.9
Borrowings acquired on purchase of subsidiary	–	(67.7)	–	–
Amortisation of loan arrangement fees	(0.4)	(0.3)	(0.3)	(0.3)
Movement in net debt	19.6	(43.1)	20.3	23.6
Opening net debt	(251.1)	(208.0)	(186.5)	(210.1)
Closing net debt	(231.5)	(251.1)	(166.2)	(186.5)

37. ANALYSIS OF NET DEBT

	At 1.1.10 £m	Cash Flow £m	Other Movement £m	At 31.12.10 £m
Group				
Cash at bank and on deposit	6.3	12.0	–	18.3
Debt due outwith one year	(257.4)	8.0	(0.4)	(249.8)
Finance leases	(0.0)	0.0	–	(0.0)
Total net debt	(251.1)	20.0	(0.4)	(231.5)

The other movement of £0.4m related to the amortisation of arrangement fees for bank facilities.

38. RELATED PARTY TRANSACTIONS

During the year ended 31st December 2010, the Group entered into material transactions with related parties as follows:

Nature of Transactions and Related Party	Nature of Relationship	Value of Transactions 2010 £m	Value of Transactions 2009 £m	Amount Receivable at 31.12.10 £m	Amount Receivable at 31.12.09 £m
Group					
Management charges, port and other charges					
Tilbury Container Services Limited	Associated company	2.7	3.3	0.2	0.3
Interest and loans					
Ocean Terminal Limited	Former Joint venture company	–	0.6	–	–

The Group has taken advantage of the exemption from disclosing intra-Group transactions as permitted by IAS 24 (Related Party Disclosures).

	2010 £m	2009 £m
Group		
Key management compensation (excluding Directors):		
Salaries and short-term employee benefits	1.1	1.0
Post employment benefits	0.1	0.1
Share based payments	0.4	0.1
	1.6	1.2

Information about the remuneration of individual Directors is given in the audited part of the Directors' Remuneration Report on page 42.

The following transactions were carried out between the Company and its subsidiaries (unless stated otherwise):

Nature of Transactions and Related Party	2010 £m	2009 £m
Company		
(a) Revenue		
Sales of goods and services:		
Nordic Limited	0.4	–
Ocean Terminal Limited	0.0	–
Forth Property Developments Limited	0.1	0.0
Port of Tilbury London Limited	0.2	1.3
Port of Dundee Limited	0.1	0.1
Forth Estuary Towage Limited	0.1	0.1
	0.9	1.5
Management fees:		
Nordic Limited	0.2	–
Forth Property Developments Limited	0.3	0.3
Port of Tilbury London Limited	0.5	0.5
Port of Dundee Limited	0.4	0.7
	1.4	1.5
(b) Cost of sales		
Purchases of goods and services:		
Port of Tilbury London Limited	–	0.1
Forth Properties Limited	0.0	0.0
	0.0	0.1

Nature of Transactions and Related Party	2010 £m	2009 £m
(c) Finance income		
Interest receivable:		
Port of Tilbury London Limited	–	0.8
International Transport Limited	2.0	1.9
Nordic Limited	1.8	1.9
Forth Properties Limited	0.2	0.2
FP Newhaven Two Limited	0.3	0.3
Forth Property Developments Limited	1.8	1.7
Forth Property Investments Limited	0.1	0.1
Forth Property Holdings Limited	0.1	0.1
	6.3	7.0
(d) Finance costs		
Interest payable:		
Port of Tilbury London Limited	0.3	–
Port of Dundee Limited	0.1	0.0
Forth Estuary Towage Limited	0.4	0.3
FLM Realisations Limited	0.0	0.0
	0.8	0.3
(e) Year end balances		
Trade and other receivables – current:		
Port of Tilbury London Limited	–	7.1
International Transport Limited	34.8	34.8
Nordic Limited	18.2	18.7
Edinburgh Forthside Holdings Limited	1.4	1.4
Forth Property Investments Limited	2.9	2.8
Forth Property Developments Limited	33.0	31.1
Forth Property Holdings Limited	1.4	1.2
Forth Properties Limited	4.1	3.4
FP Newhaven Two Limited	4.9	4.7
Non-significant companies	0.1	0.1
	100.8	105.3
(f) Year end balances		
Trade and other payables – current:		
Port of Tilbury London Limited	12.2	–
Forth Estuary Towage Limited	7.0	7.2
Port of Dundee Limited	2.9	1.1
Ocean Terminal Limited	1.5	–
Non-significant companies	1.9	1.9
	25.5	10.2
	2010 £m	2009 £m
Company		
Key management compensation:		
Salaries and short-term employee benefits	0.6	0.6
Post employment benefits	0.1	0.0
Share based payments	0.2	0.1
	0.9	0.7

39. ACQUISITION OF REMAINING SHARE CAPITAL IN OCEAN TERMINAL WITH MEASUREMENT PERIOD ADJUSTMENT

On 17th December 2009, the Group acquired the remaining 50% of the issued share capital of OTL that it did not already own, thereby obtaining control of OTL. OTL is a property investment company which operates the Ocean Terminal Shopping Centre in Leith.

In accordance with IFRS 3 (revised), as early adopted by the Group for the year ended 31st December 2009, the acquirer has a period of time (no longer than 12 months), referred to as “the measurement period”, to finalise the accounting for such a business combination. In such circumstances, comparative prior period information included in subsequent financial statements should be revised to include the effect of the identified adjustment.

The total “acquisition accounting adjustment” gain taken to the Consolidated Income Statement for the year ended 31st December 2009 as a result of the acquisition was previously reported as £7.6m, comprising a fair value uplift in the previous joint venture holding of £4.6m, and a further £3.0m of negative goodwill arising on acquisition.

The negative goodwill arising on the acquisition arose as a result of there being an excess of net assets acquired over the consideration paid. Following review of the existing tax structure, likely future performance and tax loss utilisation levels, it is considered appropriate to recognise net deferred tax assets of £8.5m in relation to historical tax losses within OTL that existed at date of acquisition and a further £2.2m in respect of the cash flow hedge creditor at the date of acquisition.

The revised negative goodwill arising on acquisition is shown below. The negative goodwill is not taxable.

Recognised amounts of identifiable assets acquired and liabilities assumed

	As Previously Reported £m	Measurement Period Adjustment £m	As Revised £m
Property, plant and equipment	0.0	–	0.0
Investment property	82.5	–	82.5
Deferred tax asset	–	10.7	10.7
Receivables	3.6	–	3.6
Bank and cash	0.8	–	0.8
Payables	(2.0)	–	(2.0)
Derivative creditor	(7.9)	–	(7.9)
Borrowings due outwith one year	(67.7)	–	(67.7)
Total identifiable net assets	9.3	10.7	20.0
Fair value of Group’s interest in OTL	(4.3)	–	(4.3)
Consideration for remaining share capital	(2.0)	–	(2.0)
Negative goodwill released to Consolidated Income Statement	3.0	10.7	13.7

The revised total “acquisition accounting adjustment” gain taken to the Consolidated Income Statement for the year ended 31st December 2009 as a result of the acquisition is £18.3m, comprising a fair value uplift in the previous joint venture holding of £4.6m and £13.7m of negative goodwill arising on acquisition.

Group net assets as previously reported at 31st December 2009 were £228.5m. The impact of the revision on net assets is an increase of £10.7m, resulting in net assets as revised at 31st December 2009 of £239.2m.

40. DIVIDEND

On 22nd March 2011, the Board agreed to propose a final dividend of 20p for the year ended 31st December 2010. A resolution to this effect will be put to the Annual General Meeting of the Shareholders on 6th May 2011.

41. POST BALANCE SHEET EVENT

It was announced on 22nd March 2011 that the Boards of Forth Ports and Otter Ports, a wholly-owned subsidiary of Arcus European Infrastructure Fund 1 L.P., had reached agreement on the terms of a recommended cash offer (the “Offer”) to be made by Otter Ports to acquire all of the issued and to be issued share capital of Forth Ports. Under the terms of the Offer, Forth Ports shareholders will be entitled to receive 1,630 pence in cash per Forth Ports share. In addition, Forth Ports shareholders will be entitled to receive and retain the proposed final dividend of 20 pence per share expected to be paid on 13th May 2011 to shareholders on the register at the close of business on 15th April 2011. It is intended that the Offer will be implemented by means of a Court-sanctioned Scheme of Arrangement under Part 26 of the Companies Act.

Further details of the Offer are contained in a separate announcement.

- 1 The DTZ Valuation dated 31st December 2010 includes the term – “Market Value” which is defined in the current version of The Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors (“the Red Book”) as:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

- 2 The “property development assets” which DTZ have valued include the undernoted assets:

- > The development sites called The Harbour, Leith Docks; Granton Harbour; and Western Harbour, all of which are in Leith;
- > Development sites at Grangemouth, Burntisland and Methil; and
- > The Ocean Terminal Shopping Centre.

- 3 Property Valuation – Approach used by DTZ

The undernoted paragraphs are taken from the DTZ Valuation Report as at 31st December 2010.

“As explained in our previous report, in the past, our opinion of Value has been based on the approach that purchasers of the assets would take a very long term view of the principal properties in the portfolio and reflect future value on a discounted basis, taking account of future sale revenues of the sites after allowing for the cost of providing the infrastructure together with associated costs. Up until the early part of 2008, there had been a strong appetite from a wide variety of investors seeking an involvement in major mixed use development projects, with both debt and equity available from a wide range of sources. The approach of the banking sector is still cautious about lending and volumes are still low. Such lending as is taking place tends to be for undoubted existing borrowers and is largely secured on standing investments let for a reasonable period to good covenants and, even with this type of product, the amount that banks are prepared to lend is usually less than 60% of value. These restrictions mean that investors are having to find a substantial amount of equity and this is limiting the numbers of active participants in the market.

In this economic environment we are of the view that the approach we adopted in valuing the Group’s assets last year is still valid and that the market would place little or no value on the residential development potential of the properties.

In terms of the Group’s major development projects, many of the sites are still not viable depending upon what infrastructure has already been put in place. Our approach to the Valuation of the Group’s major property development assets is summarised below:

- > **Granton Harbour** – As last year, we have applied a development value on a small section of the site at a discounted rate, but have otherwise continued to disregard the remainder of the land on the basis that it is still not viable to develop/reclaim in the current market. Where land is income producing from the letting of existing property, we have valued on a conventional basis.
- > **Western Harbour** – The approach has been the same as for Granton Harbour. We have allowed for the development of a small part of the site, but only included the land at a discounted rate, as viability is marginal.
- > **The Harbour, Leith Docks** – This part of the proposed development has continued to be impacted by the downturn in the commercial markets, again making the viability of development marginal. Since last year, master planning consent has been obtained for this area and this would have a positive impact on value. An increased level of value has been applied to the residual land as it does occupy the key part of the main site and the overall entrance to the scheme.
- > **Grangemouth** – As with other sites, development land has been substantially marked down to reflect viability and existing income valued in perpetuity.
- > **Burntisland and Methil** – The overall value of the land assets has been held as the current planning scenario might, in the future, allow for a food retail development.”

- 4 Definition

The definition of the word “underlying” in the context of an adjustment to a reported number is as follows:

- i Underlying group/port/recycling/property operating profit refers to the reported group/port/recycling/property operating profit adjusted to exclude the effect of any revaluation of the investment properties and any exceptional items.
- ii Underlying profit before tax, underlying profit after tax and underlying earnings per share refer to reported profit before tax, reported profit after tax and reported basic earnings per share adjusted as above in 4(1) together with an adjustment for any revaluation of joint venture’s investment property.

PROPOSED LONG-TERM INCENTIVE PLAN 2011 (“the 2011 LTIP”) (RESOLUTION 13)**Introduction**

The Remuneration Committee has undertaken a review of the Company’s executive remuneration strategy in light of both its future business plans and continuing developments in UK remuneration practice. This review process has been supported by independent external advice provided by Towers Watson.

The 2011 LTIP will apply to the Executive Directors, the Group Company Secretary, the Director Scottish Ports and the Managing Director of the Property Division of the Company in the first instance, although the Remuneration Committee will have the discretion to extend participation to a small number of selected high performing, high potential employees.

Performance will be measured over a three year period using two key performance metrics: growth over the vesting period in underlying port operating profit and share value (both as further set out below).

In general, other than in relation to participation and the performance criteria the 2011 LTIP is modelled on the 2006 LTIP and has been updated in line with best practice guidelines.

If the 2011 LTIP is approved by shareholders no further awards will be made under the 2006 LTIP.

Supervision

The Remuneration Committee will supervise the operation of the 2011 LTIP. In particular, the Remuneration Committee will determine the level of award for the Executive Directors.

Eligibility

Executive Directors and employees of the Company are eligible to participate in the 2011 LTIP at the discretion of the Remuneration Committee. Unless the Remuneration Committee considers it appropriate a participant must not be within one year of his retirement age at the time the award is granted.

Grant of Awards

Awards will be granted by the Remuneration Committee as an option to acquire at nil cost ordinary shares in the Company, subject to performance criteria being met over the specified performance period. Awards granted under the 2011 LTIP are not transferable and may only vest in the persons to whom they were granted.

No payment is required for the grant of an award. Benefits under the 2011 LTIP are not pensionable.

Awards may only be made during the period of 42 days following approval of the 2011 LTIP by the shareholders or the announcement of the Company’s interim or final financial results for any period, unless the Remuneration Committee considers that there are exceptional circumstances which justify the making of awards at any other time and the Company is not otherwise prohibited from making an award.

Exercise and lapse of awards

An award will normally vest after the end of the relevant performance period if and to the extent that performance conditions have been satisfied over that period. Performance periods will generally be three successive financial years.

Awards will lapse to the extent not vested after expiry of the performance period.

An award will lapse if the participant ceases to be employed by the Company prior to the end of the performance period. The Remuneration Committee has discretion, in exceptional circumstances only, to decide that upon cessation of employment an award will not lapse but remain in place and/or vest early on a proportionate basis by reference to time elapsed and performance to date. In the event of a change of control of the shareholding of the Company, a winding up, or on the occurrence of exceptional circumstances in relation to the Group or a Participant which the Remuneration Committee considers makes it appropriate for vesting any award shares, awards will vest on a proportionate basis by reference to time elapsed and performance to date.

If there is a capitalisation issue, rights issue, consolidation, sub-division or other variation in the share capital of the Company the number of shares subject to awards will be adjusted in such manner as the auditors of the Company confirm to be reasonable.

Performance Criteria

All awards will be subject to demanding performance criteria approved by the Remuneration Committee. If the 2011 LTIP is approved by shareholders, the performance criteria attaching to awards made this year will relate to growth in underlying ports profit (“Ports Profit Test”) and growth in share value (“Share Value Test”). 50% of the award will relate to each metric.

The Ports Profit Test will measure the growth in underlying profits before interest and tax in respect of the Group’s port operations (including Nordic) over the performance period as extracted from the segmental analysis contained in the Company’s annual report and accounts adjusted to exclude any profit or loss relating to the Company’s investment properties. A threshold level of performance and stretch target will be set by the Remuneration Committee on an annual basis having regard to internal company projections and budget, analyst

expectations and the recent historical performance of the Company and its competitors. Stretch performance will be set at a level that represents genuinely superior performance significantly in excess of the challenging level of performance required to meet the threshold level. No award shares subject to this test will vest if the threshold level of performance is not achieved at the end of the performance period. If the threshold level is achieved 25% of the award shares will vest. The maximum number of award shares will vest if the stretch target is achieved at the end of the performance period. Award shares will vest on a straight line basis for performance between the threshold level and the stretch target. For awards granted in 2011 the average annual growth rate required over the performance period for vesting to commence will be 2% above CPI and the stretch target will be 7% above CPI.

The Share Value Test will measure growth in the price of the Company's shares over the performance period. The threshold level of performance will be a share value of £15 at the end of the performance period and the stretch target will be a share value of £17. No shares will vest if the threshold level is not met and the maximum number of shares will vest if the stretch target is met. Shares will vest on a straight line between 0% and 100%. The average middle market price of a Forth Ports share over the three month period to the end of the performance period will be used to determine the share value.

Irrespective of whether targets have been met in respect of the Ports Profit Test and/or the Share Value Test, no vesting shall occur unless the Remuneration Committee is satisfied that the financial performance of the Company has shown a sustained improvement since the start of the performance period. In determining whether the Company has shown a sustained improvement in financial performance, the Committee will, in addition to the two primary metrics noted above, consider the total return delivered to shareholders and the economic value added. These measures will be considered in light of historical experience and the performance of relevant peer companies and the performance of relevant indices.

Performance conditions applying to new awards will be reviewed each year to ensure that they remain robust, challenging and clearly linked to the creation of shareholder value.

Individual limit

Under the 2011 LTIP no award will exceed the number of shares represented by the participant's basic annual salary at the award date divided by the market value of a Forth Ports share.

Administration

All shares allocated under the 2011 LTIP will rank *pari passu* with all other ordinary shares of the Company for the time being in issue (save as regards any rights arising by reference to a record date arising prior to the date of issue).

On any variation of the ordinary share capital of the Company the number of the shares subject to awards shall be adjusted in such a manner as the Remuneration Committee determines to be fair and reasonable.

The 2011 LTIP will be administered by the Remuneration Committee. Amendments to the rules may be made at its discretion, however no amendment may be made to the advantage of participants or employees to rules relating to eligibility for participation of the 2011 LTIP, the limitations on the number of shares subject to the awards under 2011 LTIP, the maximum entitlement for any participant or the basis for determining entitlement to and adjustments of awards in the event of a capitalisation issue, rights issue or open offer, subdivision or consolidation of shares or reduction of capital or any other variation of capital without prior shareholders' approval. However, minor amendments may be made to benefit the administration of the 2011 LTIP or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Company or participants in the 2011 LTIP.

Source of Shares

An award may be satisfied either by the transfer to the participant of existing shares in the Company purchased on the market or by the issue of new shares. The 2011 LTIP permits the Company to use the Forth Ports PLC Employee Trust for the purpose of holding the shares pending the transfer to participants. However, where awards are satisfied through the issue of new shares to the Trustee for the purpose of satisfying awards under the 2011 LTIP, the use of new shares will be subject to limiting the percentage of the Company's issued share capital utilised for the purposes of the 2011 LTIP or in respect of the granting of share options in any ten year period to 10 per cent. Within this overall limit of 10 per cent, new shares issued in respect of the granting of share options (other than savings-related share options) will be limited to 5 per cent.

Cost

The expected accounting cost of the 2011 LTIP will be approximately £0.6m per annum.

Based on the current share price, the number of new shares required for the senior management population is approximately 106,000 shares per cycle. If new shares were used to satisfy awards, this would represent an annual dilution of approximately 0.2%.

Copy Documentation

A copy of the Rules of the Forth Ports PLC Long-Term Incentive Plan 2011 are available for inspection at the offices of McGrigors at 5 Old Bailey, London EC4M 7BA and the offices of the Company at 1 Prince of Wales Dock, Leith, Edinburgh EH6 7DX during normal business hours on any week day (excluding Saturdays and public holidays) until the close of the Annual General Meeting and in addition shall be available for inspection at the place of the Annual General Meeting for 15 minutes prior to and during the Annual General Meeting.

FIVE YEAR RECORD

	2006 £m	2007* £m	2008 £m	2009** £m	2010 £m
FINANCIAL STATISTICS					
Revenue and Profit					
Port revenue	140.3	159.5	159.4	154.8	157.4
Recycling revenue	–	–	24.9	17.6	15.7
Property revenue	13.3	5.5	1.6	1.5	8.8
Group revenue	153.6	165.0	185.9	173.9	181.9
Underlying port operating profit ***	34.2	37.7	43.0	41.5	43.0
Underlying recycling operating profit	–	–	2.9	1.3	1.1
Underlying property operating profit/(loss)	4.2	(1.3)	0.5	(0.6)	5.7
Underlying group operating profit	38.4	36.4	46.4	42.2	49.8
Other income/(expenses)	24.1	12.8	(16.4)	10.4	20.4
One-off costs less income	(1.8)	(0.0)	(29.9)	(12.3)	(0.7)
Net finance costs ***	(8.3)	(9.7)	(10.9)	(10.6)	(14.6)
Acquisition accounting adjustment	–	–	–	18.3	–
Share of results of joint ventures	(3.0)	(9.7)	(21.4)	(1.7)	–
Share of results of associates	2.0	2.5	1.5	0.7	1.4
Gain on disposal of investment in joint venture	4.2	–	–	–	–
Profit/(loss) before tax	55.6	32.3	(30.7)	47.0	56.3
Taxation	(14.5)	(7.4)	(20.5)	(9.9)	(11.2)
Profit/(loss) for the year	41.1	24.9	(51.2)	37.1	45.1
Balance Sheet					
Non-current assets	423.7	478.3	476.3	563.3	578.4
Current assets	109.1	98.6	67.7	61.9	64.8
Current liabilities	(21.2)	(31.9)	(29.3)	(37.9)	(41.7)
Net current assets (excluding net debt)	87.9	66.7	38.4	24.0	23.1
Non-current liabilities (excluding net debt)	(57.5)	(44.2)	(76.5)	(97.0)	(96.0)
Net debt	(176.6)	(205.5)	(208.0)	(251.1)	(231.5)
Net assets	277.5	295.3	230.2	239.2	274.0
Equity shareholders' funds	273.2	292.8	229.9	239.0	273.7
Equity minority interests	4.3	2.5	0.3	0.2	0.3
Total capital employed	277.5	295.3	230.2	239.2	274.0
Basic earnings/(loss) per share	90.5p	55.3p	(107.8)p	81.7p	98.4p
Underlying earnings per share	47.0p	46.1p	57.6p	56.2p	59.3p
Annualised dividend per share	45.2p	47.7p	28.6p	28.6p	30.0p

* Recycling revenue and underlying operating profit in 2007 were not material and therefore have not been shown.

** Revised for measurement period adjustment on acquisition of OTL.

*** 2006 to 2009 restated for reallocation of pension scheme interest cost.

INFORMATION FOR SHAREHOLDERS

Information for shareholders may be obtained from:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Shareholder helpline: 0871 384 2149
Textel/hard of hearing line: 0871 384 2255
General fax: 0871 384 2100
<http://www.shareview.co.uk>
Shareview dealing helpline: 0845 603 7037

Calls to these numbers are charged at 8p per minute from a BT landline.
Other telephone providers costs may vary.

SHAREHOLDER BAND ANALYSIS

Share Band	Number of Holders	%	Number of Shares Held	%
1-500	2,110	54.7	495,274	1.1
501-1,000	715	18.5	554,863	1.2
1,001-2,500	518	13.4	823,006	1.8
2,501-5,000	190	4.9	665,362	1.5
5,001-10,000	98	2.6	703,985	1.5
10,001-50,000	124	3.2	3,160,379	6.9
50,001-100,000	42	1.1	3,103,410	6.8
over 100,000	61	1.6	36,243,544	79.2
Total	3,858	100.0	45,749,823	100.0

**Friday 6th May 2011 at
11.00am in The Club Room,
The Scotsman Hotel, 20 North Bridge,
Edinburgh EH1 1TR**

PLEASE NOTE that the twentieth Annual General Meeting of FORTH PORTS PLC will be held in The Club Room, The Scotsman Hotel, 20 North Bridge, Edinburgh EH1 1TR at 11.00am on Friday 6th May 2011, for the following purposes:

Ordinary Business

- 1 To receive the Directors' Report and accounts for the year ended 31st December 2010.
- 2 To declare a final dividend of 20p per Ordinary Share in the capital of the Company.
- 3 To re-elect Mr. D.H. Richardson as a Director.
- 4 To re-elect Mr. C.G. Hammond as a Director.
- 5 To re-elect Mr. J.L. Tuckey as a Director.
- 6 To re-appoint Mr. S.R. Paterson as a Director.
- 7 To receive and consider the Directors' Remuneration Report for the year ended 31st December 2010.
- 8 To ratify the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to agree their remuneration.

Special Business

- 9 To consider and if thought fit to pass the following Ordinary Resolution:

THAT the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 to exercise all powers of the Company to allot equity securities (as defined in Section 560 of the Companies Act 2006) up to an aggregate nominal amount of £6.2m during the period expiring on the date of the next Annual General Meeting of the Company after the passing of this Resolution, or on 5th August 2012 whichever is the earlier, ("the Prescribed Period") and at any time after that pursuant to any offer or agreement made by the Company during the Prescribed Period which would or might require equity securities to be allotted after the expiry of the Prescribed Period.

- 10 To consider and if thought fit pass the following Special Resolution:

THAT subject to the passing of Resolution 9 above, the Directors be and they are hereby empowered pursuant to Section 571(1) of the Companies Act 2006 to allot

equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the authority conferred by Resolution 9 as if Section 561 of the Companies Act 2006 did not apply to any such allotment provided that this power shall be limited:

- i to the allotment of equity securities for cash in connection with or pursuant to a rights issue or any other offer in favour of the holders of equity securities and any other persons entitled to participate therein in proportion (as nearly as may be practicable) to the respective number of equity securities then held by them (or, as appropriate, the number of such securities which such other persons are, for those purposes, deemed to hold) but not subject to such exclusions or other arrangements as the Directors may consider necessary, expedient or appropriate to deal with any fractional entitlements or legal or practical difficulties which may arise under the laws of, or the requirement of any recognised regulatory body or any stock exchange in, any territory or otherwise; and
- ii to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities and/or the transfer of shares out of Treasury following purchase pursuant to Resolution 11 (vi) below up to an aggregate nominal value of £1.14m;

and shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution, or on 5th August 2012 whichever is the earlier, ("the Prescribed Period") save that after such expiry, the Directors may allot equity securities in pursuance of an offer or agreement made by the Company during the Prescribed Period which would or might require equity securities to be allotted after the expiry of the Prescribed Period.

- 11 To consider and if thought fit pass the following Special Resolution:

THAT the Company be and is hereby generally and unconditionally authorised pursuant to and in accordance with Section 701 of the Companies Act 2006 to make one or more market purchases (within the meaning of Section 693(4) of the Companies Act 2006) on The London Stock Exchange of Ordinary Shares of 50p each in the capital of the Company ("Ordinary Shares") upon and subject to the following conditions:

- i the maximum number of such Ordinary Shares hereby authorised to be purchased is 6.862 million shares (representing 15% of the Company's issued share capital);
- ii the minimum price which may be paid by the Company for each Ordinary Share is 50 pence (exclusive of any tax and expenses);

- iii the maximum price (exclusive of any tax and expenses) which may be paid by the Company for an Ordinary Share is an amount not more than 5% above the average of the middle market values for an Ordinary Share taken from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased;
- iv unless previously revoked or varied the authority hereby conferred shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution or on 5th August 2012, whichever shall be the earlier;
- v the Company may enter into a contract or contracts for the purchase of Ordinary Shares under the authority hereby conferred before the expiry of this authority which would or might be completed wholly or partly after the expiry of such authority and may make a purchase or purchases of Ordinary Shares in pursuance of any such contract or contracts notwithstanding such expiry;
- vi and any Ordinary Shares so purchased shall be cancelled or if the Directors so determine and subject to the provision of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 and any applicable regulations of the United Kingdom Listing Authority, to be held as Treasury Shares.

12 To consider and if thought fit pass the following Special Resolution:

THAT a general meeting other than an Annual General Meeting may be called on not less than 14 days' clear notice.

13 To consider and if thought fit pass the following Ordinary Resolution:

THAT the Forth Ports PLC 2011 Long-Term Incentive Plan ("the 2011 Plan") to be constituted by the rules produced in draft to this meeting and for the purposes of identification initialled by the Chairman, the principal terms of which are summarised in the Appendix, be and is hereby approved and adopted and the Directors be and they are hereby authorised to do all acts and things necessary to establish and carry the 2011 Plan into effect.

BY ORDER OF THE BOARD

Morag McNeill

Group Company Secretary
1 Prince of Wales Dock
Leith, Edinburgh
EH6 7DX

30th March 2011

1. Entitlement to attend, vote and speak

Only those members registered on the Company's register of members at 6pm on 4th May 2011 shall be entitled to attend and vote at the Meeting. Registration will be available from 10.15am. The Meeting is accessible for wheelchair users. Please ask at reception if you require assistance.

Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.

2. Proxy appointment

A member entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote on their behalf at the Meeting. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. A proxy may be appointed:

- a by completion and return of the proxy form enclosed with the Notice of Meeting;
- b via the internet at www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number shown on your Form of Proxy; or
- c via the internet at www.shareview.co.uk for shareholders who have already registered with Equiniti's Shareview Service; or
- d via the CREST electronic proxy appointment service, as described in paragraph 3 below.

To be valid any proxy form or other such instrument appointment proxy must be received by the Company's Registrars, Equiniti Limited, no later than 48 hours before the time fixed for the Meeting. The return of a completed proxy form will not prevent a member attending the meeting and voting in person at the Meeting.

A "Vote withheld" option is provided on the proxy form to enable you to instruct your proxy to abstain on any particular resolution. It should, however, be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.

3. Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy through the CREST electronic appointment service may do so by using the procedures described in the CREST manual (available at www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited specification, and must contain the information required for such instruction, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (CREST ID RA19) not later than 48 hours before the time fixed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or who has appointed a voting service provider(s), to procure that his CREST sponsor/or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4. Nominated Persons

Any person to whom this Notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement with him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statements of the rights of members in relation to the appointment of proxies in this notice do not apply to a Nominated Person. The rights of members in relation to the appointment of proxies can only be exercised by registered members of the Company. Nominated Persons are reminded that they should contact the registered

holder of their shares (and not the Company) on matters relating to their investments in the Company.

5. Corporate Representatives

A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member, provided that no more than one corporate representative exercises powers over the same share.

6. Issued Shares and Total Voting Rights

As at 29th March 2011 (being the last business day prior to publication of this Notice) the Company's issued share capital consists of 45.7m Ordinary Shares carrying one vote each. No shares are held in treasury.

7. Website publication of audit concerns

It is possible that, pursuant to requests made by members of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting or any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual report and accounts were laid. The business which may be dealt with at the Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on its website.

8. Website giving information regarding the Meeting

A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found on the Company's website (www.forthports.co.uk).

9. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company from the date of this Notice on any weekday except Saturdays, Sundays and public holidays during normal business hours until the time of the Meeting and at the place of the Meeting from 15 minutes before the Meeting until it ends:

- i Service contracts between the Company and the Executive Directors;
- ii Letters of appointment between the Company and the Non-Executive Directors.

10. Communication

Members may not use any electronic address provided either:

- i in this Notice of Meeting; or
- ii any related documents (including the proxy form)

to communicate with the Company for any purpose other than those expressly stated.

Notice of Annual General Meeting
The twentieth Annual General Meeting of Forth Ports PLC will be held in The Club Room, The Scotsman Hotel, 20 North Bridge, Edinburgh EH1 1TR at 11.00am on Friday 6th May 2011. The formal Notice of Meeting begins on page 98.

Financial Calendar

Year End
31st December 2010

Preliminary Announcement
22nd March 2011

Dispatch of Annual Report
30th March 2011

Ex Dividend Date (Final Dividend)
13th April 2011

Record Date (Final Dividend)
15th April 2011

Annual General Meeting and
Interim Management Statement
6th May 2011

Payment of Final Dividend 2010
13th May 2011

Announcement of Interim Results 2011
24th August 2011

Interim Report Dispatched
2nd September 2011

Ex Dividend Date (Interim Dividend)
12th October 2011

Record Date (Interim Dividend)
14th October 2011

Interim Management Statement
31st October 2011

Payment of Interim Dividend 2011
4th November 2011

HEAD OFFICE

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