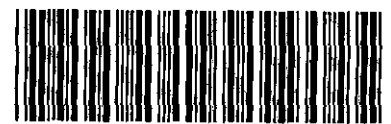


FP NEWHAVEN TWO LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2008
Registered Number: SC208821

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FP NEWHAVEN TWO LIMITED

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 2008**

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FP NEWHAVEN TWO LIMITED

COMPANY INFORMATION

DIRECTORS

C.G. Hammond
W.W. Murray
N.J. Thompson

SECRETARY

Morag McNeill

REGISTERED OFFICE

1 Prince of Wales Dock
Leith
EDINBURGH EH6 7DX

REGISTERED NUMBER

SC208821

INDEPENDENT REGISTERED AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants
& Registered Auditors
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 of the Company for the year ended 31st December 2008.

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.

Principal Risks and Uncertainties

The Directors of Forth Ports PLC manage the Group's risks at group level, rather than at an individual Company level. For this reason, the Company's Directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of FP Newhaven Two Limited's business. The principal risks and uncertainties of the Forth Ports PLC Group, which include those of the Company, are discussed in the Group's annual report which does not form part of this report.

Results and Dividend

The loss for the year after taxation amounted to £1,536,827 (2007 - £244,387). The Directors propose that no dividend be paid (2007 - £nil) and the loss be transferred from reserves.

Included within the results for the year are exceptional items totalling £1,759,050 (2007 - £nil). These relate to the writing down of work in progress.

Directors

C.G. Hammond
W.W. Murray
N.J. Thompson

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

FP NEWHAVEN TWO LIMITED

REPORT OF THE DIRECTORS (continued)

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

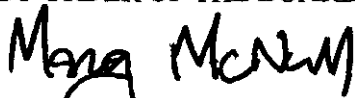
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Independent Auditors and Disclosure of Information to Auditors

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

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

BY ORDER OF THE BOARD



Morag McNeill
Secretary

16th March 2009

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 2008 which comprise the Income Statement, the Statement of Recognised Income and Expenditure, the Balance Sheet, the Cash Flow Statement, Accounting Policies and the related notes. 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 financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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.

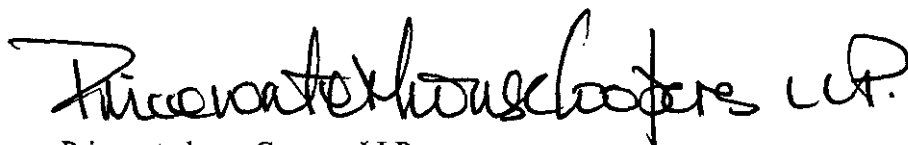
FP NEWHAVEN TWO LIMITED

**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 2008 and of its loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is stylized and cursive.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh

16th March 2009

FP NEWHAVEN TWO LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2008**

	Notes	2008 £	2007 £
Revenue		-	1,528,419
Cost of sales		(1,759,050)	(1,553,000)
Gross loss		(1,759,050)	(24,581)
Administrative expenses		(3,601)	(6,956)
Operating loss	1	(1,762,651)	(31,537)
Analysed as:			
Operating loss before exceptional items		(3,601)	(31,537)
Exceptional items	6	(1,759,050)	-
Operating loss		(1,762,651)	(31,537)
Finance income	2	324	524
Finance costs	3	(387,082)	(318,112)
Loss before tax		(2,149,409)	(349,125)
Taxation	5	612,582	104,738
Loss for the year attributable to equity shareholders	11	(1,536,827)	(244,387)

**STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31ST DECEMBER 2008**

	2008 £	2007 £
Loss for the year	(1,536,827)	(244,387)
Total recognised expense for the year	(1,536,827)	(244,387)
Total recognised expense since last annual report	(1,536,827)	(244,387)

FP NEWHAVEN TWO LIMITED

BALANCE SHEET AT 31ST DECEMBER 2008

	Notes	2008 £	2007 £
ASSETS			
Current assets			
Inventories	6	2,801,090	4,560,140
Trade and other receivables	7	7	107
Cash and cash equivalents	8	474	13,526
Total assets		2,801,571	4,573,773
LIABILITIES			
Current liabilities			
Trade and other payables	9	4,525,068	4,760,443
Total liabilities		4,525,068	4,760,443
Total assets less total liabilities		(1,723,497)	(186,670)
SHAREHOLDERS' EQUITY			
Ordinary shares	10	2	2
Retained loss	11	(1,723,499)	(186,672)
Total shareholders' deficit	11	(1,723,497)	(186,670)

The accounts on pages 7 to 17 were authorised and approved for issue by the Board of Directors on 16th March 2009 and signed on its behalf by:

Charles Hammond

C.G. Hammond

W.W. Murray

W.W. Murray

FP NEWHAVEN TWO LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2008**

	Notes	2008 £	2007 £
Cash flows from operating activities			
Cash (used)/generated from operating activities	12	(3,995)	1,211,488
Interest paid		(383,480)	(424,185)
Interest received		423	524
Net cash (used in)/from operating activities		(387,052)	787,827
Cash flows from financing activities			
Loan from holding company		384,000	2,200,000
Loan repaid to holding company		(10,000)	(2,975,338)
Net cash from/(used in) financing activities		374,000	(775,338)
Net (decrease)/increase in cash and cash equivalents		(13,052)	12,489
Cash and cash equivalents at start of year		13,526	1,037
Cash and cash equivalents at end of year	8	474	13,526

FP NEWHAVEN TWO LIMITED

ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST DECEMBER 2008

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 EU Endorsed International Financial Reporting Standards (IFRS) and IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The accounts have been prepared on the going concern basis 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 IFRS 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.

The Directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Forth Ports PLC. The Directors have received confirmation that Forth Ports PLC intend to support the Company for at least one year after these financial statements are signed.

Exceptional Items

Exceptional items are those material items of expenditure which the Company has disclosed separately because of their quantum or incidence so as to give a clearer understanding of the Company's financial performance. Such items are principally the write-down of property inventory balances and provisions for property bad debts. These items are quantified and described in detail in Note 6.

New Accounting Standards

Any amendments to published standards effective in the year, standards early adopted, standards, amendments and interpretations effective in the year but not relevant, interpretations to existing standards not yet effective and not early adopted, and interpretations to existing standards not yet effective and not relevant to the Company are disclosed in the accounts of the ultimate parent company.

Revenue Recognition

Revenue represents the income earned from sale of property and is stated net of value added tax.

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.

FP NEWHAVEN TWO LIMITED

ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST DECEMBER 2008 (continued)

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.

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.

Borrowing Costs

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

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

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

A weighted average cost of borrowing is used.

Cash and Cash Equivalents

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

Share Capital

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

FP NEWHAVEN TWO LIMITED

ACCOUNTING POLICIES FOR THE YEAR ENDED 31ST DECEMBER 2008 (continued)

Current and Deferred Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 consolidated financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Financial Risk Management

Liquidity Risk

All financing arrangements are subjected to continuous management review to ensure that assets will be sufficient to satisfy financial obligations as and when they fall due.

Credit Risk

All contractual arrangements are subject to an initial assessment of credit risk. Subsequent to contract, continuous management review identifies where credit obligations have not been met, or are at risk of not being met. This management review also identifies and monitors the appropriate actions to be taken with a view to enforcing the company's rights under contract.

Market Risk

The overall objective of the Company is to secure shareholder value through the effective management and development of property assets, including acquisitions and disposals, over the long-term. Key market variables which affect this outcome include; property sales value and forecast growth, construction costs and forecast inflation, along with general macro-economic factors such as interest rates and property yields.

The impact of potential interest rate movements on costs of specific developments are monitored continuously, and consideration given to hedging interest rate risk. Assumptions on other key market variables are tested regularly, and the carrying values of the assets are re-assessed to reflect any changes which are thought likely to affect the market value at the expected point of disposal.

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2008

1. Operating loss

The following items have been included in arriving at operating loss:

	2008 £	2007 £
Work in progress write down (Note 6)	<u>1,759,050</u>	<u>-</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:

	2008 £	2007 £
Audit services – statutory audit	<u>3,600</u>	<u>3,400</u>

2. Finance income

	2008 £	2007 £
Bank interest receivable	<u>324</u>	<u>524</u>

3. Finance costs

	2008 £	2007 £
Interest payable to ultimate parent company	<u>387,082</u>	<u>318,112</u>

Interest is charged on company borrowings at a blended rate from Group reflecting the Group borrowing costs plus a margin of 1.5%. The residual risk is such that a movement of 0.5% in LIBOR, would affect the Finance Costs in the income statement by £24,240 (2007 - £23,785) with a corresponding effect on Retained Earnings.

4. Directors and employees

The Directors received no emoluments from the Company in respect of the year ended 31st December 2008 (2007 - £ nil).

There are no other employees of the Company (2007 – nil).

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS (continued)

5. Taxation

	2008 £	2007 £
Analysis of tax credit for the year		
Current tax – credit for the year	<u>(612,582)</u>	<u>(104,738)</u>

The tax for the year is equal (2007 – equal) than the standard rate of corporation tax in the UK of 28.5% (2007 - 30%). The differences are explained below:-

	2008 £	2007 £
Loss before tax	<u>(2,149,409)</u>	<u>(349,125)</u>
Loss multiplied by rate of corporation tax in the UK of 28.5% (2007 – 30%)	<u>(612,582)</u>	<u>(104,738)</u>
Current tax credit for the year	<u>(612,582)</u>	<u>(104,738)</u>

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1st April 2008. Accordingly, the Company's losses for this accounting period are taxed at an effective rate of 28.5% and will be taxed at 28% in the future.

Current tax credits have been group relieved by the availability of profits in fellow subsidiaries for the year ended 31st December 2008.

6. Inventories

	2008 £	2007 £
Stock of land and work in progress	<u>2,801,090</u>	<u>4,560,140</u>

Expenditure on property development projects is charged to inventories at cost. In determining whether the carrying value is at the lower of cost or net realisable value, a review is carried out on Western Harbour at 31st December each year. The estimated sales receipts are assessed for each development as are the existing costs and the expected costs to complete (including sales costs) which are then compared with the carrying value. With the significant reduction in land values over the past year, the average unit selling price has reduced by between 15% and 35% (depending on the development site location and property type). The effect of this has reduced the net realisable value of property work in progress by £1,759,050 (2007 – £nil) leaving a carrying value of £2,801,090 (2007 – £4,560,140). This write down has been expensed through the Income Statement as an exceptional item.

It is estimated that of the stock and work in progress, £2,801,090 (2007 - £4,560,140) is not likely to be fully utilised within the next twelve months.

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS (continued)

7. Trade and other receivables

	2008 £	2007 £
Trade receivables	3,525	3,525
Bad debt provision	<u>(3,525)</u>	<u>(3,525)</u>
Other taxes	-	-
Amounts due from shareholders	<u>5</u>	<u>105</u>
	<u>2</u>	<u>2</u>
	<u>7</u>	<u>107</u>

The ageing of trade receivables is as follows:

	2008 £	2007 £
Over 90 days past due date	<u>3,525</u>	<u>3,525</u>

At 31st December 2008 trade receivables of £nil (2007 - £nil) were not past due or impaired. Trade receivables of £3,525 (2007 - £3,525) were identified as being impaired, all of which are provided for and analysed below. The factors considered in providing for impaired trade receivables are mainly that of the financial position of the customer.

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

The ageing of the allowance for credit losses of trade receivables is as follows:

	2008 £	2007 £
Over 90 days past due date	<u>(3,525)</u>	<u>(3,525)</u>

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

	2008 £	2007 £
At 1 st January	(3,525)	-
Increase in allowance	<u>-</u>	<u>(3,525)</u>
At 31 st December	<u>(3,525)</u>	<u>(3,525)</u>

The Company does not hold any collateral as security over its trade receivables

FP NEWHAVEN TWO LIMITED**NOTES TO THE ACCOUNTS (continued)****8. Cash and cash equivalents**

	2008	2007
	£	£
Cash at bank and in hand	<u>474</u>	<u>13,526</u>

9. Trade and other payables

	2008	2007
	£	£
Amount due to ultimate parent company	4,521,468	4,757,043
Accruals	<u>3,600</u>	<u>3,400</u>
	<u>4,525,068</u>	<u>4,760,443</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 Agreements between Forth Ports PLC and the Governor and Company of the Bank of Scotland dated 15th September 2004 and Forth Ports PLC and Lloyds TSB Scotland plc dated 7th and 14th April 2008.

10. Ordinary Shares

	2008	2007
	£	£
Authorised		
50 "A" Ordinary shares of £1 each	50	50
50 "B" Ordinary shares of £1 each	<u>50</u>	<u>50</u>
	<u>100</u>	<u>100</u>
Allotted and unpaid		
1 "A" Ordinary shares of £1 each	1	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.

FP NEWHAVEN TWO LIMITED

NOTES TO THE ACCOUNTS (continued)

11. Statement of changes in shareholders' equity

	Ordinary Shares £	Retained Earnings £	Total Equity £
Balance at 1st January 2007	2	57,715	57,717
Loss for the year	—	(244,387)	(244,387)
Balance at 31 st December 2007	2	(186,672)	(186,670)
Loss for the year	—	(1,536,827)	(1,536,827)
Balance at 31 st December 2008	<u>2</u>	<u>(1,723,499)</u>	<u>(1,723,497)</u>

All retained earnings are non-distributable, following unrealised property gains of £892,131 in 2005.

12. Cash flow from operating activities

	2008 £	2007 £
Loss before tax	(2,149,409)	(349,125)
Adjustments for:		
- finance income	(324)	(524)
- finance costs	387,082	318,112
- impairment of stock	1,759,050	-
Movements in working capital:		
Movement in inventories	-	1,060,000
Decrease in receivables	1	3,420
(Decrease)/increase in payables	<u>(395)</u>	<u>179,605</u>
Cash (used)/generated from operations	<u>(3,995)</u>	<u>1,211,488</u>

13. Ultimate parent company

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

Edinburgh Forthside Holdings Limited is the Company's immediate holding company. The Company paid £387,082 (2007 - £318,112) in interest on inter-company borrowings from FP. The balance due to FP at the year end was £4,521,468 (2007 - £4,757,043).

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.