

FORTH PORTS PLC



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Press Information

22nd March 2011

RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2010

Reported Results

- Group revenue up 5% to £181.9m (2009 - £173.9m)
- Reported group operating profit - £69.5m (2009 - £40.3m¹)
- Reported group profit before tax up 20% to £56.3m (2009 - £47m²)
- Basic earnings per share up 20% to 98.4p (2009 - 81.7p²)
- Final dividend up 5% to 20p per share

Underlying Results

- Underlying group operating profit up 18% to £49.8m (2009 - £42.2m¹)
- Underlying group profit before tax up 10% to £36.6m (2009 - £33.2m¹)
- Underlying port operating profit up 4% to £43m (2009 - £41.5m¹)
- Underlying earnings per share up 6% to 59.3p (2009 - 56.2p)

Operational Highlights

- Core ports business delivered revenue and profit growth
- Tilbury established as a Distribution Hub for the 2012 Olympics
- Progress in positioning Leith and Dundee as renewables hubs
- Growth in both income and value from our property assets

Outlook

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

Charles Hammond, Group Chief Executive, said:

“We delivered growth in revenue and profitability in our core business. The Group cashflow was strong and enabled us to reduce our net debt further. We made progress in renewables and the Market Value of our property assets increased year on year. We look forward to the future with confidence”.

¹ Revised for reallocation of net finance cost on pension liability (Note 12)

² Revised for measurement period adjustment (Note 11)

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Notes to Editors:

Forth Ports PLC owns and operates eight commercial ports in the UK – Tilbury on the Thames, Dundee on the Firth of Tay and six on the Firth of Forth – Leith, Grangemouth, Rosyth, Methil, Burntisland and Kirkcaldy. It also has a business, Nordic, which operates out of Chatham in Kent and Tilbury, which is engaged in port activities and recycling.

Within and around the Firths of Forth and Tay, Forth Ports manages and operates an area of 280 square miles of navigable waters, including two specialised marine terminals for oil and gas export and provides other marine services, such as towage and conservancy.

The Group also has significant property interests as well as renewable energy projects where the Group is looking to gain planning approval for onshore wind installations and biomass facilities in its ports in Scotland.

Chairman and Group Chief Executive's Report

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;
- 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 today 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 £47.0m² in 2009 after net exceptional items and revaluations of £19.7m (2009 - £13.8m²).

Basic earnings per share amounted to 98.4p (2009 – 81.7p²). 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.

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.

³ Earnings before interest, tax, depreciation and amortisation

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.

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

Business and Financial Review

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 on 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.

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	Market Value 31st December 2009
	£m	£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	<u>88.6</u>	<u>85.0</u>
	<u>115.5</u>	<u>108.5</u>

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.

Finance

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 below.

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.

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.

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).

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.

Consolidated 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	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	2	49.8	19.7	69.5	42.2	(1.9)	40.3
Finance income	5	0.2	-	0.2	0.9	-	0.9
Finance costs	6	(14.8)	-	(14.8)	(11.5)	-	(11.5)
Acquisition accounting adjustment	11	-	-	-	-	18.3	18.3
Share of results of joint ventures	2,4	-	-	-	0.9	(2.6)	(1.7)
Share of results of associates	2	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	(9.4)	(1.8)	(11.2)	(7.7)	(2.2)	(9.9)
Profit for the year	2	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	8			98.4p			81.7p
Diluted earnings per share	8			97.3p			80.9p

All activities relate to continuing activities.

* Revised for measurement period adjustment (Note 11) and reallocation of net finance cost on pension liability (Note 12)

***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 Sheet
At 31st December 2010

	2010	2009*
	£m	£m
ASSETS		
Non-current assets		
Property, plant and equipment	202.9	211.4
Investment property	332.1	308.2
Intangible assets	25.5	26.6
Investment in associate	10.0	8.4
Deferred tax assets	7.9	8.7
	<hr/> 578.4	<hr/> 563.3
Current assets		
Inventories	30.2	28.5
Trade and other receivables	34.6	33.4
Cash and cash equivalents	18.3	6.3
	<hr/> 83.1	<hr/> 68.2
LIABILITIES		
Current liabilities		
Trade and other payables	(27.7)	(26.4)
Current tax liabilities	(5.7)	(4.0)
Derivative financial instruments	(7.9)	(7.2)
Borrowings	(0.0)	(0.0)
Provisions	(0.4)	(0.3)
	<hr/> (41.7)	<hr/> (37.9)
Net current assets	<hr/> 41.4	<hr/> 30.3
Non-current liabilities		
Borrowings	(249.8)	(257.4)
Deferred tax liabilities	(59.2)	(59.9)
Retirement benefit obligations	(29.4)	(31.3)
Derivative financial instruments	(7.0)	(5.4)
Provisions	(0.4)	(0.4)
	<hr/> (345.8)	<hr/> (354.4)
Total assets less total liabilities	<hr/> 274.0	<hr/> 239.2
SHAREHOLDERS' EQUITY		
Share capital	22.9	22.8
Share premium	19.6	19.2
Own shares held	(3.9)	(4.0)
Fair value and other reserves	9.1	9.2
Retained earnings	226.0	191.8
Total shareholders' equity	<hr/> 273.7	<hr/> 239.0
Non-controlling interest in equity	0.3	0.2
Total equity	<hr/> 274.0	<hr/> 239.2

* Revised for measurement period adjustment (Note 11)

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
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
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, fair value and other reserves are non-distributable.

Statement of Cash Flows
For the Year ended 31st December 2010

	Note	2010 £m	2009 £m
Cash flows from operating activities			
Cash generated from operations	9	58.7	55.7
Interest paid		(13.4)	(9.1)
Interest received		0.3	0.2
Tax (paid)/repaid		(7.7)	0.8
Net cash generated from operating activities		37.9	47.6
Cash flows used in investing activities			
Purchase of property, plant and equipment, intangibles and investment property		(5.2)	(7.6)
Loan to joint venture company		-	(5.0)
Acquisition of subsidiary		-	(2.0)
Cash acquired with subsidiary		-	0.8
Sale of property, plant and equipment		0.0	0.0
Net cash used in investing activities		(5.2)	(13.8)
Net cash inflow before financing activities		32.7	33.8
Cash flows used in financing activities			
New loans advanced		-	50.0
Loan repayments		(8.0)	(73.0)
Arrangement fees for loans		-	(0.2)
Capital element of finance leases		(0.0)	(0.1)
Equity dividends paid		(13.3)	(9.8)
Issue of ordinary shares		0.5	-
Proceeds from sale of own shares held		0.1	0.9
Net cash used in financing activities		(20.7)	(32.2)
Increase in cash and cash equivalents		12.0	1.6
Cash and cash equivalents at start of year		6.3	4.7
Cash and cash equivalents at end of year		18.3	6.3

Notes

1. 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 11 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 12 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 or later periods, but the Group has not early adopted them:

- 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.

Notes (continued)

- 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.

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.

Notes (continued)

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.

- (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.
- (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.

Notes (continued)

2. 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	Total 2010 £m
Total revenue*	<u>157.4</u>	<u>15.7</u>	<u>8.8</u>	<u>181.9</u>
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
	<u>16.1</u>	<u>-</u>	<u>3.6</u>	<u>19.7</u>
Operating profit/segment result	59.1	1.1	9.3	69.5
Finance income (Note 5)	0.2	0.0	0.0	0.2
Finance costs (Note 6)	(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	<u>1.4</u>	<u>-</u>	<u>-</u>	<u>1.4</u>
Profit/(loss) before tax	<u>54.9</u>	<u>(0.5)</u>	<u>1.9</u>	56.3
Taxation - normal				(9.4)
- exceptional				<u>(1.8)</u>
Profit for the year				<u>45.1</u>

* 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

Notes (continued)

2. Segment information (continued)

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

	Port Operations*** £m	Recycling £m	Property**** £m	Total 2009 £m
Total revenue*	<u>154.8</u>	<u>17.6</u>	<u>1.5</u>	<u>173.9</u>
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
	<u>10.5</u>	<u>(12.3)</u>	<u>(0.1)</u>	<u>(1.9)</u>
Operating profit/(loss)/segment result	52.0	(11.0)	(0.7)	40.3
Finance income (Note 5)	0.3	0.0	0.6	0.9
Finance costs (Note 6)	(6.4)	(1.6)	(3.5)	(11.5)
Acquisition accounting adjustment (Note 11)	-	-	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	<u>0.7</u>	<u>-</u>	<u>-</u>	<u>0.7</u>
Profit/(loss) before tax	<u>46.6</u>	<u>(12.6)</u>	<u>13.0</u>	47.0
Taxation - normal				(7.7)
- exceptional				<u>(2.2)</u>
Profit for the year				<u>37.1</u>

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 12)

**** Revised for measurement period adjustment (Note 11)

Notes (continued)

2. Segment information (continued)

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

	Port Operations £m	Recycling £m	Property £m	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

	Port Operations £m	Recycling £m	Property £m	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)

Notes (continued)

2. Segment information (continued)

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

	Port Operations £m	Recycling £m	Property £m	Total 2010 £m
Assets				
Segment assets	453.5	54.5	135.6	643.6
Deferred tax assets	7.9	-	-	7.9
Associate	<u>10.0</u>	<u>-</u>	<u>-</u>	<u>10.0</u>
Total assets	<u>471.4</u>	<u>54.5</u>	<u>135.6</u>	<u>661.5</u>
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	<u>5.7</u>	<u>0.0</u>	<u>0.0</u>	<u>5.7</u>
Total liabilities	<u>190.0</u>	<u>70.0</u>	<u>127.5</u>	<u>387.5</u>
Capital expenditure				
Property, plant and equipment	5.5	0.3	0.0	5.8
Investment property	0.0	-	0.4	0.4
Intangible assets	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total capital additions	<u>5.5</u>	<u>0.3</u>	<u>0.4</u>	<u>6.2</u>
	Port Operations £m	Recycling £m	Property* £m	Total 2009* £m
Assets				
Segment assets	439.9	55.1	119.4	614.4
Deferred tax assets	8.7	-	-	8.7
Associate	<u>8.4</u>	<u>-</u>	<u>-</u>	<u>8.4</u>
Total assets	<u>457.0</u>	<u>55.1</u>	<u>119.4</u>	<u>631.5</u>
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	<u>3.8</u>	<u>0.2</u>	<u>0.0</u>	<u>4.0</u>
Total liabilities	<u>209.3</u>	<u>69.4</u>	<u>113.6</u>	<u>392.3</u>
Capital expenditure				
Property, plant and equipment	4.2	0.6	0.7	5.5
Intangible assets	<u>0.0</u>	<u>0.0</u>	<u>-</u>	<u>0.0</u>
Total capital additions	<u>4.2</u>	<u>0.6</u>	<u>0.7</u>	<u>5.5</u>

The Group operates wholly in the UK.

* Revised for measurement period adjustment (Note 11)

Notes (continued)

3. Profit before tax

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

	2010	2009
	£m	£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		
- 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 6).

Notes (continued)

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
<u>Cost of sales</u>		
Write-back of operational property asset impairment	<u>(0.4)</u>	<u>—</u>
<u>Administrative expenses</u>		
Rule 2.4 costs in respect of approach from the Consortium	1.1	-
Charge for impairment of goodwill	<u>—</u>	<u>12.3</u>
	<u>1.1</u>	<u>12.3</u>
<u>Other income</u>		
Change in fair value of investment properties	<u>(20.4)</u>	<u>(10.4)</u>
Acquisition accounting adjustment*	<u>—</u>	<u>(18.3)</u>
<u>Share of results of joint ventures</u>		
Group's share of change in fair value of investment property	<u>—</u>	<u>2.6</u>
<u>Taxation</u>		
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	<u>(1.8)</u>	<u>—</u>
Total taxation	<u>1.8</u>	<u>2.2</u>

* Revised for measurement period adjustment (Note 11)

Notes (continued)

5. 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	<u>-</u>	<u>0.6</u>
	<u>0.2</u>	<u>0.9</u>

6. Finance costs

	2010 £m	2009* £m
Interest on pension liability	12.9	11.1
Expected return on pension liability	<u>(12.2)</u>	<u>(10.1)</u>
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	<u>-</u>	<u>1.1</u>
	<u>14.8</u>	<u>11.5</u>

* Revised for reallocation of net finance cost on pension liability (Note 12)

7. 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.

Notes (continued)

8. 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:

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

* Revised for measurement period adjustment (Note 11)

Notes (continued)

9. Reconciliation of profit before tax to cash generated from operations

	2010	2009
	£m	£m
Profit before tax	56.3	47.0
Adjustments for:		
- increase in fair value of investment properties	(20.4)	(10.4)
- net finance costs	14.6	10.6
- 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
- reversal of impairment on operational property assets	(0.4)	-
- interest on pension cost in finance costs	(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)
- gain on sale of property, plant and equipment	(0.0)	(0.0)
- increase in provisions	0.1	0.0
- decrease in retirement benefit obligations	(2.2)	(4.5)
- transfer to property, plant and equipment from inventories	-	(0.0)
- share-based payment	1.1	1.6
Movement in working capital:		
Increase in inventories	(1.7)	(1.1)
(Increase)/decrease in receivables	(1.3)	6.1
Decrease in payables	<u>(0.5)</u>	<u>(2.4)</u>
Cash generated from operations	<u>58.7</u>	<u>55.7</u>
Reconciliation of increase in cash and cash equivalents to movement in net debt:		
Increase in cash and cash equivalents	12.0	1.6
Cash outflow from movement in borrowings (net)	<u>8.0</u>	<u>23.3</u>
Change in net debt resulting from cash flows	20.0	24.9
Borrowings acquired on purchase of subsidiary	-	(67.7)
Amortisation of loan arrangement fees	<u>(0.4)</u>	<u>(0.3)</u>
Movement in net debt	19.6	(43.1)
Opening net debt	<u>(251.1)</u>	<u>(208.0)</u>
Closing net debt	<u>(231.5)</u>	<u>(251.1)</u>

Notes (continued)

10. Analysis of net debt

	At 1.1.10 £m	Cash Flow £m	Other Movement £m	At 31.12.10 £m
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	<u>(0.0)</u>	<u>0.0</u>	<u>-</u>	<u>(0.0)</u>
Total net debt	<u>(251.1)</u>	<u>20.0</u>	<u>(0.4)</u>	<u>(231.5)</u>

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

11. 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	<u>(67.7)</u>	<u>-</u>	<u>(67.7)</u>
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	<u>(2.0)</u>	<u>-</u>	<u>(2.0)</u>
Negative goodwill released to Consolidated Income Statement	<u>3.0</u>	<u>10.7</u>	<u>13.7</u>

Notes (continued)

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.

12. Retirement benefit scheme

The amounts recognised in the Income Statement in respect of the defined benefit scheme are as follows:-

	2010	2009
	£m	£m
Components of pension cost		
Current service cost	4.1	2.4
Interest cost	12.9	11.1
Expected return on plan assets	<u>(12.2)</u>	<u>(10.1)</u>
Total pension cost recognised in the Income Statement	<u>4.8</u>	<u>3.4</u>
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	<u>0.7</u>	<u>1.0</u>
	<u>4.8</u>	<u>3.4</u>

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.

13. Contingent liability

During 2008, the Group acquired additional land adjacent to 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).

14. Post Balance Sheet Event

It was announced today 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.

Notes (continued)

15. Glossary

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.

Notes (continued)

15. Glossary (continued)

- **Grangemouth** – As with other sites, development land has been substantially marked down to reflect viability and existing income valued in perpetuity.
- **Burrtisland 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:-

- 1) 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.
- 2) 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.

General

16. The principal accounting policies adopted in the preparation of this report are as set out in the Annual Report and Accounts 2010 which will be available at www.forthports.co.uk.
17. The annual Accounts will be posted to shareholders on 30th March 2011. Copies will be available from the Company’s registered office, Forth Ports PLC, 1 Prince of Wales Dock, Leith, Edinburgh EH6 7DX.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Annual Report for the year ended 31st December 2010, which will be published on 30th March 2011, complies with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority in respect of the requirement to produce an Annual Financial Report. Charles Hammond, Group Chief Executive and Wilson Murray, Group Finance Director, confirmed on behalf of the Board that, to the best of their knowledge:

- the consolidated financial statements contained in the Annual Report for the year ended 31st December 2010, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the management report represented by the Directors' Report contained in the Annual Report for the year ended 31st December 2010 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 the Group faces.

BY ORDER OF THE BOARD

C.G. Hammond
GROUP CHIEF EXECUTIVE

W.W. Murray
GROUP FINANCE DIRECTOR