

FP NEWHAVEN TWO LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2005
Registered Number: SC208821



FP NEWHAVEN TWO LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2005

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FP NEWHAVEN TWO LIMITED

DIRECTORS

C.G Hammond
W.W Murray
T P. Smith

SECRETARY

Morag McNeill

REGISTERED OFFICE

1 Prince of Wales Dock
Leith
EDINBURGH EH6 7DX

REGISTERED NUMBER

SC208821

REGISTERED AUDITORS

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
EDINBURGH EH2 4NH

FP NEWHAVEN TWO LIMITED

REPORT OF THE DIRECTORS

The Directors present their report and the audited accounts for the year ended 31st December 2005.

Principal Activities and Business Review

The Company is incorporated in Scotland and is a limited company domiciled in Scotland. The Company's principal activity is property development. The Directors intend to continue with this activity in the forthcoming year.

Results and Dividend

The loss for the year after taxation amounted to £39,319 (2004 - profit £447,250). The Directors propose that no dividend be paid (2004 - £nil) and the loss be transferred to reserves.

Directors

C.G. Hammond
W.W. Murray
T.P. Smith

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those accounts the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State that the accounts comply with IFRS.
- Prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the accounts.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Interests

No Director held any interest in the share capital of the Company during the year. The Directors of the Company are also Directors of Forth Ports PLC the ultimate holding company and their interests in the share capital of Forth Ports PLC are disclosed in the Directors' Report of that company

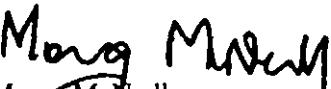
FP NEWHAVEN TWO LIMITED

REPORT OF THE DIRECTORS

Auditors

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

BY ORDER OF THE BOARD


Morag McNeill
SECRETARY

17th March 2006

FP NEWHAVEN TWO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FP NEWHAVEN TWO LIMITED

We have audited the financial statements of FP Newhaven Two Limited for the year ended 31st December 2005 which comprise the Income Statement, the Statement of Recognised Income and Expenditure, the Balance Sheet, the Cash Flow Statement and the related notes and appendices. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

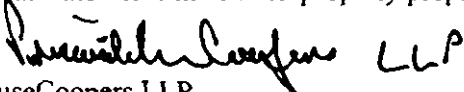
FP NEWHAVEN TWO LIMITED

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FP NEWHAVEN TWO LIMITED (continued)**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31st December 2005 and of its loss and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh

17th March 2006

FP NEWHAVEN TWO LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2005

	Notes	2005 £	2004 £
Revenue		-	3,406,000
Cost of sales		88	(2,510,869)
Gross profit		88	895,131
Administrative expenses		(4,534)	(3,018)
Operating (loss)/profit	1	(4,446)	892,113
Finance income	2	208,548	46
Finance costs	3	(260,272)	(254,302)
(Loss)/profit before tax		(56,170)	637,857
Taxation	5	16,851	(190,607)
(Loss)/profit for the year attributable to equity shareholders	13	(39,319)	447,250

Results for the year are attributable solely to continuing operations

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31ST DECEMBER 2005

	2005 £	2004 £
(Loss)/profit for the year	(39,319)	447,250
Total recognised (expense)/income for the year	(39,319)	<u>447,250</u>
IAS 32 and IAS 39 adjustments (see Appendix II)	(211,171)	
Total recognised expense since last annual report	<u>(250,490)</u>	

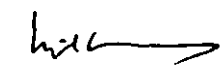
FP NEWHAVEN TWO LIMITED

BALANCE SHEET AT 31ST DECEMBER 2005

	Notes	2005 £	2004 £
ASSETS			
Non-current assets			
Trade and other receivables	6	-	3,403,000
		-	3,403,000
Current assets			
Inventories	7	2,217,140	2,217,140
Trade and other receivables	8	3,321,764	209,204
Cash and cash equivalents	9	987	1,702
		5,539,891	2,428,046
Total assets		5,539,891	5,831,046
LIABILITIES			
Current liabilities			
Trade and other payables	10	(5,345,629)	(5,195,687)
Current tax liabilities	11	-	(190,607)
		(5,345,629)	(5,386,294)
Total liabilities		(5,345,629)	(5,386,294)
Total assets less total liabilities		194,262	444,752
SHAREHOLDERS' EQUITY			
Ordinary shares	12	2	2
Retained earnings	13	194,260	444,750
Total shareholders' equity	13	194,262	444,752

The accounts on pages 7 to 18 were authorised and approved for issue by the Board of Directors on 17th March 2006 and signed on its behalf by


C.G. Hammond


W.W. Murray

FP NEWHAVEN TWO LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2005**

	Notes	2005 £	2004 £
Cash flows (used in)/from operating activities			
Cash (used in)/generated from operations	14	(1,201,835)	609,968
Interest paid		(254,302)	-
Interest received		1,030	46
Tax paid		(190,608)	-
Net cash (used in)/from operating activities		(1,645,715)	610,014
Cash flows from/(used in) financing activities			
Loan from holding company		1,689,000	10,000
Loan repaid to holding company		(44,000)	(618,312)
Net cash from/(used in) financing activities		1,645,000	(608,312)
Change in cash and cash equivalents		(715)	1,702
Cash and cash equivalents at start of year		1,702	-
Cash and cash equivalents at end of year	9	987	1,702

FP NEWHAVEN TWO LIMITED

ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST DECEMBER 2005

The principal accounting policies adopted in the preparation of these accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

These accounts have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The accounts have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year, if applicable.

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

As a result of the Company's decision to adopt the IFRS 1 exemption and not restate comparatives for IAS 32 and IAS 39, certain accounting policies will only apply from 1st January 2005 and not to the 2004 comparatives. Those policies that take effect from 1st January 2005 are marked '*'. In preparing the accounts for the year ended 31st December 2004, trade receivables and accrued property income were held at historic cost less provision for irrecoverable amounts

Revenue Recognition

Revenue represents the income earned from sale of property and rental income and is stated net of VAT.

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

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

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

Inventories

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

FP NEWHAVEN TWO LIMITED

ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST DECEMBER 2005 (continued)

Trade Receivables and Accrued Property Income *

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

Cash and Cash Equivalents

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

Share Capital

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

Taxation

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

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

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

Financial Risk Management

Credit Risk

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

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2005

1. Operating (loss)/profit

The following items have been included in arriving at operating (loss)/profit:

	2005 £	2004 £
Cost of inventories recognised as an expense (in cost of sales)	<u> -</u>	<u>2,510,869</u>

Services provided by the Company's auditor

During the year the Company obtained the following services from the Company's auditor at costs as detailed below:

	2005 £	2004 £
Audit services – statutory audit	<u>4,500</u>	<u>3,000</u>

2. Finance income

	2005 £	2004 £
Long-term receivable discount unwinding	201,119	-
Bank interest receivable	1,030	46
Interest on corporation tax overpayment	<u>6,399</u>	<u>-</u>
	<u>208,548</u>	<u>46</u>

3. Finance costs

	2005 £	2004 £
Interest payable to parent company	<u>260,272</u>	<u>254,302</u>

4. Directors and employees

The Directors received no emoluments from the Company in respect of the year ended 31st December 2005 (2004 - £ nil)

There are no other employees of the Company.

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS (continued)

5. Taxation

	2005 £	2004 £
Analysis of tax (credit)/charge for the year		
Current tax – (credit)/charge for the year	<u>(16,851)</u>	<u>190,607</u>

The tax for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 – 30%) The differences are explained below:

	2005 £	2004 £
(Loss)/profit before tax	<u>(56,170)</u>	<u>637,857</u>
Profit multiplied by rate of corporation tax in the UK of 30% (2004 – 30%)	(16,851)	191,357
Effects of: Profit relieved by losses brought forward	<u>-</u>	<u>(750)</u>
Current tax (credit)/charge for the year	<u>(16,851)</u>	<u>190,607</u>

6. Trade and other receivables – non current

	2005 £	2004 £
Trade receivables	<u>-</u>	<u>3,403,000</u>

7. Inventories

	2005 £	2004 £
Stock of land and work in progress	<u>2,217,140</u>	<u>2,217,140</u>

It is estimated that of the stock and work in progress, £2,217,140 (2004 - £2,217,140) is not likely to be fully utilised within the next twelve months.

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS (continued)

8. Trade and other receivables - current

	2005 £	2004 £
Trade receivables	3,406,525	3,525
Impairment allowance for time value of money	<u>(100,554)</u>	<u>-</u>
	3,305,971	3,525
Other receivables	15,791	205,677
Amounts due from shareholders	<u>2</u>	<u>2</u>
	<u>3,321,764</u>	<u>209,204</u>

9. Cash and cash equivalents

	2005 £	2004 £
Cash at bank and in hand	<u>987</u>	<u>1,702</u>

10. Trade and other payables – current

	2005 £	2004 £
Amount due to parent company	5,341,129	3,797,513
Amount due to Forth Property Developments Ltd	-	1,380,974
Accruals	<u>4,500</u>	<u>17,200</u>
	<u>5,345,629</u>	<u>5,195,687</u>

Amounts due to group undertakings are payable on demand but are not expected to be fully paid during the next twelve months.

The Company has undertaken to provide a cross-guarantee for the debts of certain other group companies under the terms of the Facility Agreement between Forth Ports PLC and the Governor and Company of the Bank of Scotland dated 15th September 2004

11. Current tax liabilities

	2005 £	2004 £
Current tax liabilities	<u>-</u>	<u>190,607</u>

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS (continued)

12. Called up equity share capital

	2005 £	2004 £
Authorised		
"A" Ordinary shares of £1 each	50	50
"B" Ordinary shares of £1 each	<u>50</u>	<u>50</u>
	<u>100</u>	<u>100</u>
Allotted, called up and unpaid		
"A" Ordinary shares of £1 each	1	1
"B" Ordinary shares of £1 each	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

A and B ordinary shares have equal rights which does not include the right to fixed income.

13. Statement of changes in shareholders' equity

	Ordinary Shares £	Retained Earnings £	Total Equity £
Balance at 1st January 2004	2	(2,500)	(2,498)
Profit for the year	—	<u>447,250</u>	<u>447,250</u>
Balance at 31st December 2004	2	444,750	444,752
Adjustment re impairment allowance for time value of money (see Appendix II)	—	<u>(211,171)</u>	<u>(211,171)</u>
At 1st January 2005	2	233,579	233,581
Loss for the year	—	<u>(39,319)</u>	<u>(39,319)</u>
Balance at 31st December 2005	<u>2</u>	<u>194,260</u>	<u>194,262</u>

All retained earnings are distributable.

14. Cash flow (used in)/from operating activities

Reconciliation of (loss)/profit before tax to net cash inflow (used in)/from operating activities:

	2005 £	2004 £
(Loss)/profit before tax	(56,170)	637,857
Adjustments for:		
- finance income	(208,548)	(46)
- finance costs	260,272	254,302
Movements in working capital:		
Decrease in inventories	-	1,316,071
Decrease/(increase) in receivables	196,285	(2,993,890)
(Decrease)/increase in payables	<u>(1,393,674)</u>	<u>1,395,674</u>
Cash (used in)/generated from operations	<u>(1,201,835)</u>	<u>609,968</u>

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS (continued)

15. Ultimate parent company

The Company is wholly-owned and ultimately controlled by Forth Ports PLC, a company incorporated in the United Kingdom.

Copies of the ultimate parent company's consolidated accounts may be obtained from its principal place of business at 1 Prince of Wales Dock, Leith, Edinburgh EH6 7DX.

16. Related party transactions

Forth Ports PLC ("FP") is the Company's immediate holding company. The Company paid £260,272 (2004 - £254,302) in interest on inter-company borrowings from FP. The balance due to FP at the year end was £5,341,129 (2004 - £3,797,513). The Company paid £nil (2004 - £1,380,974) to Forth Property Developments Limited ("FPD"), a fellow subsidiary company, for infrastructure works carried out. The amounts due by the Company to FPD at 31st December 2005 was £nil (2004 - £1,380,974).

APPENDIX I

ADOPTION OF IFRS

These are the Company's first accounts prepared in accordance with IFRS for the year ending 31st December 2005.

The accounting policies on pages 10-11 have been applied in preparing the accounts for the year ended 31st December 2004 and the preparation of an opening IFRS balance sheet at 1st January 2004 (the Company's date of transition).

There were no adjustments necessary to adjust the Company's accounts from UK GAAP to IFRS on 1st January 2004 or 31st December 2004, or for the results for the year ended 31st December 2004.

The Company has adopted the exemption under IFRS 1 (First-time Adoption of International Financial Reporting Standards) that allows IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement) to be applied prospectively from 1st January 2005. A reconciliation between the Balance Sheet at 31st December 2004 and 1st January 2005, after applying IAS 32 and IAS 39 on 1st January 2005, is provided in Appendix II

APPENDIX II

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

	31 12.04 £	IAS 32 and IAS 39 Adjustments £	1.1.05 £
ASSETS			
Non-current assets			
Trade and other receivables	3,403,000	(301,673)	3,101,327
	3,403,000	(301,673)	3,101,327
Current assets			
Inventories	2,217,140	-	2,217,140
Trade and other receivables	209,204	-	209,204
Cash and cash equivalents	1,702	-	1,702
	2,428,046	-	2,428,046
Total assets	5,831,046	(301,673)	5,529,373
LIABILITIES			
Current liabilities			
Trade and other payables	(5,195,687)	90,502	(5,105,185)
Current tax liabilities	(190,607)	-	(190,607)
	(5,386,294)	90,502	(5,295,792)
Total liabilities	(5,386,294)	90,502	(5,295,792)
Total assets less total liabilities	444,752	(211,171)	233,581
SHAREHOLDERS' EQUITY			
Ordinary shares	2	-	2
Retained earnings	444,750	(211,171)	233,579
Total shareholders' equity	444,752	(211,171)	233,581

Trade and other receivables

The Company must record its long-term receivables at amortised cost under IAS 32 and IAS 39. At 1st January 2005, the Company has reduced the value of such debts by £301,673 with associated tax relief of £90,502 and retained earnings have been reduced by £211,171. 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 debt is settled.