

FORTH PORTS PLC



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Press Information

20th March 2006

RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2005

Financial Highlights

- Group revenue £151.5m (2004: £162.2m)
 - Port revenue up 13% to £134.2m (2004: £118.3m)
 - Property revenue £17.3m (2004: £43.9m)
- Underlying port operating profit up 12% to £36.0m (2004: £32.2m)
- Reported Group operating profit up 8% to £62.8m (2004: £58.0m)
- Profit before tax of £58.3m (2004: £62.6m)
- Basic earnings per share 97.6p (2004: 100.7p)
- 7.8% increase in full year dividend to 43p (2004: 39.9p)

Operational Highlights

Ports

- Strong performance - underlying operating profits up 12%
- Increase of 9% in dry cargo tonnages
- Enterprise Distribution Centre commissioned at Tilbury
- Active project pipeline of new business

Property

- Activity plan to maximise long-term asset value
- Outline planning application for LDDF to be submitted
- New masterplan for the "Hub" area of Leith featuring retail/leisure and events
- Tram links will improve connectivity with city centre and airport

Charles Hammond, Group Chief Executive, said:

“2005 was a year of achievement and change. We have a wide ranging action plan for various property projects to deliver long-term growth in net asset value for our shareholders. Our ports performed well and we have an active project pipeline which, combined with progress on existing business initiatives, gives us confidence that 2006 should be another year of successful progress. Our secure and valuable ports income stream complements the property business and will enable us to deliver growing dividends to our shareholders.”

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Notes to Editors:

Forth Ports PLC owns and operates seven commercial ports in the UK – Tilbury on the Thames, Dundee on the Tay Estuary and five in the Firth of Forth - Leith, Grangemouth, Rosyth, Methil and Burntisland. It has a 50% equity stake in Multi-Link Terminals Limited, a container terminal operator in Helsinki and Kotka in Finland and St. Petersburg in Russia.

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

The Group also has significant property interests which it continues to develop as part of its commitment to increase shareholder value.

Chairman's Statement

Strategy

2005 was a year of achievement and change. Our ports achieved strong underlying operating profit growth of 12%. At the time of our Interim Results in September we announced an evolution of our strategy to introduce a longer term approach to the creation of value in our property assets while allowing our shareholders to enjoy a growing dividend income supported by strong cash flows from the ports' business. The security of earnings in our ports' business and the value potential of our property assets were reflected in an independent valuation of those assets carried out in August 2005 by DTZ Debenham Tie Leung Limited ("DTZ").

Financial

Group revenue amounted to £152m, down from £162m in 2004, as a consequence of the change in property strategy which resulted in reduced property sales of £17.3m in 2005 (2004 - £43.9m). The profit before tax decreased by 7% to £58.3m (2004 - £62.6m). Basic earnings per share amounted to 97.6p (2004 - 100.7p).

Dividend

The Directors propose a final dividend of 28.7p per share giving a total dividend for the year of 43p per share. This is an increase of 7.8% over the prior year and is in line with the Interim Statement and the Board's policy of pursuing real levels of annual dividend per share growth. If approved by the shareholders at the Annual General Meeting, the final dividend will be paid on 12th May 2006 to all shareholders on the Register at 18th April 2006.

Ports

The ports' business performed well in 2005 with a 12% increase in underlying operating profit to £36m* (2004 - £32.2m). Tilbury continued its good first half financial performance into the second half on a volume throughput which was marginally up over 2004. The Scottish Ports also produced a good second half result with a better than expected performance particularly from containers and coal. Marine activities were slightly up on last year, with a downturn in piped cargo more than offset by an improvement from towage.

Following a major increase in container volumes at Grangemouth over the past few years and as part of our modernisation and investment programme, a shift system of working has been introduced in 2006. A review of manpower requirements will result in the recruitment of new employees to replace a number taking voluntary redundancy. The redundancy cost of £1.5m has been provided for in the 2005 accounts.

At Tilbury, the Enterprise Distribution Centre for Stora Enso, our largest ever single investment in one port, was completed on time and within budget. During the eighteen month build period, one third of Tilbury's business was successfully relocated, providing enhanced facilities for existing customers and a more efficient layout of the port. Unfortunately, the Finnish paper dispute disrupted the initial commissioning period which resulted in a slower and more challenging transfer of business than expected.

At the end of October last year, a valuation of our port investment properties (prior to International Financial Reporting Standards ("IFRS") called "tenanted land and buildings") and other investment properties was carried out by Bidwells, Property Consultants which produced an increase in market value of £28m since the last valuation in December 2003. This increase has been included in the accounts, net of deferred tax. The income stream from the port investment properties was used by DTZ as part of the valuation of our port assets.

* Before increase in fair value of port investment properties of £28.2m (2004 - £nil) and one off items (see page 12)

Our joint venture company Multi-Link Terminals Limited ("MLT") and associated company Tilbury Container Services Limited ("TCS") performed well on balance. MLT's trading continued to improve throughout the year and produced a better than expected operating profit. TCS saw a lower level of volume in the second half due to container shipping lines' consolidation which still resulted in an overall operating profit higher than last year but lower than expected.

Property

The City of Edinburgh Council ("the Council") approved the Leith Docks Development Framework plan ("LDDF") as Supplementary Planning Guidance on 10th February 2005. The effect of this was to re-zone the dock estate in Leith for mixed-use development. This enabled the Group to adopt a co-ordinated long-term approach to transform an extensive landbank into an exciting urban regeneration business.

As part of the Board's review of strategy, DTZ was instructed to carry out a valuation of the property assets, which resulted in a Market Value of those assets of £285m at August 2005. The Board intends to publish an independent market value of its property assets on an annual basis.

In order to achieve maximum impact and value, it was concluded that the development sites around Waterfront Plaza and Britannia Quay, next to the Ocean Terminal Shopping Centre, should be re-masterplanned to include the potential to expand Ocean Terminal. This area, named "the Hub", will form an attractive and vibrant heart for Edinburgh's waterfront.

The property division has continued to invest in the infrastructure at Western Harbour and Granton as part of the longer term regeneration of the area. Meanwhile, in Dundee, the opportunity was taken to sell two further development sites and the City Quay Retail Centre. The cash realised from these sales amounted to over £16m which will be reinvested in further property infrastructure works.

People

As announced in December, Terry Smith, our Property Director, will retire at the Annual General Meeting in May after fifteen years with the Company. Terry has made a great contribution to the regeneration of Leith through his vision and energy. We wish him well in his retirement. Nathan Thompson, Terry's deputy, has, with effect from 1st January 2006, become Managing Director of the property division. The property team has also been strengthened with two additional senior project executives.

We are pleased to welcome David Richardson, former Group Finance Director of Whitbread plc, as a Non-Executive Director and Chairman of the Audit Committee. He joined the Board in June 2005.

Outlook

We have a wide ranging action plan for various property projects to provide long-term growth in net asset value. These projects include the development of a new masterplan for the "Hub" area and the submission of an outline planning application for the LDDF area. We are also encouraged that funding, in principle, is available for Line 1 of the Tram providing connectivity to the city centre and the airport.

In ports, we have an active project pipeline and this, combined with progress on existing business initiatives, gives the Board confidence that 2006 should be another year of progress.

Christopher Collins
CHAIRMAN

20th March 2006

Group Chief Executive's Statement

Review of Business Activities

The good growth in profits from our port activities clearly demonstrates the strength and quality of that business which was reinforced by the DTZ valuation of our port assets at £559m. Ports' revenue is relatively evenly spread between forest products, containers, bulk liquids and dry bulks. The quality of our customer contracts continues to improve and we have an active pipeline of investment projects to further our growth objectives.

In property, we changed our approach to maximise the value of our property assets which are unique in their character, extent and position. The Market Value and Calculation of Worth of those assets carried out by DTZ illustrate the value which has already been created and the long-term potential of these waterfront assets. For the definitions of these terms, please see Note 12 on page 31.

The management of the balance and interface between Ports and Property is an essential part of maximising overall value for shareholders.

Ports

The second half of 2005 saw a major improvement in the underlying port operating profit compared with the first half with annual underlying port operating profit increasing by 12% to £36m. This improvement in profitability was achieved with a 9% increase in the dry cargo tonnages slightly offset by a reduced level of piped cargo tonnages. Our MLT joint venture made an operating profit in its first year. Our share of the operating profit from TCS was up 7% over last year after a slightly disappointing second half which produced a lower volume of business than in the first half.

The new Enterprise Distribution Centre for Stora Enso opened on schedule at Tilbury in July. Containers, scrap and rental income contributed to a good financial performance at Tilbury although in the last quarter of the year, it was announced that Cargill and RHM would mothball their plants by the end of the year. The plant closures should have no major effect on Tilbury's profitability from agricultural products going forward given the long-term nature of the contractual arrangements with the parties.

In Scotland, container volumes increased by 9% in the second half compared with 2.5% in the first half, giving an overall increase of 6% for the year. Steel pipes and coal also contributed to a good financial performance. At the end of the year, Superfast Ferries announced a reduction in sailings between Rosyth and Zeebrugge to three sailings per week in each direction. Initial indications are that the volumes are holding up reasonably well in the first two months of 2006 and there is some interest from freight users in a more frequent service.

The process of overall modernisation and increasing efficiency at the Grangemouth Container Terminal is well underway. The aim is to handle increasing volumes of containers with modern equipment and IT systems to generate better levels of revenue with improved levels of productivity and service for our customers. A new wider span container crane at Grangemouth has now been commissioned and a second crane has been ordered which should be commissioned by the latter part of 2006, together with a new fleet of straddle carriers. A shift system of working has been introduced which will allow us to offer a more productive, comprehensive and efficient service to our container customers. We are recruiting new port operators to allow some of our existing employees to take voluntary redundancy.

With the acquisition of P&O Nedlloyd by Maersk and the movement of their Scottish business to Grangemouth, we are already experiencing an increase in container volumes compared with last year.

Tilbury

Tilbury maintained its momentum from 2004 and produced a very good financial performance despite a modest increase in tonnage to 7.9 million tonnes. In the first half of the year, much effort was placed on completing the Enterprise Distribution Centre at a total project cost of £35m. The facility was available for business on 1st July, however, the Finnish paper dispute in June affected the timing and volume of paper received at the terminal, making it a more difficult start up than was envisaged. Nevertheless, with a significant effort from both the Port of Tilbury and Stora Enso, excellent progress has been made and service levels and volumes continue to improve with better than expected flows of third party traffic through the terminal.

Our car customer, Hyundai, had a busy year and has now increased its land requirements to enable it to increase its volumes. New contracts have been signed with Samskip (which took over both Geest and Seawheel), MLM and MBM.

Our associated company, TCS, increased its container volume by 11% to reach over 288,000 boxes. It has won two additional services for Hamburg Sud and Maersk which should see another increase in container volumes in 2006.

Scottish Ports and Marine

After a subdued performance from the Scottish Ports in the first half of 2005, the second half benefited from increased container volumes at Grangemouth, increased coal traffic at Leith and Rosyth and a strong performance from the pipe coating company, Bredero Shaw. Dry cargo tonnages rose by 22% to 6 million tonnes (2004 - 4.9 million tonnes). The piped cargo throughput at Braefoot was up nearly 7% at 3.2 million tonnes, however, at Hound Point, the tonnages were lower at 19.4 million tonnes (2004 - 20.9 million tonnes). As a result, the total tonnage in Scotland amounted to 35.8 million tonnes compared with 36.1 million tonnes in 2004.

Some progress has been made on the ship-to-ship transfer project in the Firth of Forth. All the necessary documentation was submitted to the Maritime and Coastguard Agency (the "MCA") in December of last year. However, the Secretary of State for Transport announced a further consultation period which has extended the whole process. We are still confident that the technical aspects of the required plan fully comply with the applicable regulations and are hopeful that approval will be given by the MCA this year. Further work is also being carried out by environmental consultants as part of our approval process as Competent Harbour Authority.

Grangemouth

Container throughput at Grangemouth increased by 6% to reach over 132,000 boxes. As a mark of confidence in the future, over £13m will have been spent on new plant and equipment over a three year period ending in 2006. With the removal during 2006 of a tank storage facility which sits in the middle of the container compound, the container facilities at Grangemouth will have been totally transformed and will be capable of handling more than 200,000 boxes per annum. There are now two container trains which operate between Grangemouth and Aberdeen and Grangemouth and Elderslie on a daily basis. The large 10,000sq.m. warehouse which was opened in 2004 is now fully utilised after the port won a contract to store plastic product for BP. Consideration is being given to building further warehouses as part of the proposed new distribution park. Demand for new facilities is strong.

Leith

The port reported an excellent operating profit in the year which was achieved with a doubling in total tonnage from 1.1 million tonnes to 2.2 million tonnes. Bredero Shaw significantly increased its tonnage to 803,000 tonnes compared with 164,000 tonnes last year. This, however, is likely to decline in 2006. The two coal contracts won in 2005 contributed 562,000 tonnes to the annual total. The coal tonnages will increase in 2006 following agreement with Scottish Power. The tank storage business operated by Valero at Leith was transferred to Grangemouth towards the end of 2005 following Valero's acquisition of the tank storage operator at Grangemouth. The advantage of Grangemouth's location has given Valero better prospects of improving its volumes.

In the longer term, the Leith site forms part of the LDDF area. The Valero relocation is a good example of the effective management of the balance between ports and property with the transfer of business from Leith to Grangemouth thus retaining the business within the Group and at the same time freeing up a potential development site. Early discussions have taken place with the Council, Scottish Enterprise and other interested parties over the feasibility of a new deep water cruise liner terminal outside the existing locked port. Market studies indicate that there is significant potential to increase the number and size of visiting cruise liners.

Dundee

2005 saw a large increase in the piped cargo tonnage handled by Nynas AB which increased to 0.7 million tonnes from 0.5 million tonnes. In terms of dry cargo, paper and pulp tonnages were at a higher level, with the winning of new business from Star Shipping which moved from the Port of Montrose to Dundee in the first half of the year. Fertiliser tonnages were very low in the first half but improved in the second half. The closure of various grain facilities in the hinterland of Dundee reduced the agripod tonnages to 155,000 tonnes (2004 - 166,000 tonnes). The Grainfax business performed very well in difficult circumstances. The North Sea oil business was also well up year on year.

Rosyth and Fife Ports

The overall tonnage from the above ports amounted to 1.2 million tonnes, up 100,000 tonnes over 2004 with timber, plasterboard and coal continuing to be the main commodities handled. In November, it was announced by Superfast Ferries that their daily service between Rosyth and Zeebrugge would be reduced to three sailings per week in each direction. Since the revised sailing schedule came into operation there has been continuing support for the service with utilisation rates remaining high. We are in discussions with several ferry operators to determine the viability of a freight only service from Rosyth to Zeebrugge. The smaller Fife Ports continued to make a modest contribution to the overall Scottish Ports' operating profits. Consideration will need to be given in due course as to their future with the potential to develop alternative uses.

Multi-Link Terminals Limited

At the end of December 2005, we invested the final €5m out of a total of €20m in the MLT business. During the year, good progress was made in Russia where the next phase of the container quay expansion was completed. Volumes year on year at Litke Bay, St. Petersburg, grew by 37% to 68,000 lifts for the year. In Finland, the Kotka business was in line with expectations, however, Helsinki was down on expectations due to a higher level of direct calls to St. Petersburg rather than transshipping through Helsinki. Nevertheless, the overall operating profit achieved by MLT contributed positively at that level to the Group. MLT is currently in discussions with a customer which could increase its business significantly in the second half of 2006. Demand is strong generally for the terminal facilities at St. Petersburg and we expect further progress this year.

Property Strategy and Valuation

As at the end of December 2005, the Group had property assets in Leith and Granton covering 125 hectares of land which have still to be developed. This does not include the Group's ownership of the seabed to the North of Edinburgh's waterfront which encompasses an area of over 1,900 hectares.

At the Interim Results, the Board announced an evolution of its property strategy to change the emphasis towards a greater focus on the maximisation of long-term asset value as opposed to the realisation of annual profits from development site disposals. The Group's property strategy includes a fundamental aim to create new communities which remain sympathetic to their existing surroundings, link positively with existing communities and yet create a dynamic new sense of place and urban living which will enhance the growth of the City of Edinburgh.

As part of the evolution of the property strategy, an updated Market Value and Calculation of Worth was produced by DTZ in August 2005 which showed a Market Value of the property development assets of £285m and a Calculation of Worth which was approximately 35% higher than the Market Value. As stated in the Interim Report in September 2005, the Market Value reflects the value which would be realised if the property development assets were sold at the valuation date, whereas the Calculation of Worth represents the present value to the Group of retaining and managing them with a view to maximising long-term value.

The Group is committed to publishing the Market Value of its property development assets on an annual basis at the end of each financial year. The next published Market Value will be March 2007. The uplift implied by the Market Value at August 2005 has not been incorporated within the Group's Balance Sheet as at 31st December 2005 as the property development assets and assets in the port business relate principally to assets which are held at cost within the Balance Sheet.

Where the assets were already classified for accounting purposes as investment properties (principally comprising tenanted land and buildings within and adjacent the port estates), these have been the subject of a separate valuation carried out by Bidwells, Chartered Surveyors, as at October 2005, which amounted to £137.5m, an uplift over the 2003 valuation of £28m.

Property Activity

Following the valuation advice received from DTZ, the Board reconsidered the possible disposal of the Waterfront Plaza site in 2005 and concluded that full value would not be obtained by selling the site in that year. Instead, it reaffirmed its view that both Waterfront Plaza and Britannia Quay were critically important from a strategic perspective in that these two sites, comprising 10 hectares of land alongside the Ocean Terminal Shopping Centre and the Scottish Executive building, were fundamental in providing a vibrant and exciting place to attract people to the Waterfront and to facilitate the potential expansion of Ocean Terminal. This whole area is intended to form a retail/leisure and lifestyle destination for Scotland's capital city. In order to achieve this, we will produce a new integrated masterplan for the Hub, working with our professional advisers and the Council planning officials.

At the time of the Interim Results, we noted that discussions were continuing between Asda and the planning officials to progress that company's detailed planning application for a supermarket site at Newhaven. No decision had been taken by the end of the year and discussions are continuing. The development already has an outline planning approval. Two development sites were sold at Dundee together with the sale of the City Quay Retail Centre which realised, in total, over £16m. It is intended that this cash will be reinvested in the Edinburgh Forthside infrastructure.

The Ocean Terminal Shopping Centre made progress during the year. Following a report which was commissioned from CACI (a firm of market research consultants specialising in retail) we are giving consideration to the possible extension of Ocean Terminal and how that might fit in with the overall re-masterplanning of the Hub. The advice from CACI is that there is significant potential for more leisure/lifestyle shopping within an enlarged Ocean Terminal. The Board of Ocean Terminal Limited ("OTL") acquired 50% of the shares in Ocean Terminal Restaurants Limited ("OTRL") which it did not own, in February 2006, for a nominal sum. This gives OTL full control over an area of the Shopping Centre which would be a key part of the enlargement of the Centre.

It was encouraging to note the announcement from the Council that funding, in principle, is available for the first phase of the proposed new Tram service. This will run from the airport to Ocean Terminal and will provide enhanced connectivity with the city centre. Recently, the Tram proposals were approved by a Committee of MSPs in the Scottish Parliament.

We were also successful in acquiring the lease of the VA Tech site and building from Siemens following its closure. This is a site of 4 hectares at the east end of the Port of Leith and has potential for mixed-use development. We are in discussions with the Scottish Executive which may wish to convert the building into a cultural building and visitor centre.

Looking forward, the main focus of our activity in property will be as follows:

- Concluding remaining studies for the LDDF prior to submitting an Outline Planning Application later in the year;
- Evolving a new masterplan for the Hub area which will provide for the expansion of Ocean Terminal. This work will form the basis of an outline planning application with a detailed masterplan;
- Facilitating tram links as part of the above two applications;
- Submitting a revised masterplan at Granton which has a greater element of housing;
- Furthering our discussions with the Scottish Executive in respect of a cultural centre;
- Establishing a sense of place and supporting the housing sales environment at Western Harbour through infrastructure investment; and
- Progressing our plans for a deep water cruise liner terminal at Leith within the LDDF site.

We are watching closely the progress of the legislation on Real Estate Investment Trusts to determine whether this might benefit the Group.

Summary

The full year result for the underlying ports' business was encouraging particularly in view of the increase in the costs of energy and business rates. The property division produced a profit in line with our expectations. Dividend growth was in line with our Interim Statement comment.

We remain positive that there will be further organic growth in the ports' business based on the number of current projects which are being examined both at Tilbury and in Scotland. The pipeline of growth projects includes the following:-

- Further container growth and new container customers at Tilbury, Grangemouth and St. Petersburg;
- Strong demand for warehousing facilities at the Grangemouth Distribution Park;
- A new coal contract with Scottish Power at Leith;
- The potential for a new deepwater Cruise Liner Terminal at Leith;
- A potential new biodiesel processing plant at Rosyth, subject to planning;
- Increased levels of piped cargo activity if ship-to-ship transfer activities commence;
- Enquiries for increased volumes of building and construction materials at Tilbury given its strategic location within the Thames Gateway and proximity to the 2012 Olympic site.

We will continue to consider and review the capital structure of the Group taking account of investment opportunities within the ports' business, long-term infrastructure spend and investment opportunities within the property business.

2005 was a year of achievement and change. We have a wide ranging action plan for various property projects to deliver long-term growth in net asset value for our shareholders. Our ports performed well and we have an active project pipeline which, combined with progress on existing business initiatives, gives us confidence that 2006 should be another year of successful progress. Our secure and valuable ports income stream complements the property business and will enable us to deliver growing dividends to our shareholders.

Charles Hammond
GROUP CHIEF EXECUTIVE

20th March 2006

Financial Review

This is the first full year of results under IFRS which has involved much effort and significant cost. The word "underlying" is used to show the trading results after excluding the increase in fair value of the investment properties and certain one off items (see Notes 3 and 4).

With the evolution in property strategy, this has resulted in a major change in the composition of revenue and underlying operating profit by segment. The changes are shown below:-

	2005		2004	
	£m	%	£m	%
Revenue				
Ports	134.2	89	118.3	73
Property	<u>17.3</u>	<u>11</u>	<u>43.9</u>	<u>27</u>
	<u>151.5</u>	<u>100</u>	<u>162.2</u>	<u>100</u>
	2005		2004	
	£m	%	£m	%
Group Underlying Operating Profit				
Ports	36.0	92	32.2	56
Property	<u>3.0</u>	<u>8</u>	<u>25.2</u>	<u>44</u>
	<u>39.0</u>	<u>100</u>	<u>57.4</u>	<u>100</u>

Income Statement

Group operating profit amounted to £62.8m compared with £58m in 2004. Within these figures, the operating profit from the ports' division amounted to £60m (2004 - £31.6m); the property division operating profit reduced from £26.4m to £2.8m in 2005, as a result of the evolution in strategy announced in September of last year whereby the focus on property was changed to maximise the increase in net asset value of the property assets as opposed to the sale of development sites.

The "other income" heading includes the results of the revaluation of the investment properties which was carried out in 2005 by Bidwells. This produced an increase in the Market Value of £28m (2004 - £nil).

Finance income in 2005 amounted to £4.6m compared with £0.3m in 2004. Finance income includes the unwinding of the discount on the long-term property debtors together with the unwinding of discount on the zero coupon loan stock ("ZCLS"); these two items together accounted for £4.1m of the total finance income of £4.6m. There is no equivalent figure in 2004 as the Group has adopted the exemption under IFRS 1 (First Time Adoption of International Financial Reporting Standards) which allows IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) to be applied prospectively from 1st January 2005.

The increase in finance costs reflects the increase in the Group's net debt position from £161.8m at 31st December 2004 to £179.6m at 31st December 2005 and also the fact that capitalisation of interest on the Enterprise Distribution Centre project ended mid-year in 2005.

The share of results of joint ventures is shown after interest and tax and amounted to £0.5m in 2005 compared with £10m in 2004. The 2005 figure includes an upward revaluation of the Ocean Terminal investment property of £1.7m compared with an increase of £12.3m in 2004.

Basic earnings per share for 2005 amounted to 97.6p (2004 - 100.7p). Underlying earnings per share amounted to 51.4p (2004 - 72.8p) after adjusting for the after tax effect of revaluation gains, and costs of £3.1m referred to below. The figures are based on a weighted average of ordinary shares in issue of 45.6m shares (2004 - 45.6m shares).

The one off items below have been adjusted to reflect the underlying ports' trading position:

	2005 £m	2004 £m
Training costs (new business)	0.3	-
Past service pension costs	1.2	-
Tug repair costs (net of insurance proceeds)	0.4	-
Redundancy costs	1.8	0.6
Abandonment costs	<u>0.5</u>	<u>-</u>
	4.2	0.6
Less: tax effect	<u>(1.1)</u>	<u>(0.2)</u>
	<u>3.1</u>	<u>0.4</u>

The above costs have been identified separately to show the effect of the year on year comparison of certain costs which are either not regarded as regular annual costs (past service costs, tug repairs costs and abandonment costs) or are irregular because of their size and nature (redundancy costs arising from a major change in working patterns).

The redundancy costs relate principally to the introduction of shift working in the container business at Grangemouth. The abandonment costs cover the requirement to demolish certain old river structures on the River Thames at Tilbury which have not been used for many years.

Balance Sheet

The major changes to the Balance Sheet as a result of conversion to IFRS, apart from the layout, relate to intangible assets, investment in joint ventures, trade and other receivables, retirement benefit obligations (and the associated deferred tax implications) and own shares held.

Intangible Assets

Intangible assets cover the computer software costs incurred principally in the introduction of the JD Edwards accounting system some years ago and the current introduction of the Integrated Port Operating System ("IPOS"). Previously, these assets were within plant and equipment.

Investment in Joint Ventures

The carrying amount of investment in joint ventures has increased from £16m at 31st December 2004 to £26.3m at 31st December 2005. Most of this increase arises from the requirement under IFRS to record the Company's holding of ZCLS in OTL at amortised cost. As a result, the Group's share of its investment in joint ventures was increased by £11.2m as at 1st January 2005 with a corresponding increase to retained earnings. The difference between the historic cost and amortised cost of the ZCLS, being the effective interest on the loans, is recognised as a finance cost in the joint venture company's Income Statement over the period up to which the loan is repaid, and will be part of the Group's share of results of joint ventures. OTL also has an interest rate swap that is used to hedge against interest rate fluctuations. Under IFRS, the Company must record the swap at fair value. The Group has therefore reduced the value of its investment in joint ventures by £1.7m and has set up a cash flow hedge reserve in the same amount. Future movements in the fair value of this hedge will flow through the Statement of Recognised Income and Expense ("SORIE").

Trade and other Receivables

Under IFRS, the Group must record its long-term debtors at amortised cost. At 1st January 2005, the Group has reduced the value of such debts by £5m and retained earnings have been reduced by the same amount. The difference between the historic cost and amortised cost, being the effective interest on the long-term receivables, is recognised in finance income over the period up to which the trade debt is settled. The Group also has reduced the ZCLS which it holds in OTL to amortised cost. This has reduced the value of trade and other receivables by £11.2m with a corresponding reduction in retained earnings. The difference between historic cost and amortised cost, being the effective interest on the ZCLS, is recognised in finance income over the period up to which the ZCLS is repaid.

Retirement Benefit Obligations

Under IAS 19 (Employee Benefits) the Group has recognised the pension schemes' net deficit less associated deferred tax in the Balance Sheet. Any changes to the net deficit are recorded through the SORIE. The gross liability for retirement benefit obligations as at 31st December 2005 amounted to £36.3m with a corresponding deferred tax asset of £10.9m. The gross liability has reduced from £40.7m at the half year but compares with £22.5m at 31st December 2004, reflecting the volatility of this liability.

Own Shares Held

During 2005, Forth Ports Trustees Limited purchased nearly 444,000 shares at a net cost of £5.4m from which it satisfied options for 118,932 shares in favour of the Executive Directors under the existing Executive Share Option Scheme (58,720 shares) and under the Long Term Incentive Plan ("LTIP") adopted in 2002 (60,212 shares). This cost is shown as a deduction from shareholders' equity.

Property Valuations

During the year DTZ carried out a valuation of the Group's property development assets which produced a Market Value at 31st August 2005 of £285.2m. Separately, Bidwells valued the Group's investment properties as at 31st October 2005 which resulted in a carrying value at the year end of £137.5m. The investment properties largely comprise port-related properties located in the dock estate.

The comparison of the two valuations to the asset categories within the year end Group Balance Sheet is as follows:-

Asset	Carrying Value £m	Valuations £m
Investment properties	137.5	137.5
Inventories (property development work in progress)	32.9	} 269.2
Port operational assets	12.7	
Investment in joint ventures	11.6	
Non current trade and other receivables	<u>17.9</u>	
	212.6	406.7
Assets sold since valuation	<u>-</u>	<u>16.0</u>
	<u>212.6</u>	<u>422.7</u>

As a result, over £194m of the DTZ value is not shown in the Group Balance Sheet because the uplift in the property development values relates principally to assets held at cost.

Pension Funds

The triennial valuation of both the Forth Ports Pension Scheme and the Tilbury Pension Fund were completed during the year. The net actuarial deficit in each fund as at 5th April 2005 amounted to £17.4m and £6.6m respectively after taking account of a further improvement in the mortality rates and incorporating a fall in gilt yields. The Actuary has recommended that the Company's contribution to each of the schemes be increased from 12% to 14.8% of pensionable salaries in respect of the Forth Ports Scheme and from 13.5% to 14.6% in respect of the Tilbury Fund. In addition, a recommendation was made to pay in further sums over the next fifteen years in order to eliminate the past service deficits.

In reviewing the position of the two pension schemes, the Board concluded that it would be more cost effective for the two schemes to be amalgamated and so sought the Trustees' agreement to the amalgamation. The Trustees of each scheme, having duly received professional advice from the Schemes' Actuaries and legal adviser, concluded that they were prepared to approve an amalgamation. As at 31st December 2005, an additional £1.3m was put into the Forth Scheme and £0.7m into the Tilbury Fund to reduce the deficit. When the two schemes are amalgamated in 2006, a further £3m will be put in with two further annual payments of £5m in succeeding years until the date of the next triennial valuation at which point the payments will be reviewed.

In contrast to the actuarial deficit, the IAS 19 (Employee Benefits) deficit at the end of the year amounted to £36.3m less the related deferred tax asset of £10.9m. This gross deficit has decreased from £40.7m at the end of June 2005 reflecting principally an increase in contributions to the two pension schemes and an improved investment performance offset to some extent by a continued reduction in the discount rate used by the Actuary to calculate the pension scheme liabilities.

Interest and Gearing

The total facility available to the Group has increased and now stands at £250m which comprises long-term debt of £125m, a revolving credit facility of £100m and a working capital facility of £25m. The net debt position at the end of the year was £179.6m compared to £161.8m in 2004. With the benefit of ongoing cash receipts from long-term property deals offsetting the ongoing requirement for infrastructure spend in the property division and with further port investment projects, it is likely that the net debt position will increase during the course of 2006 but will still be well within the existing facility.

The net interest charge for the year (excluding the Group's share of interest in joint ventures and associated companies) amounted to £6.2m (2004 - £6.7m). Of the former sum, £4.1m related to finance income arising from the amortisation of long-term property debtors and the ZCLS due by OTL. Whilst the ZCLS will increase marginally year on year, the amortised income from the long-term debtors will reduce to zero over the next two years unless further property sales with long-term payment schedules are concluded. Gearing amounted to 75% compared with 69% in 2004. During 2005, interest of £0.8m was capitalised within the costs of the Enterprise Distribution Project. This capitalisation stopped at the end of June 2005. The interest charge in 2006 will therefore reflect a full year's interest charge. The underlying net interest charge (excluding the unwinding of discount on long-term receivables and ZCLS and excluding the increase in fair value of the investment properties) was 3 times covered.

Taxation

The effective tax rate for the year decreased to 24.6% compared with 29.6% in 2004 after excluding the tax charge arising on joint ventures and associates. The lower rate incorporates income not chargeable to tax, the benefit of tonnage tax on towage profits and the benefit of the difference between the accounts revaluation gain movements and the deferred tax movements on the gains.

Unfortunately, our ability to shelter our towage profits under the tonnage tax regime ended in December 2005 as a result of an EU ruling on tonnage tax which HM Revenue and Customs were required to enforce with effect from 1st January 2006.

Cash Flow

The Group's operating cash inflow amounted to £57.5m (2004 - £30.1m). Overall, the free cash flow in 2005 amounted to £7.9m compared to an outflow in 2004 of £36.7m. After a three year build up in long-term property debtors, 2005 saw the start of the unwinding of this position which will continue over the next two years. This cash inflow is expected to offset to a large degree the likely infrastructure spend over the equivalent period. There was a net improvement in working capital of £11.4m in 2005 (2004 - outflow of £31m). As stated earlier, additional lump sum payments made to the two pension schemes in 2005 accounted for a further £2m.

The cash inflow during the year (together with the increased net borrowings of £17.8m) was utilised principally for capital expenditure (£27.9m), the investment in MLT (£4.9m) and corporation tax and dividend payments (£28.1m).

The most significant items of capital expenditure during the year related to the Enterprise Distribution Centre at Tilbury (£10m), the plant and equipment required for the container terminal expansion at Grangemouth (£5m), other plant and equipment (£3m) and the further spend on IPOS (£2m).

Dividend

When the evolution of the property strategy was announced in September, the Board also set out a policy of pursuing real annual dividend per share growth. Until 2004, the dividend cover on the Forth Ports' dividend has generally been within 1.6 times to 2 times cover; with the change in property strategy, the property profits will be significantly lower as a percentage of the total Group profits, thus reducing the dividend cover. The Directors believe that, given the substantial asset backing of the Group, its ability to generate cash and its stated intention to increase the net asset value of the property assets, these factors give the Board confidence to pursue a dividend policy which should lead to real increases in the dividend per share on an annual basis.

Total Shareholders' Equity

Total shareholders' equity increased to £239.7m from £235.1m in the previous year under the restated IFRS numbers.

Wilson Murray
GROUP FINANCE DIRECTOR

20th March 2006

Consolidated Income Statement For the Year ended 31st December 2005

	Notes	2005 £m	2004 £m
Group revenue	2	151.5	162.2
Cost of sales		(96.7)	(87.7)
<hr/>			
Gross profit		54.8	74.5
Administrative expenses		(20.5)	(16.5)
Other income	4	28.5	-
<hr/>			
Group operating profit	2	62.8	58.0
Finance income	5	4.6	0.3
Finance costs	6	(10.8)	(7.0)
Share of results of joint ventures	2	0.5	10.0
Share of results of associates	2	1.2	1.3
<hr/>			
Profit before tax	3	58.3	62.6
Taxation		(13.9)	(15.2)
<hr/>			
Profit for the year	2	44.4	47.4
<hr/>			
Profit attributable to minority interest		0.1	1.5
Profit attributable to equity shareholders		44.3	45.9
<hr/>			
		44.4	47.4
<hr/>			
Earnings per share			
Basic earnings per share	8	97.6p	100.7p
Diluted earnings per share	8	97.1p	100.2p

All activities relate to continuing activities.

Consolidated Statement of Recognised Income and Expense For the Year ended 31st December 2005

	Notes	2005 £m	2004 £m
Share of joint venture's movement on cash flow hedge	9	0.2	-
Share of associate's movement on cash flow hedge	9	(0.0)	-
Corporation tax relief on excess pension contributions	9	0.7	1.3
Deferred tax on excess pension contributions	9	(0.7)	(1.3)
Actuarial losses in defined benefit pension schemes	9	(16.2)	(0.1)
Deferred tax on actuarial loss	9	4.9	0.0
Share of associate's actuarial loss in defined benefit pension scheme	9	(0.1)	(0.1)
Deferred tax on associate's actuarial loss	9	0.0	0.0
<hr/>			
Expense recognised directly in equity		(11.2)	(0.2)
Profit for the year	2	44.4	47.4
<hr/>			
Total recognised income for the year		33.2	47.2
<hr/>			
Attributable to:			
Minority interest	9	0.1	1.5
Equity shareholders	9	33.1	45.7
<hr/>			
		33.2	47.2
<hr/>			
IAS 32 / IAS 39 adoption:			
Retained earnings	9	(3.2)	
Fair value reserves	9	(1.8)	
<hr/>			
Equity shareholders		(5.0)	
Minority interest	9	(0.3)	
<hr/>			
		(5.3)	
<hr/>			
Total income recognised since last annual report		27.9	
<hr/>			
Attributable to:			
Minority interest		(0.2)	
Equity shareholders		28.1	
<hr/>			
		27.9	
<hr/>			

Consolidated Balance Sheet

At 31st December 2005

	Notes	2005 £m	2004 £m
ASSETS			
Non-current assets			
Property, plant and equipment		206.9	193.8
Investment property		137.5	109.5
Intangible assets		4.2	3.5
Investment in joint ventures		26.3	16.1
Investment in associates		4.4	3.4
Trade and other receivables		31.6	66.9
Deferred tax assets		10.9	6.7
		421.8	399.9
Current assets			
Inventories		39.6	40.7
Trade and other receivables		56.8	52.1
Cash and cash equivalents		4.7	7.3
		101.1	100.1
LIABILITIES			
Current liabilities			
Trade and other payables		(26.0)	(39.7)
Current tax liabilities		-	(3.4)
Borrowings		(0.0)	(0.0)
Provisions		(1.6)	(0.5)
		(27.6)	(43.6)
Net current assets		73.5	56.5
Non-current liabilities			
Borrowings		(184.3)	(169.1)
Investment in joint ventures		-	(0.1)
Deferred tax liabilities		(30.4)	(23.1)
Retirement benefit obligations		(36.3)	(22.5)
Provisions		(0.4)	(0.6)
		(251.4)	(215.4)
Total assets less total liabilities	2	243.9	241.0
SHAREHOLDERS' EQUITY			
Share capital	9	22.8	22.8
Share premium	9	18.2	18.2
Own shares held	9	(5.4)	(0.0)
Fair value and other reserves	9	16.4	18.0
Retained earnings	9	187.7	176.1
Total shareholders' equity		239.7	235.1
Minority interest in equity	9	4.2	5.9
Total equity	9	243.9	241.0

Consolidated Cash Flow Statement For the Year ended 31st December 2005

	Notes	2005 £m	2004 £m
Cash flows from operating activities			
Cash generated from operations	10	57.5	30.1
Interest paid		(10.8)	(7.5)
Interest received		0.5	0.3
Tax paid		(8.0)	(14.1)
Dividends received from joint venture and associated companies		0.0	2.2
<hr/>			
Net cash from operating activities		39.2	11.0
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(27.9)	(45.8)
Capital grant received		0.4	-
Loan to joint venture company		(1.0)	(2.0)
Purchase of interest in joint venture undertaking		(4.9)	(9.4)
Sale of property, plant and equipment		1.5	4.5
Sale of investment property		0.6	5.0
<hr/>			
Net cash used in investing activities		(31.3)	(47.7)
<hr/>			
Net cash inflow/(outflow) before financing activities		7.9	(36.7)
<hr/>			
Cash flows from financing activities			
Loan drawdowns		15.0	170.0
Arrangement fees for new loans		-	(1.5)
Loans repaid		-	(111.0)
Capital element of finance leases		(0.0)	(0.2)
Minority interest dividends paid		(1.5)	(1.5)
Equity dividends paid		(18.6)	(17.1)
Proceeds from sale of own shares held		0.4	-
Purchase of own shares held		(5.8)	-
<hr/>			
Net cash (used in)/from financing activities		(10.5)	38.7
(Decrease)/increase in cash and cash equivalents	10,11	(2.6)	2.0
<hr/>			
Cash and cash equivalents at start of year	11	7.3	5.3
<hr/>			
Cash and cash equivalents at end of year	11	4.7	7.3
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NOTES

1. Basis of preparation

The preliminary results have been prepared in accordance with IFRS as endorsed by the EU and with those parts of the Companies Act 1985 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 through the Income Statement.

In accordance with EU regulations the Group adopted IFRS for the year ended 31st December 2005 and has restated prior year comparatives to reflect its adoption of IFRS, unless otherwise stated. Prior to the adoption of IFRS the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Principles ("UK GAAP").

The preparation of accounts in conformity with generally accepted accounting principles 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.

IFRS 1 (First Time Adoption of International Financial Reporting Standards) sets out the rules for first time adoption of IFRS. Generally, a company must determine IFRS compliant accounting policies and then apply those retrospectively to derive its opening or "transition" balance sheet. There are, however, certain exemptions to the general requirement. The Group has adopted the following key exemptions:

(a) IFRS 3 (Business Combinations) - The major acquisitions completed by the Group prior to 1st January 2004 were in 1995. The goodwill on these acquisitions was written off directly to reserves and the Group has opted not to restate business combinations prior to the transition date on an IFRS 3 basis.

(b) IAS 19 (Employee Benefits) - The net pension liability has been recognised in full at the transition date. The Group has adopted the option in IAS 19 that will result in the recognition of all actuarial gains and losses in full as they arise through the Statement of Recognised Income and Expense.

(c) IFRS 2 (Share-based Payment) - The cost of options granted prior to 7th November 2002 has not been recalculated under IFRS.

The Group adopted IAS 32, Financial Instruments: Disclosures and Presentation and IAS 39, Financial Instruments: Recognition and Measurement from 1st January 2005. As permitted by IFRS 1, First Time Adoption of International Financial Reporting Standards, 2004 comparatives have not been restated for these standards.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 6 - Exploration for and Evaluation of Mineral Resources
- IFRS 7 - Financial Instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures
- IFRIC 4 - Determining whether an Arrangement contains a Lease
- IFRIC 5 - Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

NOTES (CONTINUED)

1. Basis of preparation (continued)

IFRIC 4 provides guidance on when an arrangement is or contains a lease and addresses when the assessment or reassessment should be made and how payments for the lease should be separated from other payments for the arrangement. Management is currently assessing the impact of IFRIC 4 on the Group's results.

The Directors anticipate that the adoption of the other Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on financial instruments when the relevant standards come into effect for periods commencing on or after 1st January 2007.

2. Business segments

Primary reporting format - business

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

(1) Port operations; and

(2) Property.

The segment results for the year ended 31st December 2005 were as follows:-

	Port Operations £m	Property £m	Total 2005 £m
Total gross segment revenue	134.7	17.3	152.0
Inter-segment revenue	<u>(0.5)</u>	—	<u>(0.5)</u>
Total revenue	<u>134.2</u>	<u>17.3</u>	<u>151.5</u>
Operating profit/Segment result	60.0	2.8	62.8
Finance income (Note 5)	0.5	4.1	4.6
Finance costs (Note 6)	(6.9)	(3.9)	(10.8)
Share of operating results of joint ventures	0.6	3.8	
Finance costs	(0.4)	(3.4)	
Taxation	(0.1)	-	
Net share of results of joint ventures	0.1	0.4	0.5
Share of operating results of associates	2.5	(0.1)	
Finance costs	(0.4)	(0.2)	
Taxation	(0.6)	-	
Net share of results of associates	<u>1.5</u>	<u>(0.3)</u>	<u>1.2</u>
Profit before tax	<u>55.2</u>	<u>3.1</u>	58.3
Taxation			<u>(13.9)</u>
Profit for the year			<u>44.4</u>

NOTES (CONTINUED)

2. Business segments (continued)

The segment results for the year ended 31st December 2004 were as follows:-

	Port Operations £m	Property £m	Total 2004 £m
Total gross segment revenue	120.0	43.9	163.9
Inter-segment revenue	<u>(1.7)</u>	<u>-</u>	<u>(1.7)</u>
Total revenue	<u>118.3</u>	<u>43.9</u>	<u>162.2</u>
Operating profit/Segment result	31.6	26.4	58.0
Finance income (Note 5)	0.3	0.0	0.3
Finance costs (Note 6)	(4.6)	(2.4)	(7.0)
Share of operating results of joint ventures	-	12.7	
Finance costs	-	(2.9)	
Taxation	-	0.2	
Net share of results of joint ventures	-	10.0	10.0
Share of operating results of associates	2.4	(0.1)	
Finance costs	(0.4)	(0.0)	
Taxation	(0.6)	0.0	
Net share of results of associates	<u>1.4</u>	<u>(0.1)</u>	<u>1.3</u>
Profit before tax	<u>28.7</u>	<u>33.9</u>	62.6
Taxation			<u>(15.2)</u>
Profit for the year			<u>47.4</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.

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

	Port Operations £m	Property £m	Total 2005 £m	Port Operations £m	Property £m	Total 2004 £m
Increase in fair value of investment property (Note 3)	28.2	(0.2)	28.0	-	-	-
Depreciation of property, plant and equipment (Note 3)	(10.7)	(0.0)	(10.7)	(9.5)	(0.0)	(9.5)
Amortisation of intangibles (Note 3)	(0.8)	-	(0.8)	(0.5)	-	(0.5)
Amortisation of capital grants (Note 3)	0.8	-	0.8	0.7	-	0.7
Impairment of trade receivables	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)

NOTES (CONTINUED)

2. Business segments (continued)

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

	Port Operations £m	Property £m	Total 2005 £m
Assets			
Segmental assets	388.2	104.0	492.2
Joint ventures	14.6	11.7	26.3
Associates	<u>4.9</u>	<u>(0.5)</u>	<u>4.4</u>
Total assets	<u>407.7</u>	<u>115.2</u>	<u>522.9</u>
Liabilities	<u>212.7</u>	<u>66.3</u>	<u>279.0</u>
Capital expenditure			
Property, plant and equipment	26.6	0.0	26.6
Intangible assets	<u>1.5</u>	<u>-</u>	<u>1.5</u>
Total capital additions	<u>28.1</u>	<u>0.0</u>	<u>28.1</u>

	Port Operations £m	Property £m	Total 2004 £m
Assets			
Segmental assets	338.9	141.6	480.5
Joint ventures	14.5	1.6	16.1
Associates	<u>3.9</u>	<u>(0.5)</u>	<u>3.4</u>
Total assets	<u>357.3</u>	<u>142.7</u>	<u>500.0</u>
Liabilities			
Segmental liabilities	181.8	77.1	258.9
Joint ventures	<u>-</u>	<u>0.1</u>	<u>0.1</u>
Total liabilities	<u>181.8</u>	<u>77.2</u>	<u>259.0</u>
Capital expenditure			
Property, plant and equipment	47.2	0.0	47.2
Intangible assets	<u>1.7</u>	<u>-</u>	<u>1.7</u>
Total capital additions	<u>48.9</u>	<u>0.0</u>	<u>48.9</u>

Secondary reporting format - geographical segments

The Group operates principally in the UK, with the exception of the port operations joint venture company which operates in Ireland, Finland and Russia. The results and balances of the port operations joint venture company are not considered material and therefore a geographical segmental analysis has not been provided.

NOTES (CONTINUED)

3. Profit before tax

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

	2005	2004
	£m	£m
Depreciation		
- owned assets (cost of sales)	10.6	9.4
- assets held under finance leases and hire purchase contracts (cost of sales)	0.1	0.1
Amortisation		
- amortisation of intangible assets (administrative expenses)	0.8	0.5
- amortisation of capital grants (cost of sales)	(0.8)	(0.7)
Profit on disposal of property, plant and equipment (cost of sales)	(0.2)	(0.7)
Profit on disposal of investment properties (administrative expenses)	(0.1)	(1.2)
Repairs and maintenance expenditure on property, plant and equipment (cost of sales)	7.2	5.3
Property rentals (revenue)	(16.2)	(14.9)
Other operating lease rentals payable		
- plant and equipment (cost of sales)	3.4	2.7
Inventories		
- cost of inventories recognised as an expense (property cost of sales)	12.5	18.1
Employee costs		
- cost of sales	37.0	33.3
- administrative expenses	10.8	8.1
Foreign exchange gains (administrative expenses)	(0.2)	-
Increase in fair value of investment properties (other income)	(28.0)	-
Auditors' remuneration		
- statutory audit services (administrative expenses)	0.4	0.3
- tax advisory services (administrative expenses)	0.0	0.1
- other services (administrative expenses)	<u>0.2</u>	<u>0.0</u>

NOTES (CONTINUED)

3. Profit before tax (continued)

Other items represent costs/(charges) against operating profit which may be regarded as irregular and therefore require specific comment to give a true like for like comparison or because of their size year on year.

	2005	2004
	£m	£m
<u>Other items</u>		
Severance costs		
- cost of sales	1.7	0.6
- administrative expenses	0.1	-
Repair costs to tug (cost of sales)	0.9	-
Insurance recovery re repairs to tug (other income)	(0.5)	-
Training costs (cost of sales)	0.3	-
Abandonment costs (cost of sales)	0.5	-
Retirement benefit expenses: past service cost		
- cost of sales	1.0	-
- administrative expenses	0.2	-
Profit on disposal of investment property (administrative expenses)	-	(1.2)
	<u>4.2</u>	<u>(0.6)</u>
<u>Tax effect</u>		
Current taxation:		
Severance costs	(0.5)	(0.2)
Repair costs to tug less insurance recovery	-	-
Training costs	(0.1)	-
Abandonment costs	(0.0)	-
Profit on disposal of investment property	-	0.4
	<u>(0.6)</u>	<u>0.2</u>
Deferred taxation:		
Abandonment costs	(0.1)	-
Retirement benefit expenses	(0.4)	-
	<u>(1.1)</u>	<u>0.2</u>

Severance costs relate principally to reductions in operational staff at Grangemouth and Tilbury. The severance costs in the year ended 31st December 2004 related principally to a reduction in towage crew members in the Firth of Forth and severance costs in operations at Tilbury. The repair costs were incurred as a result of one of the Group's tugs requiring substantial repairs following a grounding incident. Part of these costs were recovered through the Group's insurance policies. There is no tax effect from this item as the company involved is subject to tonnage tax. The training costs were incurred in training new operational staff prior to the opening of the new paper handling facility at Tilbury. The abandonment costs relate to removal of structures in the Thames near Tilbury. The past service costs arose as a result of past service benefit improvements arising from unfunded early retirements and a change to the way in which the Executive Directors' contractual pension entitlement was recognised.

NOTES (CONTINUED)

4. Other income

Other income represents the increase in fair value of investment properties and an insurance recovery in relation to the grounding of a tug.

	2005 £m	2004 £m
Increase in fair value of investment properties	28.0	-
Insurance recovery	<u>0.5</u>	<u>-</u>
	<u>28.5</u>	<u>-</u>
Tax effect:		
Current taxation		
Insurance recovery	-	-
Deferred taxation		
Increase in fair value of investment properties	<u>(5.6)</u>	<u>-</u>
	<u>(5.6)</u>	<u>-</u>

The insurance recovery has no tax effect as the company involved is subject to the tonnage tax regime.

5. Finance income

	2005 £m	2004 £m
Interest receivable on bank and other deposits	0.5	0.3
Unwinding of discount on zero coupon loan stock at amortised cost	1.0	-
Unwinding of discount on long-term receivables at amortised cost	<u>3.1</u>	<u>-</u>
	<u>4.6</u>	<u>0.3</u>

6. Finance costs

	2005 £m	2004 £m
Interest payable:		
On bank loans and overdrafts	9.9	6.9
On other loans	0.0	0.0
Finance leases and hire purchase contracts	0.0	0.0
Amortisation of loan arrangement fees	0.2	0.1
Write down of zero coupon loan stock to amortised cost	0.4	-
Write down of long-term receivables to amortised cost	<u>0.3</u>	<u>-</u>
	<u>10.8</u>	<u>7.0</u>

In addition, £0.8m (2004 - £0.6m) of borrowing costs was capitalised in the cost of qualifying assets.

7. Dividend per share

The final dividend of 28.7p per share, if approved by the shareholders at the Annual General Meeting, will be paid on 12th May 2006 to all shareholders on the register at 18th April 2006. An interim dividend of 14.3p per share was paid to shareholders in October 2005.

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, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has three categories of dilutive potential ordinary shares, being those share options granted to employees under a SAYE share option scheme, the Directors' share options exercised in May 2005 where the exercise price was less than the average market price of the Company's shares during the year and the contingently issuable shares under the LTIP.

One-off costs charged against operating profit and increases in fair value of investment properties do not relate to the profitability of the Group on an on-going basis. Underlying earnings per share excludes such items and the tax thereon from the profit for the year attributable to shareholders, with the weighted average number of shares in issue during the year as per the calculation for basic earnings per share.

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

Continuing operations

	2005			2004		
	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	44.3			45.9		
Total shares issued	-	45,593		-	45,593	
Shares held by ESOP Trust	—	(220)		—	(4)	
Basic EPS	44.3	45,373	97.6	45.9	45,589	100.7
Effect of dilutive securities (share options)	—	265		—	228	
Diluted EPS	44.3	<u>45,638</u>	97.1	45.9	<u>45,817</u>	100.2
Group's share of increase in fair value of investment property in joint venture	(1.7)			(12.3)		
Increase in fair value of investment property less tax effect	(22.4)			-		
Other items less tax effect (Note 3)	<u>3.1</u>			<u>(0.4)</u>		
Underlying EPS	<u>23.3</u>	<u>45,373</u>	51.4	<u>33.2</u>	<u>45,589</u>	72.8

NOTES (CONTINUED)

9. Statement of changes in shareholders' equity

	Attributable to equity holders of the Company					Minority 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 2004	22.8	18.2	(0.0)	18.0	147.2	5.8	212.0
Corporation tax on excess pension contributions	-	-	-	-	1.3	-	1.3
Deferred tax on excess pension contributions	-	-	-	-	(1.3)	-	(1.3)
Actuarial losses in defined benefit pension schemes	-	-	-	-	(0.1)	-	(0.1)
Deferred tax on actuarial loss	-	-	-	-	0.0	-	0.0
Share of associate's actuarial losses in defined benefit scheme	-	-	-	-	(0.1)	-	(0.1)
Deferred tax on associate's actuarial loss	-	-	-	-	0.0	-	0.0
Net expense recognised directly in equity	-	-	-	-	(0.2)	-	(0.2)
Profit for the year	-	-	-	-	45.9	1.5	47.4
Total recognised income for the year	-	-	-	-	45.7	1.5	47.2
LTIP shares - value of services provided	-	-	-	-	0.2	-	0.2
SAYE scheme - value of services provided	-	-	-	-	0.1	-	0.1
Dividends	-	-	-	-	(17.1)	(1.5)	(18.6)
Share of gain on sale of investment property	-	-	-	-	-	0.1	0.1
Balance at 31st December 2004	22.8	18.2	(0.0)	18.0	176.1	5.9	241.0
Adoption of IAS 32 and IAS 39	-	-	-	(1.8)	(3.2)	(0.3)	(5.3)
Balance at 1st January 2005	22.8	18.2	(0.0)	16.2	172.9	5.6	235.7
Share of joint venture's movement on cash flow hedge	-	-	-	0.2	-	-	0.2
Share of associate's movement on cash flow hedge	-	-	-	(0.0)	-	-	(0.0)
Corporation tax on excess pension contributions	-	-	-	-	0.7	-	0.7
Deferred tax on excess pension contributions	-	-	-	-	(0.7)	-	(0.7)
Actuarial losses in defined benefit pension schemes	-	-	-	-	(16.2)	-	(16.2)
Deferred tax on actuarial loss	-	-	-	-	4.9	-	4.9
Share of associate's actuarial losses in defined benefit scheme	-	-	-	-	(0.1)	-	(0.1)
Deferred tax on associate's actuarial loss	-	-	-	-	0.0	-	0.0
Net income/(expense) recognised directly in equity	-	-	-	0.2	(11.4)	-	(11.2)
Profit for the year	-	-	-	-	44.3	0.1	44.4
Total recognised income for the year	-	-	-	0.2	32.9	0.1	33.2
LTIP shares - value of services provided	-	-	-	-	0.3	-	0.3
SAYE scheme - value of services provided	-	-	-	-	0.2	-	0.2
Consideration received for own shares held	-	-	0.4	-	-	-	0.4
Consideration paid for own shares held	-	-	(5.8)	-	-	-	(5.8)
Dividends	-	-	-	-	(18.6)	(1.5)	(20.1)
Balance at 31st December 2005	22.8	18.2	(5.4)	16.4	187.7	4.2	243.9

NOTES (CONTINUED)

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

	2005 £m	2004 £m
Profit before tax	58.3	62.6
Adjustments for:		
- increase in fair value of investment properties	(28.0)	-
- net finance costs	6.2	6.7
- share of results of joint ventures	(0.5)	(10.0)
- share of results of associates	(1.2)	(1.3)
- depreciation of property plant and equipment and amortisation of intangibles	10.7	9.3
- unrealised profit eliminations	(0.1)	(0.0)
- gain on sale of property, plant and equipment	(0.2)	(0.7)
- gain on sale of investment property	(0.1)	(1.2)
- increase in provisions	0.9	0.0
- decrease in retirement benefit obligations	(2.4)	(4.3)
- transfer of property, plant and equipment to inventories	2.5	-
Movement in working capital:		
Decrease/(increase) in inventories	1.1	(6.3)
Decrease/(increase) in receivables	17.9	(18.3)
Decrease in payables	<u>(7.6)</u>	<u>(6.4)</u>
Cash generated from operations	<u>57.5</u>	<u>30.1</u>
Reconciliation of (decrease)/increase in cash and cash equivalents to movement in net debt:		
(Decrease)/increase in cash and cash equivalents	(2.6)	2.0
Cash inflow from increase in borrowings and arrangements fees	<u>(15.0)</u>	<u>(57.3)</u>
Change in net debt resulting from cash flows	(17.6)	(55.3)
Amortisation of loan arrangement fees	<u>(0.2)</u>	<u>(0.1)</u>
Movement in net debt	(17.8)	(55.4)
Opening net debt	<u>(161.8)</u>	<u>(106.4)</u>
Closing net debt	<u>(179.6)</u>	<u>(161.8)</u>

NOTES (CONTINUED)

11. Analysis of net debt

	At 1.1.05 £m	Cash Flow £m	Other Movement £m	At 31.12.05 £m
Cash at bank and on deposit	7.3	(2.6)	-	4.7
Debt due outwith one year	(169.1)	(15.0)	(0.2)	(184.3)
Borrowings - finance leases	<u>(0.0)</u>	<u>0.0</u>	<u>-</u>	<u>(0.0)</u>
Total net debt	<u>(161.8)</u>	<u>(17.6)</u>	<u>(0.2)</u>	<u>(179.6)</u>

The other movement of £0.2m related to the amortisation of arrangement fees for bank facilities.

12. Definitions of Terms

1. The DTZ Valuation dated 31st August 2005 includes the terms "Market Value" and "Calculation of Worth" which are defined in The Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors ("the Red Book") as:

Market Value

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Calculation of Worth

"Worth or Investment Value is the value of property to a particular owner, investor, or a class of investors, for identified investment objectives. This subjective concept relates specific property to a specified investor, group of investors or an entity with identifiable investment objectives and/or criteria. In this context investment includes the benefits of owner occupation."

2. The "property development assets" referred to in the Interim Statement, which DTZ have valued, include the undernoted assets:

- Land at the Port of Leith covered by the Group's Leith Docks Development Framework proposals;
- The development sites called Britannia Quay, Waterfront Plaza, Granton Harbour, Western Harbour (including the Asda site) all of which are in Leith;
- Development sites at Grangemouth, Dundee, Burntisland and Methil; and
- The Ocean Terminal Shopping Centre.

3. The Port Operations Property (or assets utilised in the Ports' business) was also valued in accordance with the Red Book at Market Value. DTZ have valued the Scottish Ports property at Grangemouth, Dundee and Rosyth as a portfolio. The property at Tilbury has been valued separately. (Leith is included within "property development assets").

In accordance with the Red Book, in determining Market Value, DTZ have had regard to the trading potential of the property assets. Value has therefore been determined by assessing the future earnings attributable to the above assets. In order to assist the valuation exercise, these future earnings have been allocated into Low Risk, Medium Risk and Higher Risk portions based upon an analysis of individual contracts between:

- Contracted/guaranteed
- Secure
- Other

NOTES (CONTINUED)

It should be noted that (in accordance with the Red Book) Scottish Ports properties have been valued on the basis that the rights to marine operations income consequent to the Competent Harbour Authority status would be sold as a continuing part of the overall Scottish Ports business.

General

13. The principal accounting policies adopted in the preparation of this report are as set out in the Interim Report 2005 which is available at www.forthports.co.uk.
14. The financial information set out in the Preliminary Announcement does not constitute statutory Accounts within the meaning of Section 240 of the Companies Act 1985 and has been extracted from the full Accounts for the year ended 31st December 2005 which will be filed with the Registrar of Companies in due course. The report of the Auditors on these Accounts was unqualified and did not contain a statement under either Section 237(2) or Section 237(3) of the Companies Act 1985.
15. The annual Accounts will be posted to shareholders on 5th April 2006. Copies will be available from the Company's registered office, Forth Ports PLC, 1 Prince of Wales Dock, Leith, Edinburgh EH6 7DX.

APPENDIX I

RECONCILIATION OF NET ASSETS AND PROFIT UNDER UK GAAP TO IFRS

UK GAAP TO IFRS CONSOLIDATED BALANCE SHEET AS AT 1ST JANUARY 2004

	UK GAAP £m	IAS 1 Current Liabilities £m	IAS 20 Government Grants £m	IAS 38 Intangible Assets £m	IAS 10 Events after the Balance Sheet Date £m	IAS 12 Income Taxes £m	IAS 19 Employee Benefits £m	IAS 40 Invest- ment Property £m	SIC 15 Operating Leases- Incentives £m	IFRS GAAP £m
ASSETS										
Non-current assets										
Property, plant and equipment	283.5	-	(15.9)	(2.3)	-	-	-	(108.4)	-	156.9
Investment property	4.4	-	-	-	-	-	-	108.4	-	112.8
Intangible assets	-	-	-	2.3	-	-	-	-	-	2.3
Investment in joint ventures	1.4	-	-	-	-	-	-	-	-	1.4
Investment in associates	5.6	-	-	-	-	-	(2.2)	-	-	3.4
Trade and other receivables	53.7	-	-	-	-	-	-	-	-	53.7
Deferred tax assets	-	-	-	-	-	-	8.0	-	-	8.0
	348.6	-	(15.9)	-	-	-	5.8	-	-	338.5
Current assets										
Inventories	34.4	-	-	-	-	-	-	-	-	34.4
Trade and other receivables	59.3	-	-	-	-	-	(11.7)	-	0.1	47.7
Cash and cash equivalents	5.3	-	-	-	-	-	-	-	-	5.3
	99.0	-	-	-	-	-	(11.7)	-	0.1	87.4
LIABILITIES										
Current liabilities										
Trade and other payables	(50.9)	-	-	-	12.5	-	(0.4)	-	-	(38.8)
Current tax liabilities	(7.4)	-	-	-	-	-	0.1	-	-	(7.3)
Borrowings	(15.1)	-	-	-	-	-	-	-	-	(15.1)
Provisions	-	(0.4)	-	-	-	-	-	-	-	(0.4)
	(73.4)	(0.4)	-	-	12.5	-	(0.3)	-	-	(61.6)
Net current assets	25.6	(0.4)	-	-	12.5	-	(12.0)	-	0.1	25.8
Non-current liabilities										
Borrowings	(96.6)	-	-	-	-	-	-	-	-	(96.6)
Investment in joint ventures	(9.6)	-	-	-	-	-	-	-	0.7	(8.9)
Deferred tax liabilities	(12.8)	-	-	-	-	(10.1)	3.5	-	-	(19.4)
Retirement benefit obligations	-	-	-	-	-	-	(26.7)	-	-	(26.7)
Provisions	(1.1)	0.4	-	-	-	-	-	-	-	(0.7)
Deferred income	(15.9)	-	15.9	-	-	-	-	-	-	-
	(136.0)	0.4	15.9	-	-	(10.1)	(23.2)	-	0.7	(152.3)
Total assets less total liabilities	238.2	-	-	-	12.5	(10.1)	(29.4)	-	0.8	212.0
SHAREHOLDERS' EQUITY										
Share capital	22.8	-	-	-	-	-	-	-	-	22.8
Share premium	18.2	-	-	-	-	-	-	-	-	18.2
Own shares held	(0.0)	-	-	-	-	-	-	-	-	(0.0)
Revaluation reserve	42.4	-	-	-	-	-	-	(42.4)	-	-
Other reserves	18.0	-	-	-	-	-	-	-	-	18.0
Retained earnings	132.5	-	-	-	11.0	(10.1)	(29.4)	42.4	0.8	147.2
Total shareholders' equity	233.9	-	-	-	11.0	(10.1)	(29.4)	-	0.8	206.2
Minority interest	4.3	-	-	-	1.5	-	-	-	-	5.8
Total equity	238.2	-	-	-	12.5	(10.1)	(29.4)	-	0.8	212.0

**UK GAAP TO IFRS CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2004**

	UK GAAP £m	IAS 1 Joint Ventures and Associated Undertakings £m	IFRS 2 Share- based Payment £m	IFRS 3 Business Combinations £m	IAS 12 Income Taxes £m	IAS 19 Employee Benefits £m	IAS 40 Investment Property £m	SIC 15 Operating Leases- Incentives £m	IFRS GAAP £m
Revenue	162.2	-	-	-	-	-	-	(0.0)	162.2
Cost of sales	(87.7)	-	-	-	-	(0.4)	0.4	-	(87.7)
Gross profit	74.5	-	-	-	-	(0.4)	0.4	(0.0)	74.5
Administrative expenses	(16.4)	-	0.0	0.0	-	(0.1)	-	-	(16.5)
Operating profit	58.1	-	0.0	0.0	-	(0.5)	0.4	(0.0)	58.0
Finance income	0.3	-	-	-	-	-	-	-	0.3
Finance costs	(10.3)	3.3	-	-	-	-	-	-	(7.0)
Share of results of joint ventures	0.1	(2.7)	-	-	-	-	12.3	0.3	10.0
Share of results of associates	2.3	(1.0)	-	-	-	-	-	-	1.3
Profit before tax	50.5	(0.4)	0.0	0.0	-	(0.5)	12.7	0.3	62.6
Taxation	(15.9)	0.4	0.1	-	0.1	0.1	-	-	(15.2)
Profit for the year	34.6	-	0.1	0.0	0.1	(0.4)	12.7	0.3	47.4
Profit attributable to minority interest	1.5	-	-	-	-	-	-	-	1.5
Profit attributable to equity shareholders	33.1	-	0.1	0.0	0.1	(0.4)	12.7	0.3	45.9

UK GAAP TO IFRS CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER 2004

	UK GAAP £m	IAS 1 Current Liabilities £m	IAS 20 Govern- ment Grants £m	IAS 38 Intan- gible Assets £m	IFRS 2 Share- based Payment £m	IFRS 3 Business Combina- tions £m	IAS 10 Events after the Balance Sheet Date £m	IAS 12 Income Taxes £m	IAS 19 Employee Benefits £m	IAS 40 Invest- ment Property £m	SIC 15 Operating Leases- Incentives £m	IFRS GAAP £m
ASSETS												
Non-current assets												
Property, plant and equipment	320.9	-	(15.4)	(3.5)	-	-	-	-	-	(108.2)	-	193.8
Investment property	0.9	-	-	-	-	-	-	-	-	108.6	-	109.5
Intangible assets	-	-	-	3.5	-	-	-	-	-	-	-	3.5
Investment in joint ventures	15.1	-	-	-	-	0.0	-	-	-	-	1.0	16.1
Investment in associates	5.7	-	-	-	-	-	-	-	(2.3)	-	-	3.4
Trade and other receivables	66.9	-	-	-	-	-	-	-	-	-	-	66.9
Deferred tax assets	-	-	-	-	-	-	-	-	6.7	-	-	6.7
	409.5	-	(15.4)	-	-	0.0	-	-	4.4	0.4	1.0	399.9
Current assets												
Inventories	40.7	-	-	-	-	-	-	-	-	-	-	40.7
Trade and other receivables	68.5	-	-	-	-	-	-	-	(16.5)	-	0.1	52.1
Cash and cash equivalents	7.3	-	-	-	-	-	-	-	-	-	-	7.3
	116.5	-	-	-	-	-	-	-	(16.5)	-	0.1	100.1
LIABILITIES												
Current liabilities												
Trade and other payables	(52.9)	-	-	-	-	-	13.6	-	(0.4)	-	-	(39.7)
Current tax liabilities	(3.5)	-	-	-	-	-	-	-	0.1	-	-	(3.4)
Provisions	-	(0.5)	-	-	-	-	-	-	-	-	-	(0.5)
	(56.4)	(0.5)	-	-	-	-	13.6	-	(0.3)	-	-	(43.6)
Net current assets	60.1	(0.5)	-	-	-	-	13.6	-	(16.8)	-	0.1	56.5
Non-current liabilities												
Borrowings	(169.1)	-	-	-	-	-	-	-	-	-	-	(169.1)
Investment in joint ventures	(0.1)	-	-	-	-	-	-	-	-	-	-	(0.1)
Deferred tax liabilities	(18.1)	-	-	-	0.1	-	-	(10.0)	4.9	-	-	(23.1)
Retirement benefit obligations	-	-	-	-	-	-	-	-	(22.5)	-	-	(22.5)
Provisions	(1.1)	0.5	-	-	-	-	-	-	-	-	-	(0.6)
Deferred income	(15.4)	-	15.4	-	-	-	-	-	-	-	-	-
	(203.8)	0.5	15.4	-	0.1	-	-	(10.0)	(17.6)	-	-	(215.4)
Total assets less total liabilities	265.8	-	-	-	0.1	0.0	13.6	(10.0)	(30.0)	0.4	1.1	241.0
SHAREHOLDERS' EQUITY												
Share capital	22.8	-	-	-	-	-	-	-	-	-	-	22.8
Share premium	18.2	-	-	-	-	-	-	-	-	-	-	18.2
Own shares held	(0.0)	-	-	-	-	-	-	-	-	-	-	(0.0)
Revaluation reserve	53.9	-	-	-	-	-	-	-	-	(53.9)	-	-
Other reserves	18.0	-	-	-	-	-	-	-	-	-	-	18.0
Retained earnings	148.5	-	-	-	0.1	0.0	12.1	(10.0)	(30.0)	54.3	1.1	176.1
Total shareholders' equity	261.4	-	-	-	0.1	0.0	12.1	(10.0)	(30.0)	0.4	1.1	235.1
Minority interest	4.4	-	-	-	-	-	1.5	-	-	-	-	5.9
Total equity	265.8	-	-	-	0.1	0.0	13.6	(10.0)	(30.0)	0.4	1.1	241.0

EXPLANATION OF RECONCILING ITEMS BETWEEN UK GAAP AND IFRS

IAS 1 - Presentation of Financial Statements

(a) Share of Results of Joint Ventures and Associated Undertakings

Under UK GAAP, the Group's share of operating results, interest and taxation of equity accounted joint ventures and associates was reported separately within the appropriate sub-total of the Group's profit and loss account. IAS 1 requires the Group to report its post-tax share of results from joint ventures and associated undertakings as single line items at the pre-tax profit level.

(b) Current Liabilities

IAS 1 requires liabilities due to be settled within one year of the balance sheet date to be classified as current liabilities.

At the transition date the Group reclassified £0.4m of amounts reported as provisions for liabilities and charges under UK GAAP into current liabilities under IFRS. This reclassification amounted to £0.5m as at 31st December 2004.

(c) Dividends

Under UK GAAP, the dividend charge was recognised in the profit and loss account whereas, under IFRS, the dividend charge is recognised directly in reserves.

IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance

The Group's accounting policy under UK GAAP was to set up a deferred income balance in respect of capital grants receivable. Releases from deferred income were credited to the profit and loss account over the estimated useful life of the asset to which the grant related. UK company law prohibited setting off such balances against the asset to which the grant related. IAS 20 allows both methods and UK company law has been changed to allow the latter method.

The Group changed its accounting policy under IFRS and with effect from the date of transition such unamortised grants were set against the carrying value of the asset to which they relate. The Group's deferred income balance at 1st January 2004 of £15.9m was set against the carrying value of the associated assets. The appropriate figure offset was £15.4m at 31st December 2004.

IAS 38 - Intangible Assets

Under UK GAAP, the Group accounted for software that is not an integral part of the computer hardware on which it runs as fixed tangible assets. IAS 38 requires that such software is separately identified and is categorised as intangible assets.

The net book value transferred in respect of such assets was £2.3m at 1st January 2004 and £3.5m at 31st December 2004. These figures include assets in the course of completion.

IFRS 2 - Share-based Payment

The Group operates share-based payment schemes under which options or shares are granted to certain employees. Under UK GAAP, the Group recognised an expense in its profit and loss account in relation to shares awarded under its LTIP but no such expense was recognised in respect of the Group Save As You Earn Scheme ("SAYE"). Under IFRS 2 (Share-based Payment), the Group is required to record an expense for all share-based payments granted after 7th November 2002 based on the fair value of those payments as determined at the date of grant. IAS 12 (Income Taxes) has been amended to permit an entity to recognise a deferred tax asset in relation to its share-based payment expense to the extent that it is able to obtain a tax deduction upon exercise of the equity instruments granted.

The Group's charge under UK GAAP for LTIP shares up to 1st January 2004 of £0.3m has been reversed, together with the related deferred tax asset of £0.1m. The charge up to 1st January 2004 under IFRS was calculated at less than £0.1m and the deferred tax asset was £0.1m.

The Group's IFRS 2 charge for the year ended 31st December 2004 was calculated at £0.3m. This charge represented £0.2m for LTIP shares (previously £0.3m under UK GAAP) and £0.1m for the Group's SAYE scheme. The Group recognised a deferred tax asset of £0.3m at 31st December 2004.

IFRS 3 - Business Combinations

IFRS 3 prohibits the amortisation of goodwill and requires positive goodwill to be carried at cost on the balance sheet subject to an initial impairment test at the date of transition and annual reviews for impairment thereafter. Under UK GAAP, the Group's policy was to amortise goodwill over a maximum of 20 years, except for goodwill arising prior to 1999 in which case goodwill was written off immediately against reserves and negative goodwill was included as a capital reserve.

The Group purchased 50% of the issued share capital of Multi-Link Terminals Limited at the end of 2004. Goodwill on this acquisition is not amortised under IFRS. In the results for the year to 31st December 2004, a charge of £23,000 for goodwill was reversed. Under UK GAAP, the annualised charge for goodwill on this acquisition would have been £0.4m.

IAS 10 - Events after the Balance Sheet Date

Under IAS 10, accrued dividends are not recognised unless the amount has been formally approved as at the balance sheet date.

The Group's accrued dividends of £11.0m as at 1st January 2004 and £12.1m as at 31st December 2004 have been reversed in the restated balance sheets. Accrued dividends payable by a Group company to the minority interest equity holder of £1.5m at 1st January 2004 and £1.5m at 31st December 2004 have also been reversed.

IAS 12 - Income Taxes

IAS 12 requires that full provision for deferred tax should be made for all taxable temporary differences where the tax base cost differs from the associated carrying amounts of the assets and liabilities. UK GAAP specified a partial provision approach under which there was no requirement to provide for deferred tax on timing differences which arose on the revaluation of non-monetary assets unless the company had a binding contract to sell the revalued asset and the gain or loss on the disposal had already been recognised. Neither was there a requirement to provide for deferred tax on gains made on the disposal of assets that had subsequently been rolled over into replacement assets.

On transition to IFRS as at 1st January 2004 the Group has booked deferred tax on revaluation gains of £9.0m and on gains rolled over into replacement assets arising from insurance claims of £1.1m.

The Group does not expect the deferred tax provisions made on revalued assets and gains rolled over into replacement assets to crystallise in the near future and expects that cash payable in respect of corporation tax will be similar to that under UK GAAP-derived computations.

IAS 19 - Employee Benefits

Under UK GAAP, the Group accounted for its pension costs in accordance with SSAP 24 (Accounting for Pension Costs). Pension contributions were charged principally at a rate calculated by the Group's actuary to provide, over the expected service lives of current employees, for all retirement benefits related to projected final salaries and wages. The assets and liabilities of the Group's pension schemes were not consolidated in the Group balance sheet.

In addition, the Group complied with the transitional arrangements for the adoption of FRS 17 (Retirement Benefits). This involved showing the Group's pension schemes' assets and liabilities as a note to the accounts, including details of the schemes' actuarial gains and losses to date. The Group would have complied with the progressive requirements for adoption of FRS 17 in the year ending 31st December 2005, which would have included recognising the schemes' deficits in the Group's balance sheet and taking all actuarial gains and losses to reserves. Retrospective adoption of IAS 19 requires that the retirement benefit plan deficits were recognised in the balance sheet of the sponsoring entity at 1st January 2004.

The deferred tax asset recognised in respect of the net liability on the Group pension schemes was recognised as a non-current asset instead of being netted off against the deficit.

IAS 19 also requires that full provision for accrued holiday pay was made at each balance sheet date.

The adoption of IAS 19 increased the current service cost for the year ended 31st December 2004 in respect of pension expense from £4.1m under UK GAAP to £4.6m under IFRS.

Under UK GAAP, the Group had built up substantial SSAP 24 prepayments. On adoption of IFRS at 1st January 2004 pension prepayments of £11.7m were written back and the deferred tax on the prepayment of £3.5m was also reversed. At 31st December 2004 £16.5m was written back less related deferred tax.

By recognising the net liability position on the Group's pension schemes, the Group reported a net liability of £26.7m together with an associated deferred tax asset of £8.0m at 1st January 2004. The figures at 31st December 2004 were a net liability of £22.5m and an associated deferred tax asset of £6.7m.

The requirement to accrue for holiday pay due at 1st January 2004 increased current liabilities by £0.4m less the associated tax effect. The accrual at 31st December 2004 was £0.4m less tax.

The Group also recognised its share of an associated company's pension scheme deficit by reducing its investment in associates by £2.2m at 1st January 2004 and by £2.3m at 31st December 2004.

IAS 40 - Investment Property

Under UK GAAP the Group's accounting policy was in line with SSAP 19 (Accounting for Investment Properties). Such properties were carried at open market value and it was not permitted to carry them at depreciated historical cost. Under IAS 40 an entity can choose whether to carry investment property (with certain exceptions) at either depreciated cost or use a fair value model. If an entity adopts the fair value model, changes in an asset's fair value are recognised as gains or losses in the income statement under IFRS whereas SSAP 19 requires that such movements are to be recognised in the Statement of Total Recognised Gains and Losses unless it is a permanent deficit (or the reversal thereof) in which case it is recognised in the profit and loss account.

The Group reclassified tenanted land and buildings held under UK GAAP as investment property under IFRS. Under UK GAAP the Group revalued its tenanted land and buildings on a five year programme (with an interim valuation after three years). The Group carried out an interim revaluation on its tenanted land and buildings and investment property at 31st December 2003. Tenanted buildings were depreciated on their revalued amount over the expected remaining useful life of the building.

The fair value model has been adopted for all investment property. The Group reclassified its assets held as tenanted land and buildings under UK GAAP as investment property under IFRS. The assets transferred had a net book value of £108.4m under UK GAAP. Depreciation charged on revalued tenanted buildings of £0.4m for the year ended 31st December 2004 was reversed. The appropriate entries to move revaluation surplus on the Group's investment property and tenanted land and buildings from revaluation reserve to retained earnings were made.

The Group's share of a temporary revaluation deficit in a joint venture company of £7.3m as at 1st January 2004 was taken to revaluation reserve under UK GAAP. This was transferred to retained earnings to comply with the IFRS treatment.

The Group's share of a joint venture company's revaluation uplift of its investment property as at 31st December 2004 amounting to £12.3m was reported within the income statement. The Group does not consider that there was a material movement in the valuation of its other investment property between 1st January 2004 and 31st December 2004.

SIC 15 - Operating Leases - Incentives

Under UK GAAP the Group complied with UITF 28 - Operating Lease Incentives which required lease incentives to be spread over the shorter of the lease term and the period to the first rent review. However, SIC 15 requires the same treatment for all incentives for the agreement of a new or renewed operating lease, regardless of their form or cash flow effect. The incentives are recognised as a reduction of the rental income over the entire lease term on a straight-line basis, 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.

There was a small increase of £0.1m to the Group's retained profit as at 1st January 2004. The effect on results was to decrease Group profit by £40,000 in the year to 31st December 2004 (tax effect immaterial). There was also an increase in a joint venture company's retained earnings of £0.7m and £1.0m at 1st January and 31st December 2004 respectively with the movement of £0.3m for 31st December 2004 being included in the income statement under share of results of joint ventures. There was no tax effect resulting from these adjustments as the joint venture company had unutilised tax losses.

Cash Flow Statement

The only differences to the Group Cash Flow Statement as a result of the adoption of IFRS were presentational. Accordingly, no table of these adjustments has been reprinted.

Reconciliation between IFRS and UK GAAP

The comparative financial information for 2004 as presented in these financial statements was previously reported under UK GAAP and has since been restated to comply with IFRS subsequent to the transition to IFRS on 1st January 2004. On 12th August 2005, the Group published detailed reconciliations of the restatements together with the Group's accounting policies. This information is also available on the Group's website www.forthports.co.uk.

Since the publication of this information the Group has completed the restatement of its 2004 financial statements, which has resulted in an adjustment to Minority Interest and Payables due within one year of £1.5m at 1st January 2004 and 31st December 2004 to comply with the provisions of IAS 10. The Group has since then also received information on the effect of transition to IFRS from one of its associated companies. This has resulted in an adjustment to reflect the Group's share of the deficit on the associate's defined benefit pension scheme of £2.2m at 1st January 2004 and £2.3m at 31st December 2004 net of deferred tax. An adjustment has been made to reflect the Group's share of the associate's cash flow hedge reserve of £0.1m at 1st January 2005. Following clarification of the taxation treatment of the revaluation of investment property, the Group has increased its deferred tax provision by £1.3m at 1st January 2004.

**CONSOLIDATED BALANCE SHEET RECONCILIATION OF BALANCES
FROM 31ST DECEMBER 2004 TO 1ST JANUARY 2005**

	As at 31.12.04 £m	IAS 32 and 39 adjustments £m	As at 1.1.05 £m
ASSETS			
Non-current assets			
Property, plant and equipment	193.8	-	193.8
Investment property	109.5	-	109.5
Intangible assets	3.5	-	3.5
Investment in joint ventures	16.1	9.5	25.6
Investment in associates	3.4	(0.1)	3.3
Trade and other receivables	66.9	(15.3)	51.6
Deferred tax assets	6.7	-	6.7
	399.9	(5.9)	394.0
Current assets			
Inventories	40.7	-	40.7
Trade and other receivables	52.1	(0.9)	51.2
Cash and cash equivalents	7.3	-	7.3
	100.1	(0.9)	99.2
LIABILITIES			
Current liabilities			
Trade and other payables	(39.7)	-	(39.7)
Current tax liabilities	(3.4)	1.5	(1.9)
Borrowings	(0.0)	-	(0.0)
Provisions	(0.5)	-	(0.5)
	(43.6)	1.5	(42.1)
Net current assets			
	56.5	0.6	57.1
Non-current liabilities			
Borrowings	(169.1)	-	(169.1)
Investment in joint ventures	(0.1)	-	(0.1)
Deferred tax liabilities	(23.1)	-	(23.1)
Retirement benefit obligations	(22.5)	-	(22.5)
Provisions	(0.6)	-	(0.6)
	(215.4)	-	(215.4)
Total assets less total liabilities			
	241.0	(5.3)	235.7
SHAREHOLDERS' EQUITY			
Share capital	22.8	-	22.8
Share premium	18.2	-	18.2
Own shares held	(0.0)	-	(0.0)
Fair value and other reserves	18.0	(1.8)	16.2
Retained earnings	176.1	(3.2)	172.9
Total shareholders' equity	235.1	(5.0)	230.1
Minority interest	5.9	(0.3)	5.6
Total equity			
	241.0	(5.3)	235.7

IAS 32 AND IAS 39 ADJUSTMENTS

Investment in joint ventures

Ocean Terminal Limited is one of the Group's joint venture companies. Under IAS 32 and IAS 39, the Company is obliged to value its ZCLS at amortised cost. As a result, the Group's share of its investment in joint ventures has increased by £11.2m at 1st January 2005, with a corresponding increase to retained earnings. The difference between the historic cost and amortised cost of the ZCLS, being the effective interest on the loans, is recognised as a finance cost in the joint venture company's Income Statement over the period up to which the loan is repaid, and will be part of the Group's share of results of joint ventures.

Ocean Terminal also has an interest rate swap that is used to hedge against interest rate fluctuations. Under IAS 32 and IAS 39 the Company must record the swap at fair value. The Group has reduced the value of its investment in joint ventures by £1.7m and has set up a cash flow hedge reserve in the same amount. Future movements in the fair value of this hedge will flow through the SORIE.

Investment in associates

Since the publication of the balance sheet reconciliation from 31st December 2004 to 1st January 2005, the Group has received information on the effect of IAS 32 and IAS 39 from one of its associated companies. TCS has an interest rate swap that is used to hedge against interest rate fluctuations. Under IAS 32 and IAS 39 the associate must record the swap at fair value. The Group has reduced the value of its investment in associates by £0.1m and has recognised the same amount in its cash flow hedge reserve. Further movements in the fair value of this hedge will flow through the SORIE.

Trade and other receivables

The Group must record its long-term receivables at amortised cost under IAS 32 and IAS 39. At 1st January 2005, the Group has reduced the value of such receivables by £5.0m and retained earnings have been reduced by the same amount. Non-current assets have been reduced by £4.1m and current assets by £0.9m. The difference between historic cost and amortised cost, being the effective interest on the long-term receivables, is recognised in finance income over the period up to which the trade receivable is settled.

Since publication of the balance sheet reconciliation from 31st December 2004 to 1st January 2005, the taxation treatment of such adjustments has been clarified and accordingly the Group has reduced its current tax liabilities by £1.5m. The minority interest share of the IAS 32 and IAS 39 adjustments has been allocated accordingly.

The Group has also reduced the ZCLS it holds in Ocean Terminal Limited to amortised cost. This has reduced the value of trade and other receivables by £11.2m with a corresponding reduction in retained earnings. The difference between historic cost and amortised cost, being the effective interest on the ZCLS, is recognised in finance income over the period up to which the ZCLS is repaid.