

# FORTH PORTS PLC



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## *Press Information*

17<sup>th</sup> March 2008

### RESULTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2007

#### **Financial Highlights**

- Group revenue up 7% to £165m (2006 - £153.6m)
- Group EBITDA up 5% to £51.7m (2006 - £49.2m)
- Underlying\* port operating profit up 13% to £38.7m (2006 - £34.1m)
- Reported profit before tax - £32.3m (2006 - £55.6m) \*\*
- Underlying\* earnings per share – 46.1p (2006 – 47p)
- Reported basic earnings per share – 55.3p (2006 - 90.5p) \*\*
- 5.8% increase in final dividend to 31.95p (2006 – 30.2p)

#### **Operational Highlights**

##### **Ports**

- Strong performance from ports – underlying operating profit up 13%
- Hound Point tonnages up 32% to 22.6 million tonnes
- Tonnage increase and Olympic related demand at Tilbury
- New customer contracts for Tilbury and Scotland
- Acquisition of Nordic Group earnings positive

##### **Property**

- Increase in value of development assets to £282m (2006 - £277m)
- Calculation of Worth increased to £408m (2006 - £402m)
- Leith Docks outline planning application submitted on schedule
- Hub masterplanning on target for first half 2008
- Tram funding to link Edinburgh City Centre and Waterfront confirmed

##### **Other**

- Renewable energy initiatives
- Strong project pipeline

\* Underlying figures exclude the impact of revaluation of investment properties, gain on disposal of joint venture (2006), one-off costs and amortisation costs arising from acquisition where appropriate.

\*\* The reported figures include non-trading adjustments and one-off costs. These figures also include the comparator effect of the Group's decision not to carry out property disposals in 2007.

**Outlook**

**Charles Hammond, Group Chief Executive, said:**

“2007 has been a very good year for the Group, with a strong underlying performance in ports and the successful achievement of milestones in property. The updated valuation demonstrates the resilience of the value of the Group’s property assets, even in a more uncertain commercial and residential property environment. With strong underlying demand in ports and a clear roadmap for the development of our property assets, we remain well placed to deliver further growth and value for shareholders.”

**Enquiries:**

Charles Hammond, Group Chief Executive Wilson Murray, Group Finance Director	Forth Ports PLC	Tel: 0207 404 5959 on 17.3.08 Thereafter 0131 555 8700
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**Notes to Editors:**

Forth Ports PLC owns and operates seven commercial ports in the UK – Tilbury on the Thames, Dundee in the Firth of Tay and five in the Firth of Forth – Leith, Grangemouth, Rosyth, Methil and Burntisland. We also operate out of Chatham in Kent under the Nordic banner.

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

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

## ***Chairman and Group Chief Executive's Report***

2007 was a successful year for Forth Ports. The underlying financial performance of the ports division at operating profit level increased by 13%. Yet again, the quality of our assets resulted in an increase in the value of our port investment properties. We acquired the Nordic Group of companies ("Nordic") on 29<sup>th</sup> June for £46m. The property division met all of its principal milestones and drove forward its development plans for the Waterfront. It also produced an increase in the annual independent valuation of our development assets. In all areas of our business, we are well placed to deliver further growth and value for our shareholders.

### **Financial**

Group revenue increased by 7% to £165m (2006 - £153.6m). Group EBITDA\* increased by 5% to £51.7m and underlying port operating profit grew strongly by 13% to £38.7m (2006 - £34.1m). The profit before tax amounted to £32.3m (2006 - £55.6m) after taking account of a lower revaluation surplus, no gain from the sale of a joint venture and our share of a reduction in the valuation of the Ocean Terminal Shopping Centre. The underlying profit before tax reduced to £27.6m (2006 - £30.4m), reflecting the reduction from the contribution by the property division where there was an underlying operating loss of £1.3m compared with an underlying operating profit of £4.2m in 2006 (see Note 14 for the definition of "underlying"). Profit after tax amounted to £24.9m (2006 - £41.1m) and included the benefit of a reduction in the deferred tax liability of £2.7m arising from the forthcoming change in the rate of corporation tax. Basic earnings per share amounted to 55.3p (2006 - 90.5p). Underlying earnings per share amounted to 46.1p (2006 - 47p).

### **Dividend**

The Directors propose a final dividend up 5.8% at 31.95p per share giving a total dividend for the year of 47.7p per share. This is an increase of 5.5% for the full year and is in line with the Board's policy of pursuing real levels of dividend per share growth. If approved by the shareholders at the Annual General Meeting, the final dividend will be paid on 9<sup>th</sup> May 2008 to all shareholders on the register as at 11<sup>th</sup> April 2008.

### **Ports**

The ports business performed strongly, with the ports underlying EBITDA increasing to £53.0m (2006 - £46.8m). Both Tilbury and Scotland contributed to the strong financial performance through a mix of increasing volumes and operating efficiencies. After the disappointing performance from liquid bulks in 2006, there was a strong turnaround at Hound Point which increased its throughput by 32%.

Tilbury continues to receive requests from customers for more facilities, particularly in relation to the forthcoming London Olympics. While it has been possible to move customers around the port to provide space for additional business up to now, this has become more challenging. We took the opportunity, therefore, to acquire 65 acres of land just outside the port which we expect to be able to develop for port use in the medium term.

At Grangemouth, there was a good performance from the container business which, after a slow start in the first half of the year, increased its overall volumes marginally. However, the new working patterns, together with our investment in modern craneage and straddle carriers, resulted in a strong financial performance.

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\* Earnings before interest, tax, depreciation and amortisation

The Nordic acquisition was earnings positive in its first six months. The Tilbury Materials Recycling Facility (“MRF”) was commissioned in October and met its performance specification.

The value of our port investment properties increased to £178.8m from £161.8m last year which reflects a modest increase in Scotland and a large increase at Tilbury.

Our ports business has a secure, growing revenue base with a breadth of different commodities which offer a variety of investment opportunities.

## **Property**

As stated in our pre-close trading statement, two plots for affordable housing were offered for sale in 2007 which contributed cash towards our infrastructure costs. As a result, the property division recorded an underlying operating loss of £1.3m in 2007 compared with an underlying operating profit of £4.2m in 2006 when two development sites were sold.

The Market Value of the property development assets (as defined in Note 14) amounted to £282m at 31<sup>st</sup> December 2007 an increase of 3% compared with £275m on a like for like basis; the Calculation of Worth (as defined in Note 14) at the end of 2007 amounted to £408m compared with £402m in 2006. The above figures incorporate the Group’s share (£7.7m) of the Ocean Terminal valuation reduction and reflect positively on the work carried out throughout the year to manage the development infrastructure spend and future profile through a combination of greater cost certainty and value engineering together with progress in achieving key milestones. The key aspects of this were:

- Remasterplanning the residential content at Western Harbour
- Progress and control of infrastructure spend
- Submission of the Outline Planning Application (“OPA”) documentation for Leith Docks
- Confirmation of funding for the Tram

We were pleased to show the First Minister Alex Salmond round our waterfront sites at the end of February 2008. We believe that there is much that the Scottish Government, City of Edinburgh Council (“CEC”) and Forth Ports can do together to provide a world class waterfront for Edinburgh.

## **Renewable Energy**

We have been examining ways in which we can exploit our asset base further in creating energy generation and distribution opportunities from renewable sources. Having completed a desk top study covering energy from waste/bio-products and onshore and offshore wind opportunities, we now intend to examine those potentially significant opportunities in more detail with an experienced partner.

## **Prospects**

During 2007, we instituted a formal project list for capital expenditure projects throughout the Group to help assess the likely capital requirements over the next few years. The project stack for ports covers many projects which total over £50m of potential spend. Although not all the projects will come to fruition, we are encouraged by their number and variety which should form the foundation of future investment growth. With improved returns from existing investments, returns from future investments and further operating efficiencies, we believe that there are good growth prospects in the ports business.

In property, the milestones have been set to achieve planning approvals for the Hub and Leith Docks over the course of the next few years whilst, at the same time, laying down the infrastructure for the further development of Western Harbour and Granton. The timescale is long but the rewards for shareholders are significant and continued progress should result in growth in value.

Trading for the first two months is well ahead of last year. The Board looks forward with confidence to an improved operating performance in 2008.

Christopher Collins  
CHAIRMAN

Charles Hammond  
GROUP CHIEF EXECUTIVE

17<sup>th</sup> March 2008

## ***Business Review***

### **GROUP**

Forth Ports performed strongly in 2007, delivering growth in all four key financial performance indicators:

- Growth in underlying port operating profits
- Growth in the value of property assets
- Growth in the value of the port assets
- Growth in dividend per share

Group revenue increased to £165m from £153.6m in 2006. Port revenue increased by 14% to £159.5m (2006 - £140.3m). Property revenue amounted to £5.5m compared with £13.3m in 2006.

The underlying port operating profit amounted to £38.7m compared with £34.1m in 2006, an increase of 13%. The revaluation increase in the port investment properties amounted to £12.2m compared with £23.8m last year.

With no commercial plot sales in 2007 compared with two in 2006, the underlying property operating loss amounted to £1.3m (2006 – underlying operating profit of £4.2m).

Good progress has been made with the integration of the Nordic Group (“Nordic”) since its acquisition in June 2007.

### **Ports**

The total volume of traffic through the ports division increased by 12% to reach 46.3 million tonnes in 2007 compared with 41.3 million tonnes in 2006. Dry cargo tonnages amounted to 14.2 million tonnes (2006 – 14.5 million tonnes). Liquid bulk tonnages increased to 32.1 million tonnes, an increase of 20% over the previous year.

At the end of 2007, the Directors valued the Group’s port investment properties at £178.8m compared with £161.8m in 2006. The Tilbury port investment properties benefited from an increase in the underlying rent per acre combined with an improvement in the yield reflecting the underlying demand and scarcity of land.

#### Tilbury

There was a strong financial performance from the business at Tilbury with throughput up 4% at 8.3 million tonnes; volumes grew across a range of commodities and sectors. Ro-ro traffic achieved 42,000 units moved during 2007 of which over 18,000 units were moved in the second half of 2007 compared with 13,000 in the second half of 2006. Grain tonnages were up over 10% at 648,000 tonnes with a positive change in the mix which favoured imports. Short sea container volumes were up by 5% at 152,900 units.

Good progress has been made by Cemex on its new blending and milling facility which should be operational in the second half of 2008. We have also reached agreement with Cemex to provide an additional land area for the project on a long-term basis.

During 2007, the port was heavily involved in presentations to various parties on the benefits of using Tilbury as a multi-modal distribution hub for the Olympic games. In January 2008, it was announced that the port had been shortlisted to tender for the East London Logistics Centre for the Olympics. Independently of this, Tilbury received a number of enquiries from existing and potential customers interested in utilising Tilbury's geographical location for the supply and distribution of construction materials to the Olympic site. This resulted in a number of new and restructured contracts. As part of this, Hughes Associates/Green Barge have established a dedicated barging service to the site.

At the end of December, the port submitted a planning application to erect four large wind turbines within the port to provide electricity for its own and third party use as part of our drive to lower our carbon energy footprint. The planning process is expected to take several months.

Prior to the year end, we exchanged contracts for the purchase of 65 acres of land just outside the port. Although this land is currently designated as greenbelt, a significant proportion of it is zoned for industrial use in the draft Thurrock Local Development Plan ("TLDP"). This transaction was completed in February 2008.

Work has also progressed on a mixed-use regeneration Scheme around the cruise liner landing stage at Tilbury. This project should gain more momentum during the course of 2008 when we intend to select a development partner. It is also to be included in the TLDP.

Tilbury Green Power, on behalf of one of our port tenants, Cargill, has submitted a planning application to the Thurrock and Thames Gateway Development Corporation to build a waste to energy plant within the Port. Extensive public consultation has already been carried out. It is expected that it may take up to two years to go through the planning process.

Tilbury Container Services Limited ("TCS") contributed an operating profit of £3.7m to the Group compared with £3.2m in 2006. Container volumes increased by 8% to reach over 306,500 boxes. TCS has benefited from winning new business including the EPIC 2 service (Pakistan/India) and further business for Hapag Lloyd/Hamburg Sud (Trident service). It also won temporary business from another port due to congestion at that port. In February 2008, a new Far Eastern service operated by ZIM Lines started which will increase the volume significantly this year.

### Nordic Group

Following the acquisition of Nordic at the end of June 2007 at a cost of £46m, the second half of the year has seen the integration of that business into Forth Ports. The financial performance of Nordic is in line with the plan at the time of acquisition. The Group's knowledge base has assisted in improving traffic flows and productivity within the Forest Products Terminal at Chatham and also in the completion of the commissioning process of the new MRF at Tilbury. The MRF, which has increased Nordic's recycling capacity by over 50%, became operational in October 2007 and had already, by January 2008, started a two shift system with the resulting processed waste being exported. This capital expenditure was undertaken with the benefit of a long-term contract with Holmen of Sweden, a large paper customer at Chatham.

Nordic has made a small investment in a recycling joint venture in Lincoln which could result in another MRF being built, subject to planning approval. In addition, Nordic is looking at the best location for a MRF at one of our Scottish Ports. Nordic has a number of opportunities for expansion and growth within the Group.

## Scottish Ports and Marine

The business in Scotland produced a strong growth in operating profit in 2007. Grangemouth benefited from the new working arrangements and new container equipment. Volumes increased by nearly one third at Hound Point with a full year's throughput from the Buzzard Field. Braefoot Bay tonnages, as expected, were down marginally.

It was announced during 2007 that the Mossmoran petrochemical complex which services the Braefoot Bay Terminal was to be upgraded to accommodate product from the new Norwegian wet gas deal signed between the UK and Norway. This should enable volumes through Braefoot Bay to remain at or around the 3 million tonne level for many years.

We announced in February that we were not proceeding with an application for ship-to-ship (STS) oil transfers in the Firth of Forth. An Appropriate Assessment exercise was prepared which was one of the most thorough and comprehensive ever carried out and demonstrated that STS is feasible in the Firth of Forth and could be undertaken without any adverse impact on the integrity of the environment, a paramount factor in any such exercise. However, given the uncertainty surrounding the scope of the proposed project, we decided that this application was not in the best interests of the Company and its shareholders.

## Grangemouth

After a weak first half in which container volumes declined by 4%, the second half of the year saw an increase in container volumes of 5% giving an overall 1% increase in the year to reach 141,300 boxes. The service levels throughout the year were excellent and the financial performance of the Terminal improved significantly. One new service was started towards the end of the year between Grangemouth and the Continent bringing to 14 the total number of sailings weekly.

We have assisted INEOS in their plans to create a new biodiesel facility at their Grangemouth operation. Commercial terms have been agreed and planning consent for the development has been granted. A decision by INEOS to proceed is awaited.

We are in discussions with a customer who is looking to provide a new warehouse facility for the whisky industry at Grangemouth.

Dry cargo through Grangemouth was marginally lower than in 2006 with reductions in timber, paper and pulp and iron and steel. After a period of destocking during 2007, Vallourec Mannesman are hopeful that imports will improve in 2008.

As part of a Scottish dry cargo review, the Board has agreed to the purchase of four hydraulic handling machines at a cost of £3.1m which will improve the productivity and overall efficiency of our bulk handling operations. Delivery of these machines will commence in July and they should be fully commissioned by the end of 2008.

## Leith

The total throughput amounted to 2 million tonnes which was approximately 13% less than that handled in 2006. Coal tonnages amounted to 1.3 million tonnes, the same as in 2006. We have recently signed a new three year contract with Scottish Power to supply its Cockenzie Power Station. As expected, steel pipe and iron ore tonnages from Bredero Shaw were negligible in 2007 compared with 300,000 tonnes in 2006. Grain tonnages were marginally down. Cement imports were ahead of last year, however, there were little or no cement exports which resulted in total cement traffic declining by 20% to 218,000 tonnes.

Further work was carried out on the proposed cruise liner berth which will require public sector funding but would provide significant additional income from tourism for Edinburgh and Scotland.

## Dundee

Although overall tonnage at Dundee reduced from 1.2 million tonnes to 1 million tonnes, the port performed well financially. Timber tonnages increased by over 50% to reach 66,000 tonnes. Agripod/agricultural commodities were marginally up on last year. A new five year grain drying contract was concluded with J. P. Simpson of Berwick which involved the purchase of a new grain drier and associated facilities. Dundee is well placed to take advantage of increased market opportunities in agriculture and value added facilities for the distilling and brewing industries.

This year, a 60 acre site at the east end of the port is being released and marketed in partnership with Dundee City Council as one of Scotland's leading renewable energy facilities. We are in discussions with two potential tenants for most of this area. One possible customer is looking for a renewable energy project and the other is looking to utilise an existing inter-connector site within the port for the production of electricity.

## Rosyth and Fife Ports

Tonnage through Rosyth and the Fife Ports amounted to 0.6 million tonnes last year, with coal, timber and plasterboard being the main imports. Coal traffic ceased at Rosyth in March 2007. Good cost control and improved ancillary revenue contributed to an improving financial position at the ports.

We have agreed terms, in principle, to lease Oceaneering Multiflex UK an additional 16 acres at the port of Rosyth for a fifteen year period. This will not only bring in additional business through the port but will also increase employment and add value to the port which will have created over 1,000 jobs since 1995.

## **Property**

The milestones set for the property team for 2007 were achieved. The outline planning application ("OPA") for Leith Docks was submitted in September 2007 and the masterplan for the Hub is currently on schedule to be submitted as an OPA in the first half of 2008. A substantial amount of work has gone into the preparation of these two projects. Infrastructure works have been progressed at Western Harbour with the infill of the site well ahead of programme. In addition, confirmation that the tram project in Edinburgh is to proceed enabled the initial diversion of utilities to take place in and around the dock estate. This was achieved with considerable assistance and good co-operation between Transport Initiatives Edinburgh ("Tie"), the tram developer, and members of our property team.

Following confirmation of funding for the tram by the Scottish Parliament, the second half of the year saw the initial utilities diversion works being carried out along part of the dock estate. This should be completed during 2008. An agreement has been reached to release land and forward fund road diversion works with Tie which should enhance the development of the Hub.

The OPA for the Leith Docks Planning Application was submitted to the City of Edinburgh Council ("CEC") on 4<sup>th</sup> September. The interim statement, sent out in September 2007, detailed the masterplan content. Since then, there has been a constructive dialogue with the planning officials on the OPA and it is hoped that a positive recommendation will go before the Planning Committee in the first half of 2008.

The proposed masterplan for the Hub, which incorporates two "villages" around the Ocean Terminal Shopping Centre in the areas known as Waterfront Plaza and Britannia Quay, has been further refined by RTKL, the masterplanning architects. This masterplan has recently been considered by the Board with a view to its submission as a planning application in the first half of 2008 which is in line with the milestones set for this year.

During 2007, two plots were sold for social housing at Western Harbour. As a result, we are now well in advance of our obligation to provide affordable housing plots under the Section 75 Agreement.

Within Western Harbour, infrastructure works around the new Southgate Junction have taken place with the completion of roads, utilities and street lighting. The surcharging of the ground for the crescent road around the park is well advanced. Large quantities of demolished material are being brought on to site during the first half of 2008 to complete the reclamation which is significantly ahead of programme.

A new revision to the masterplan at Western Harbour is being taken forward to change the mix of the residential development to give more townhouses and fewer flats in keeping with current market demands. Further land areas around Western Harbour are being considered for reclamation.

At Newhaven, the refurbishment of the listed building was completed earlier in 2007. The first two units were let to Loch Fyne Restaurants and the third unit has recently been let to Prezzo PLC, for an Italian restaurant.

In common with the property sector generally, the value of the Ocean Terminal Shopping Centre at 31<sup>st</sup> December 2007 declined, with a market value of £130m gross. This was a reduction of nearly 11% in value of which the Group's share was £7.7m. Rental income grew and the valuation adjustment was solely as a result of a shift in yields reflecting general market conditions. Several new tenants commenced trading during 2007 and tenant interest remains strong.

During the year we completed a major marketing study which has helped inform us on the way forward for Ocean Terminal. With the benefit of a tram stop outside the main entrance of Ocean Terminal from 2011, we are now close to concluding our review of the different options to create a new entrance and to reconfigure parts of the building internally. This will result in a planning application being submitted in the first half of this year. It is encouraging that we now have a high level of interest in some of the larger units on the top floor of Ocean Terminal for retail use.

Some time ago we submitted a revised masterplan for Granton to allow for a greater mix of townhouses rather than flats. In tandem with these discussions, CEC has aspirations for a wide boardwalk stretching from Cramond in the West to Portobello in the East. Whilst the Group is supportive of the concept, there are many details which require to be resolved by both parties. As a result, the revised masterplan is now expected to be concluded late in 2008.

The Company is delighted to announce that it has formed a joint venture with Applecross Properties Limited, a leading Edinburgh developer, to construct up to 179 units on four plots at Western Harbour. It is hoped that planning approval will be granted this year with a commencement on site before the end of the year. The development will be a statement of quality which will set the tone for the remainder of the development.

## Renewable Energy

We have been examining how we can exploit our asset base further in creating energy generation and distribution opportunities from renewable sources. Within the ports of Tilbury and Leith, we already have major electrical ring mains as part of our utility infrastructure which provide electricity not just for port usage but also for our tenants. We engaged a consultancy firm to carry out a renewable energy desk top study to look at the generation of green energy for self consumption and for commercial sale; this study confirmed the commercial viability of the following opportunities:-

1. Energy from waste/bio-products.
2. Onshore wind.
3. Offshore wind.

We have established a project team to examine these commercial opportunities in more detail with an experienced partner. Work carried out to date indicates that this initiative has major potential for the Group.

At Tilbury, we have submitted a planning application for onshore wind energy which can easily be applied to Scotland, both onshore and offshore. Through various approaches at Tilbury and Scotland, we are aware of various proposals for the generation of power. We are in a unique position to carry forward a variety of renewable energy projects as part of the broad portfolio of opportunities in our ongoing business.

## Finance

Group revenue amounted to £165m (2006 - £153.6m). Group operating profit amounted to £49.8m (2006 - £60.6m). Within these figures the operating profit from the ports division amounted to £50.5m compared with £56.1m in 2006. The underlying port operating profit amounted to £38.7m (2006 - £34.1m) as shown below:-

	2007 £m	2006 £m
Underlying port operating profit	38.7	34.1
Adjusted for:-		
investment property revaluation	12.2	23.8
one-off items	(0.0)	(1.8)
Amortisation arising from acquisition	<u>(0.4)</u>	<u>—</u>
Total	<u>50.5</u>	<u>56.1</u>

## Taxation

The effective rate of tax for the Group for the year was 18.7% compared with 25.6% in 2006, excluding joint ventures and associates. As reported in the Interim Statement, the rate is lower than the standard rate of corporation tax because it incorporates the effect on the Group's deferred tax liability position of the change in the rate in corporation tax from 30% to 28% with effect from 1<sup>st</sup> April 2008. The net effect of this change amounted to a credit of £2.7m in the Income Statement.

The Chancellor of the Exchequer also announced his intention to withdraw Industrial Buildings Allowances progressively over the next three years. If this measure is approved by Parliament in 2008, then the Group's deferred tax liability will increase by £26.3m. This charge to the Income Statement will be reflected in the 2008 accounts as and when the legislation is substantially enacted. As this increase in liability relates to long life assets which are unlikely to be sold, there should be no major cash effect from this change although it will increase the cash tax paid to HM Revenue & Customs by approximately £2.0m annually.

## Cash Flow

The Group operating Cash Flow amounted to £65.8m (2006 - £40.4m). The property debtors contributed £22.4m towards the cash inflow during 2007 leaving £14.0m to be collected.

Capital expenditure spend in 2007 amounted to £13.4m compared with over £20m in 2006. Just under 50% of the 2007 spend related to investment expenditure, the balance being stay in business expenditure. The major items of capital expenditure incurred during the year related to paving and infrastructure works (£2.3m), completion of the MRF (£1.1m), work on an additional area for the Ro Ro facility (£1.7m) and continuation of the works for the Cemex facility (£1.6m) all of which were at Tilbury. In Scotland, a new grain drier was commissioned at a cost of £0.5m and further works carried out on the Container Compound at Grangemouth (£0.6m).

A net sum of £26.3m was paid to acquire Nordic. A further £13.9m was used to repay its borrowings and £4.2m to repay the loan notes issued on acquisition.

## Pension Scheme

The gross actuarial deficit within The Forth Ports Group Pension Scheme (“the Scheme”) amounted to £0.5m compared with £18.1m at 31<sup>st</sup> December 2006. The reduction in the deficit reflects an improvement in the discount rate used to calculate the liabilities, increased payments made into the Scheme by the Group together with a good investment return on the assets. During the year, one of the Fund Managers was replaced by Lazard Asset Management (“LAM”). The funds held by the previous Fund Manager were distributed approximately 50% to LAM and 50% to Legal & General. Overall, the allocation of the assets has not changed from the prior year with approximately 60% of the assets being invested in equities and 40% in Government gilts/corporate bonds.

The total cash payments made by the Group into the Scheme amounted to £9.5m (2006 - £9.5m). This payment included the second of three additional special payments of £3m which the Group agreed to pay in over the period 2006-2008. The cash rate contribution by the Company to the Scheme remained at 21.9% of pensionable salaries together with the additional special payment. The triennial valuation of the Scheme will take place as at 5<sup>th</sup> April 2008.

## Debt and Gearing

The Company has 45.6 million shares in issue with a nominal value of 50p per share. During the year, 53,620 shares were issued as part of the acquisition of Nordic. The net debt at 31<sup>st</sup> December 2007 amounted to £205.5m (2006 - £176.6m); this net debt has increased principally as a result of the Nordic acquisition. The level of gearing as measured by total net debt divided by total shareholders’ equity amounted to 70% compared with 65% at 31<sup>st</sup> December 2006.

The Company has committed banking facilities of £250m (2006 - £250m). £125m is covered by a ten year term loan taken out in 2004. Repayments commence in June 2010 and continue until the loan is repaid in 2014. The Company also has a revolving credit facility for £100m (2006 - £100m) which is due for repayment in 2009. The balance of the facility is a £25m working capital facility. The bank funding is on an unsecured basis. The banking covenants cover tangible net worth, gearing and interest cover. The Company is well within the covenanted ratios. Should the Group, for any reason, refinance its borrowings with another financial institution then the bank has the right to demand a pre-payment fee equal to 1% of the amount prepaid and/or cancelled.

The Group’s business is not particularly seasonal in nature, however, its cashflow requirements may be affected by the timing of major capital expenditure projects and the receipt of cash from property sales. In 2007, the peak borrowing requirement (net of cash) was £213m in June with a minimum requirement of £154m in April.

## Property Valuations

At the end of the year, DTZ carried out its annual valuation of the Group's property development assets which produced a Market Value at 31<sup>st</sup> December 2007 of £282m. Separately, the Directors, on advice from Bidwells, valued the Group's investment properties at £182.9m, an increase of £18.8m since 31<sup>st</sup> December 2006. The investment properties largely comprise port related properties located within the dock estate.

***Consolidated Income Statement***  
***For the Year ended 31st December 2007***

	Notes	2007 £m	2006 £m
<b>Group revenue</b>	2	165.0	153.6
Cost of sales	3	(102.6)	(95.3)
<b>Gross profit</b>		62.4	58.3
Administrative expenses	3	(25.4)	(21.8)
Other income	4	12.8	24.1
<b>Group operating profit</b>	2	49.8	60.6
Finance income	2,6	3.1	3.4
Finance costs	2,7	(13.4)	(11.6)
Share of results of joint ventures	2	(9.7)	(3.0)
Gain on disposal of investment in joint venture	2,5	-	4.2
Share of results of associates	2	2.5	2.0
<b>Profit before tax</b>	3	32.3	55.6
Taxation		(7.4)	(14.5)
<b>Profit for the year</b>	2,10	24.9	41.1
(Loss)/profit attributable to minority interest		(0.2)	0.1
Profit attributable to equity shareholders		25.1	41.0
		24.9	41.1
<b>Earnings per share</b>			
Basic earnings per share	9	55.3p	90.5p
Diluted earnings per share	9	54.9p	89.9p

All activities relate to continuing activities.

***Consolidated Statement of Recognised Income and Expense  
For the Year ended 31st December 2007***

	Notes	2007 £m	2006 £m
Share of joint venture's movement on cash flow hedge	10	0.2	1.0
Share of associate's movement on cash flow hedge	10	0.0	0.1
Revaluation of investment property transferred from operational land and buildings	10	5.7	-
Deferred tax on revaluation	10	(1.1)	-
Actuarial gain in defined benefit pension scheme	10	12.6	14.0
Deferred tax on actuarial gain	10	(3.5)	(4.2)
Effect of tax rate change for deferred tax on actuarial gain	10	(0.6)	-
Share of associate's actuarial (loss)/gain in defined benefit pension scheme	10	(0.3)	1.0
Deferred tax on associate's actuarial (loss)/gain	10	0.1	(0.3)
Effect of tax rate change for deferred tax on associate's actuarial (loss)/gain	10	(0.0)	-
<hr/>			
Income recognised directly in equity		13.1	11.6
Profit for the year	10	24.9	41.1
<hr/>			
Total recognised income for the year	10	38.0	52.7
<hr/>			
<b>Attributable to:</b>			
Minority interest	10	(0.2)	0.1
Equity shareholders	10	38.2	52.6
<hr/>			
		38.0	52.7
<hr/>			

## *Consolidated Balance Sheet*

### *At 31st December 2007*

	Notes	2007 £m	2006 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		223.1	213.3
Investment property		182.9	164.1
Intangible assets		41.6	3.7
Investment in joint ventures		0.0	9.5
Investment in associates		9.3	7.7
Trade and other receivables		21.3	20.0
Deferred tax assets		0.1	5.4
		478.3	423.7
<b>Current assets</b>			
Inventories		50.7	43.2
Trade and other receivables		47.9	65.9
Cash and cash equivalents		7.3	4.9
		105.9	114.0
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		(27.4)	(20.3)
Current tax liabilities		(3.3)	-
Borrowings		(0.1)	(0.0)
Provisions		(1.2)	(0.9)
		(32.0)	(21.2)
<b>Net current assets</b>		73.9	92.8
<b>Non-current liabilities</b>			
Borrowings		(212.7)	(181.5)
Investment in joint ventures		(0.5)	(0.5)
Deferred tax liabilities		(42.8)	(38.5)
Retirement benefit obligations		(0.5)	(18.1)
Provisions		(0.4)	(0.4)
		(256.9)	(239.0)
<b>Total assets less total liabilities</b>		295.3	277.5
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	10	22.8	22.8
Share premium	10	19.2	18.2
Own shares held	10	(5.2)	(5.3)
Fair value and other reserves	10	17.7	17.5
Retained earnings	10	238.3	220.0
		292.8	273.2
Total shareholders' equity		292.8	273.2
Minority interest in equity	10	2.5	4.3
<b>Total equity</b>	10	295.3	277.5

***Consolidated Cash Flow Statement***  
***For the Year ended 31st December 2007***

	Notes	2007 £m	2006 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	65.8	40.4
Interest paid		(12.8)	(10.6)
Interest received		1.0	0.5
Tax paid		(2.3)	(6.1)
Dividend received from associated company		0.7	-
Net cash generated from operating activities		52.4	24.2
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangibles		(13.4)	(20.7)
Purchase of investment property		(0.6)	-
Acquisition of subsidiary		(27.1)	-
Cash acquired with subsidiary		0.8	-
Repayment of subsidiary's borrowings		(13.9)	-
Purchase of interest in subsidiary (formerly joint venture)		-	(0.0)
(Expenses of)/proceeds from sale of interest in joint venture		(0.2)	19.1
Loan to joint venture company		-	(1.5)
Sale of property, plant and equipment		0.1	1.9
Net cash used in investing activities		(54.3)	(1.2)
<b>Net cash (outflow)/inflow before financing activities</b>		(1.9)	23.0
<b>Cash flows from financing activities</b>			
Loan drawdowns/(repayments)		31.0	(3.0)
Capital element of finance leases		(0.1)	(0.0)
Minority interest dividend paid		(1.6)	-
Equity dividends paid		(20.9)	(19.9)
Proceeds from sale of own shares held		0.1	0.1
Repayment of loan notes		(4.2)	-
Net cash generated from/(used in) financing activities		4.3	(22.8)
<b>Increase in cash and cash equivalents</b>		2.4	0.2
<b>Cash and cash equivalents at start of year</b>		4.9	4.7
<b>Cash and cash equivalents at end of year</b>		7.3	4.9

## *Notes*

### **1. Basis of preparation**

The preliminary results have been prepared in accordance with IFRS as adopted 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.

The information herein does not constitute the Group's statutory accounts for the years ended 31<sup>st</sup> December 2007 or 2006. Statutory accounts for 2006, which were prepared under IFRS as adopted by the EU, have been delivered to the Registrar of Companies, and those for 2007, prepared under IFRS as adopted by the EU, will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 237(2) or (3) of the Companies Act 1985.

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

New standards, amendments to standards and interpretations which are mandatory for the year ended 31<sup>st</sup> December 2007, and which have been adopted in these accounts, are as follows:-

- IFRS 7 (Financial Instruments: Disclosures)
- Amendment to IAS 1 (Presentation of Financial Statements - Capital Disclosures)

The following standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted.

- IFRS 8 (Operating Segments)
- IFRIC 14, IAS 19 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)
- IFRIC 11, IFRS 2 (Group and Treasury Share Transactions)
- Amendment to IFRS 2 (Share-based Payment)
- IFRS 3 (Business Combinations (Revised))

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the accounts of the Group.

## Notes (continued)

### 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 31<sup>st</sup> December 2007 were as follows:-

	Port Operations £m	Property £m	Total 2007 £m
Total gross segment revenue	159.7	5.6	165.3
Inter-segment revenue	<u>(0.2)</u>	<u>(0.1)</u>	<u>(0.3)</u>
<b>Total revenue</b>	<b><u>159.5</u></b>	<b><u>5.5</u></b>	<b><u>165.0</u></b>
<b>Operating profit/(loss)/segment result before elimination of inter-segment charge</b>	50.7	(0.9)	49.8
Inter-segment charge eliminated	<u>(0.2)</u>	<u>0.2</u>	—
<b>Operating profit/(loss)/Segment result</b>	50.5	(0.7)	49.8
Finance income (Note 6)	1.0	2.1	3.1
Finance costs (Note 7)	(9.8)	(3.6)	(13.4)
Share of operating results of joint ventures	-	(5.5)	
Finance costs	-	(4.2)	
Taxation	-	-	
Net share of results of joint ventures	-	(9.7)	(9.7)
Share of operating results of associates	3.7	-	
Finance costs	(0.3)	-	
Taxation	(0.9)	-	
Net share of results of associates	<u>2.5</u>	—	<u>2.5</u>
<b>Profit/(loss) before tax</b>	<b><u>44.2</u></b>	<b><u>(11.9)</u></b>	<b>32.3</b>
Taxation			<u>(7.4)</u>
<b>Profit for the year</b>			<b><u>24.9</u></b>

## Notes (continued)

### 2. Business segments (continued)

The segment results for the year ended 31<sup>st</sup> December 2006 were as follows:-

	Port Operations £m	Property £m	Total 2006 £m
Total gross segment revenue	140.9	13.3	154.2
Inter-segment revenue	<u>(0.6)</u>	<u>-</u>	<u>(0.6)</u>
<b>Total revenue</b>	<b><u>140.3</u></b>	<b><u>13.3</u></b>	<b><u>153.6</u></b>
<b>Operating profit/segment result before elimination of inter-segment charge</b>	56.6	4.0	60.6
Inter-segment charge eliminated	<u>(0.5)</u>	<u>0.5</u>	<u>-</u>
<b>Operating profit/Segment result</b>	56.1	4.5	60.6
Finance income (Note 6)	0.4	3.0	3.4
Finance costs (Note 7)	(7.8)	(3.8)	(11.6)
Share of operating results of joint ventures	0.6	0.4	
Finance costs	(0.5)	(3.5)	
Taxation	(0.0)	-	
Net share of results of joint ventures	0.1	(3.1)	(3.0)
Gain on disposal of investment in joint venture	4.2	-	4.2
Share of operating results of associates	3.2	(0.0)	
Finance costs	(0.3)	-	
Taxation	(0.9)	0.0	
Net share of results of associates	<u>2.0</u>	<u>(0.0)</u>	<u>2.0</u>
<b>Profit before tax</b>	<b><u>55.0</u></b>	<b><u>0.6</u></b>	<b>55.6</b>
Taxation			<u>(14.5)</u>
<b>Profit for the year</b>			<b><u>41.1</u></b>

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 2007 £m	Port Operations £m	Property £m	Total 2006 £m
Increase in fair value of investment property (Note 3)	12.2	0.6	12.8	23.8	0.3	24.1
Depreciation of property, plant and equipment (Note 3)	(14.0)	(0.0)	(14.0)	(12.4)	(0.0)	(12.4)
Amortisation of intangibles (Note 3)	(1.5)	-	(1.5)	(1.0)	-	(1.0)
Amortisation of capital grants (Note 3)	0.8	-	0.8	0.7	-	0.7
Impairment of trade receivables	(0.7)	(0.0)	(0.7)	(0.1)	(0.0)	(0.1)
Impairment of property, plant and equipment (Note 3)	-	-	-	(0.8)	-	(0.8)

## Notes (continued)

### 2. Business segments (continued)

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

	Port Operations £m	Property £m	Total 2007 £m
<b>Assets</b>			
Segment assets	486.1	88.8	574.9
Joint ventures	-	0.0	0.0
Associates	<u>9.3</u>	<u>-</u>	<u>9.3</u>
<b>Total assets</b>	<b><u>495.4</u></b>	<b><u>88.8</u></b>	<b><u>584.2</u></b>
<b>Liabilities</b>			
Segment liabilities	188.4	53.9	242.3
Income tax liabilities	45.7	0.4	46.1
Joint ventures	<u>-</u>	<u>0.5</u>	<u>0.5</u>
<b>Total liabilities</b>	<b><u>234.1</u></b>	<b><u>54.8</u></b>	<b><u>288.9</u></b>
<b>Capital expenditure</b>			
Property, plant and equipment	12.6	0.0	12.6
Investment property	0.1	-	0.1
Intangible assets	<u>0.1</u>	<u>-</u>	<u>0.1</u>
<b>Total capital additions</b>	<b><u>12.8</u></b>	<b><u>0.0</u></b>	<b><u>12.8</u></b>
	Port Operations £m	Property £m	Total 2006 £m
<b>Assets</b>			
Segment assets	416.9	103.6	520.5
Joint ventures	-	9.5	9.5
Associates	<u>7.7</u>	<u>-</u>	<u>7.7</u>
<b>Total assets</b>	<b><u>424.6</u></b>	<b><u>113.1</u></b>	<b><u>537.7</u></b>
<b>Liabilities</b>			
Segment liabilities	157.2	64.0	221.2
Income tax liabilities	37.6	0.9	38.5
Joint ventures	<u>-</u>	<u>0.5</u>	<u>0.5</u>
<b>Total liabilities</b>	<b><u>194.8</u></b>	<b><u>65.4</u></b>	<b><u>260.2</u></b>
<b>Capital expenditure</b>			
Property, plant and equipment	18.2	-	18.2
Investment property	0.5	-	0.5
Intangible assets	<u>0.5</u>	<u>-</u>	<u>0.5</u>
<b>Total capital additions</b>	<b><u>19.2</u></b>	<b><u>-</u></b>	<b><u>19.2</u></b>

#### Secondary reporting format - geographical segments

The Group operates principally in the UK.

## Notes (continued)

### 3. Profit before tax

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

	2007	2006
	£m	£m
Depreciation		
- owned assets (cost of sales)	13.5	11.9
- owned assets (administrative expenses)	0.4	0.4
- assets held under finance leases and hire purchase contracts (cost of sales)	0.1	0.1
Amortisation		
- intangible assets – customer relationships (cost of sales)	0.4	-
- intangible assets – other (cost of sales)	0.0	0.0
- intangible assets – other (administrative expenses)	1.1	1.0
- capital grants (cost of sales)	(0.8)	(0.7)
Impairment of property, plant and equipment (cost of sales)	-	0.8
(Profit)/loss on disposal of property, plant and equipment (cost of sales)	(0.1)	0.1
Repairs and maintenance expenditure on property, plant and equipment (cost of sales)	7.4	7.4
Property rentals (revenue)	(17.7)	(16.5)
Other operating lease rentals payable		
- plant and equipment (cost of sales)	4.3	4.1
- plant and equipment (administrative expenses)	0.3	0.3
Inventories		
- cost of inventories recognised as an expense (property cost of sales)	7.7	7.6
- write off of obsolete materials and spare parts (cost of sales)	0.1	-
Employee costs		
- cost of sales	36.2	36.5
- administrative expenses	14.5	11.9
Foreign exchange (gains)/losses (administrative expenses)	(0.0)	0.0
Increase in fair value of investment properties (other income)	(12.8)	(24.1)
Auditors' remuneration (administrative expenses)		
- fees payable to the Company's auditor for audit of the Company's annual accounts	0.3	0.3
- other services pursuant to legislation	0.1	0.0
- tax services – compliance work	0.0	0.1
- other services not covered above	0.1	0.1

## 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.

	2007	2006
	£m	£m
<u>Other items</u>		
Severance costs		
- cost of sales	0.0	0.4
- administrative expenses	0.0	0.2
Asset impairment (cost of sales)	-	0.8
Write off of shed (cost of sales)	-	0.2
Training costs (cost of sales)	<u>-</u>	<u>0.2</u>
	<u>0.0</u>	<u>1.8</u>
<u>Tax effect</u>		
Current taxation:		
Severance costs	(0.0)	(0.2)
Asset impairment	-	-
Write off of shed	-	-
Training costs	<u>-</u>	<u>(0.0)</u>
	<u>(0.0)</u>	<u>(0.2)</u>

Severance costs relate principally to a reduction in administrative staff in the property division. Severance costs in 2006 related principally to reductions in operational staff at Leith, Dundee and Tilbury. The asset impairment cost arose on the closure of the Imperial Grain Silo at Leith. The write off of the shed occurred at Tilbury where it was necessary to demolish a storage shed to make space for a new Cemex facility. The training costs were incurred in training new operational staff at Grangemouth.

### 4. Other income

	2007	2006
	£m	£m
Increase in fair value of investment properties	<u>12.8</u>	<u>24.1</u>
Tax effect:		
Deferred taxation thereon	<u>(0.6)</u>	<u>(5.7)</u>

### 5. Gain on disposal of investment in joint venture

	2006
	£m
Proceeds of sale	19.1
Investment at cost including goodwill	(14.5)
Share of post acquisition profits	(0.2)
Costs of disposal	<u>(0.2)</u>
	<u>4.2</u>

## Notes (continued)

### 6. Finance income

	2007	2006
	£m	£m
Interest received on overpaid corporation tax	0.2	0.1
Write down of loan notes to amortised cost	0.1	-
Interest receivable on bank and other deposits	0.8	0.4
Unwinding of discount on zero coupon loan stock at amortised cost	1.3	1.1
Unwinding of discount on long-term receivables at amortised cost	<u>0.7</u>	<u>1.8</u>
	<u>3.1</u>	<u>3.4</u>

### 7. Finance costs

	2007	2006
	£m	£m
Interest payable:		
On bank loans and overdrafts	13.0	10.6
On other loans	0.0	0.0
On loan notes	0.1	-
Finance leases and hire purchase contracts	0.0	0.0
Amortisation of loan arrangement fees	0.2	0.2
Write down of zero coupon loan stock to amortised cost	-	0.5
Write down of long-term receivables to amortised cost	-	0.3
Unwinding of discount on loan notes	<u>0.1</u>	<u>-</u>
	<u>13.4</u>	<u>11.6</u>

During 2007, no borrowing costs were capitalised in the cost of qualifying assets (2006 - £nil).

### 8. Dividend per share

The final dividend of 31.95p per share, if approved by the shareholders, will be paid on 9<sup>th</sup> May 2008 to all shareholders on the register at 11<sup>th</sup> April 2008. An interim dividend of 15.75p was paid to shareholders on 2<sup>nd</sup> November 2007.

## Notes (continued)

### 9. 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 two categories of dilutive potential ordinary shares, being those share options granted to employees under a SAYE share option scheme and the contingently issuable shares under the LTIP schemes.

Underlying earnings are as defined in the Glossary. Underlying earnings per share divides underlying earnings attributable to shareholders by 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	2007			2006		
	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	25.1			41.0		
Total shares issued	-	45,620		-	45,593	
Shares held by ESOP Trust	<u>-</u>	<u>(261)</u>		<u>-</u>	<u>(309)</u>	
<b>Basic EPS</b>	25.1	45,359	55.3	41.0	45,284	90.5
Effect of dilutive securities (share options)	<u>-</u>	<u>364</u>		<u>-</u>	<u>326</u>	
<b>Diluted EPS</b>	25.1	<u>45,723</u>	54.9	41.0	<u>45,610</u>	89.9
Group's share of movement in fair value of investment property in joint venture	7.7			1.3		
Gain on sale of investment in joint venture	-			(4.2)		
Increase in fair value of investment property less tax effect	(12.2)			(18.4)		
Amortisation charge arising from acquisition less tax effect	0.3			-		
Other items less tax effect (Note 3)	<u>0.0</u>			<u>1.6</u>		
<b>Underlying EPS</b>	<u>20.9</u>	<u>45,359</u>	46.1	<u>21.3</u>	<u>45,284</u>	47.0

## Notes (continued)

### 10. 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
<b>Balance at 1st January 2006</b>	22.8	18.2	(5.4)	16.4	187.7	4.2	243.9
Share of joint venture's movement on cash flow hedge	-	-	-	1.0	-	-	1.0
Share of associate's movement on cash flow hedge	-	-	-	0.1	-	-	0.1
Actuarial gains in defined benefit pension schemes	-	-	-	-	14.0	-	14.0
Deferred tax on actuarial gain	-	-	-	-	(4.2)	-	(4.2)
Share of associate's actuarial gains in defined benefit pension scheme	-	-	-	-	1.0	-	1.0
Deferred tax on associate's actuarial gain	-	-	-	-	(0.3)	-	(0.3)
Net income recognised directly in equity	-	-	-	1.1	10.5	-	11.6
Profit for the year	-	-	-	-	41.0	0.1	41.1
Total recognised income for the year	-	-	-	1.1	51.5	0.1	52.7
LTIP shares - value of services provided	-	-	-	-	0.4	-	0.4
SAYE scheme - value of services provided	-	-	-	-	0.2	-	0.2
Consideration received for own shares held	-	-	0.1	-	-	-	0.1
Dividends	-	-	-	-	(19.8)	-	(19.8)
<b>Balance at 31<sup>st</sup> December 2006</b>	22.8	18.2	(5.3)	17.5	220.0	4.3	277.5
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
Revaluation of investment property transferred from operational land and buildings	-	-	-	-	5.7	-	5.7
Deferred tax on revaluation	-	-	-	-	(1.1)	-	(1.1)
Actuarial gain in defined benefit pension scheme	-	-	-	-	12.6	-	12.6
Deferred tax on actuarial gain	-	-	-	-	(3.5)	-	(3.5)
Effect of tax rate change for deferred tax on actuarial gain	-	-	-	-	(0.6)	-	(0.6)
Share of associate's actuarial loss in defined benefit pension scheme	-	-	-	-	(0.3)	-	(0.3)
Deferred tax on associate's actuarial loss	-	-	-	-	0.1	-	0.1
Effect of tax rate change for deferred tax on associate's actuarial loss	-	-	-	-	(0.0)	-	(0.0)
Net income recognised directly in equity	-	-	-	0.2	12.9	-	13.1
Profit/(loss) for the year	-	-	-	-	25.1	(0.2)	24.9
Total recognised income for the year	-	-	-	0.2	38.0	(0.2)	38.0
New shares issued	0.0	1.0	-	-	-	-	1.0
LTIP shares - value of services provided	-	-	-	-	0.9	-	0.9
SAYE scheme - value of services provided	-	-	-	-	0.2	-	0.2
Consideration received for own shares held	-	-	0.1	-	-	-	0.1
Dividends	-	-	-	-	(20.8)	(1.6)	(22.4)
<b>Balance at 31<sup>st</sup> December 2007</b>	22.8	19.2	(5.2)	17.7	238.3	2.5	295.3

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

## Notes (continued)

### 11. Reconciliation of profit before tax to cash generated from operations

	2007 £m	2006 £m
Profit before tax	32.3	55.6
Adjustments for:		
- increase in fair value of investment properties	(12.8)	(24.1)
- net finance costs	10.3	8.2
- gain on disposal of joint venture	-	(4.2)
- share of results of joint ventures	9.7	3.0
- share of results of associates	(2.5)	(2.0)
- depreciation of property, plant and equipment and amortisation of intangibles	14.7	12.7
- impairment of property, plant and equipment	-	0.8
- (gain)/loss on sale of property, plant and equipment	(0.1)	0.1
- transfer from joint venture to subsidiary	-	0.1
- increase/(decrease) in provisions	0.3	(0.7)
- decrease in retirement benefit obligations	(3.8)	(2.9)
- transfer of property, plant and equipment from inventories	-	(2.1)
- transfer from investment properties to inventories	-	2.0
- transfer to investment properties from inventories	(1.2)	(4.6)
- share based payment	1.1	0.6
Movement in working capital:		
Increase in inventories	(7.5)	(3.6)
Decrease in receivables	24.8	6.9
Increase/(decrease) in payables	<u>0.5</u>	<u>(5.4)</u>
Cash generated from operations	<u>65.8</u>	<u>40.4</u>
Reconciliation of increase in cash and cash equivalents to movement in net debt:		
Increase in cash and cash equivalents	2.4	0.2
Cash (inflow)/outflow from (increase)/decrease in borrowings	<u>(26.7)</u>	<u>3.0</u>
Change in net debt resulting from cash flows	(24.3)	3.2
Loan notes issued	(4.2)	-
Borrowings acquired on purchase of subsidiary	(0.2)	-
Amortisation of loan arrangement fees	<u>(0.2)</u>	<u>(0.2)</u>
Movement in net debt	(28.9)	3.0
Opening net debt	<u>(176.6)</u>	<u>(179.6)</u>
Closing net debt	<u>(205.5)</u>	<u>(176.6)</u>

#### Major non-cash transactions

As part of the consideration for the purchase of the Nordic Group (see Note 13), Forth Ports PLC issued 53,620 Ordinary Shares with a value of £1.0m and loan notes with a nominal value of £4.2m. The loan notes were subsequently redeemed prior to 31<sup>st</sup> December 2007.

## Notes (continued)

### 12. Analysis of net debt

	At 1.1.07 £m	On Acquisition of Subsidiary £m	Cash Flow £m	Other Movement £m	At 31.12.07 £m
Cash at bank and on deposit	4.9	0.8	1.6	-	7.3
Debt due within one year	-	(4.2)	4.2	-	-
Debt due outwith one year	(181.5)	-	(31.0)	(0.2)	(212.7)
Borrowings - finance leases	<u>(0.0)</u>	<u>(0.2)</u>	<u>0.1</u>	<u>-</u>	<u>(0.1)</u>
Total net debt	<u>(176.6)</u>	<u>(3.6)</u>	<u>(25.1)</u>	<u>(0.2)</u>	<u>(205.5)</u>

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

### 13. Acquisition of Nordic Group

On 29<sup>th</sup> June 2007, the Group acquired the whole share capital of Nordic Limited, the holding company of the Nordic Group for £32.3m including expenses. The assets and liabilities as at 29<sup>th</sup> June arising from the acquisition are as follows:-

	Fair Value £m	Acquiree's Carrying Amount £m
Property, plant and equipment	9.4	9.4
Customer relationships (intangible assets)	11.4	-
Inventories	0.0	0.0
Trade and other receivables	7.1	7.1
Cash and bank balances	0.8	0.8
Current tax liabilities	(0.3)	(0.3)
Trade and other payables	(6.6)	(6.6)
Borrowings	(0.2)	(0.2)
Deferred tax liabilities	<u>(3.3)</u>	<u>(0.1)</u>
Net assets	18.3	<u>10.1</u>
Goodwill	<u>27.9</u>	
Total purchase consideration	<u>46.2</u>	
Total purchase consideration	46.2	
Less: shares issued as consideration at fair value	(1.0)	
loan notes issued as consideration	(4.2)	
repayment of borrowings	<u>(13.9)</u>	
Purchase consideration settled in cash	27.1	
Cash and bank balances acquired with subsidiary	<u>(0.8)</u>	
Cash outflow on acquisition	<u>26.3</u>	

Nordic's revenue for the period from the date of acquisition to 31<sup>st</sup> December 2007 was £12.4m and net profit was £0.0m. If the acquisition had occurred on 1<sup>st</sup> January 2007, Group revenue would have been £175.9m and profit for the year would have been £25.1m.

## *Notes (continued)*

### **14. Glossary**

1. The DTZ Valuations dated 31<sup>st</sup> August 2005, 31<sup>st</sup> December 2006 and 31<sup>st</sup> December 2007 include 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 arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

#### Calculation of Worth

"The value of a property to a particular investor, or a class of investors, for identified investment objectives. This subjective concept relates specific property to a specific investor, group of investors, or entity with identifiable investment or operational objectives and/or criteria".

2. The "property development assets" 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 and Western Harbour, all of which are in Leith;
- Development sites at Grangemouth, Burntisland and Methil; and
- The Ocean Terminal Shopping Centre.

3. The definition of the word "underlying" in the context of an adjustment to a reported number is as follows:-

- 1) Underlying group/port/property operating profit refers to the reported group/port/property operating profit adjusted to exclude the effect of any revaluation of the investment properties, amortisation charge arising from acquisitions and any one-off significant costs.
- 2) Underlying profit before tax, underlying profit after tax and underlying earnings per share refer to reported profit before tax, reported profit after tax and reported basic earnings per share adjusted as above in 3(1) together with an adjustment for any revaluation of JV investment property.

### **General**

15. The principal accounting policies adopted in the preparation of this report are as set out in the Annual Report and Accounts 2007 which will be available at [www.forthports.co.uk](http://www.forthports.co.uk).
16. The annual Accounts will be posted to shareholders on 1<sup>st</sup> April 2008. Copies will be available from the Company's registered office, Forth Ports PLC, 1 Prince of Wales Dock, Leith, Edinburgh EH6 7DX.