

BRITISH WATERWAYS MARINAS LIMITED

Report and Financial Statements

15 Months to

31 March 2005

Company Registration Number 04930453

Directors

James Froomberg (Chairman) - (appointed 13 October 2003)
Derek Newton - (appointed 19 December 2003)
Christopher Warren - (appointed 20 January 2004)
Ian White - (appointed 19 December 2003)
Paul Williamson - (appointed 19 December 2003)

Secretary

Cornel Howells

Auditors

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge St
London
SE1 9SY

Bankers

Royal Bank of Scotland
PO Box 39952
2 1/2 Devonshire Square
London
EC2M 4XJ

Registered Office

Willow Grange
Church Road
Watford
WD17 4QA

CHAIRMANS' STATEMENT

Our business was formed on 1 January 2004 when British Waterways placed its marina operating activities into this separate, wholly owned subsidiary business. BW's objective in this separation was to strengthen its ability to trade fairly with its marina businesses compared with other marinas operating on the British Waterways network.

These accounts cover our first 15 months of trading to 31 March 2005.

British Waterways has established a protocol that sets out how it will prevent cross subsidy and unfair trading and its Board has established a Fair Trading Group to oversee our trading activity as a further safeguard.

British Waterways auditors, PricewaterhouseCoopers LLP, independently undertook a review of controls and procedures that it put in place to comply with the protocol and found that controls have been or are being put in place.

We operated 10 marinas throughout the 15 month period of these accounts and have taken on the management of a further five sites from 1 April 2005.

All our sites are operated on a commercial leasehold basis from a number of landlords. British Waterways is our landlord for six of the 10 marinas (11 of the 15 from April 2005). Rents payable to British Waterways and other landlords have been independently assessed.

Our results to date are encouraging and in line with our original business plan on formation. After a start-up loss of £50,000 in our first three months, the 12 months ending in March 2005 generated a pre-tax profit of £32,000.

In addition, there have been significant other achievements in the business.

Following our separation from British Waterways our culture and management structure has changed to allow a focus on delivering value for money facilities and excellent service to our customers.

The business has achieved two notable awards in recognition of its customer service the RYA Blue Flag and the RCI Gold Award.

During the period, we invested £1.2 million across our portfolio to create 256 new mooring pontoons, bringing our total to 1826 at the original 10 marinas. We also increased the occupancy of our estate from 73% to 85%. With the addition of the further five marinas in April 2005, we now operate 2245 moorings.

Our investment has also provided new boat sales offices and improved customer facilities at a number of our Marinas.

We have established partnerships with 4 new boat builders during the last year to offer our customers a range of new craft.

Now the business is established, our aim is to continue to grow our income and profits by maximising customer facilities at our existing sites and bringing new mooring and allied facilities to our boating customers. Additional marinas are planned to be delivered through development opportunities and acquisition of appropriate new sites.

DIRECTORS' REPORT

The directors present their report and financial statements for the 15 month period ended 31 March 2005.

PRINCIPAL ACTIVITY

British Waterways Marinas Limited was incorporated on 13 October 2003 and commenced trading on 1 January 2004.

The principal activity of the company is that of marina operations.

RESULTS AND REVIEW OF THE BUSINESS

The directors consider the results for the year which are set out on page 9 and current state of affairs of the company to be satisfactory. The directors do not recommend payment of a dividend.

The marina operations were transferred from the parent organisation at the commencement of trade.

The directors plan to develop the marina operations of the business and are looking for opportunities to create new moorings with associated facilities where opportunities arise.

DIRECTORS

The names of the directors who served during the period are listed on page 2. No director held any interests in shares of the company as at 31 March 2005. James Froomberg is also an executive director of the parent company British Waterways Board.

EQUAL OPPORTUNITIES

BWML is committed to equality of opportunity and has policies and procedures in place to ensure continuous improvement. BW fully recognises its legal responsibilities, particularly in respect of race relations, sex and disability discrimination.

AUDITORS

PricewaterhouseCoopers LLP were appointed by the directors as the first auditors of the company.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the annual general meeting.

By order of the Board

Company Secretary

Date:

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which 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 year. 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;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements: and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue the business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are 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' report to the members of British Waterways Marinas Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 are 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2005 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

July 2005

PROFIT AND LOSS ACCOUNT

For the 15 months ended 31 March 2005

	Notes	15 months Ended 31 March 2005 £
Turnover		5,944,734
Operating Costs		<u>(5,974,933)</u>
Operating Loss		<u>(30,199)</u>
Interest payable and similar charges		-
Interest receivable		<u>9,984</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(20,215)
Taxation	5	(1,013)
LOSS FOR THE PERIOD		(21,228)
Dividend payable		<u>-</u>
RETAINED LOSS FOR THE PERIOD		<u><u>(21,228)</u></u>

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents. There are no recognised gains or losses other than the loss of £21,228 attributable to the shareholders for the period ended 31 March 2005.

BALANCE SHEET
as at 31 March 2005

	Notes	2005 £
FIXED ASSETS		
Tangible assets	6	<u>1,220,568</u>
CURRENT ASSETS		
Stocks	7	1,304,474
Debtors	8	1,368,119
Cash at bank and in hand		<u>422,908</u>
		<u>3,095,501</u>
CREDITORS – amounts falling due within one year	9	<u>(1,435,284)</u>
NET CURRENT ASSETS		<u>1,660,217</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,880,785
PROVISIONS FOR LIABILITIES AND CHARGES	10	<u>(1,013)</u>
		<u>2,879,772</u>
CAPITAL AND RESERVES		
Share capital	11	1,290
Share premium account	12	2,899,710
Profit and loss account	12	<u>(21,228)</u>
EQUITY SHAREHOLDER'S FUNDS		<u>2,879,772</u>

The financial statements on pages 9 to 18 were approved by the Board of Directors and were signed on its behalf by:

Mr D Newton (Director)

Date:

NOTES TO THE FINANCIAL STATEMENTS

At 31 March 2005

1 ACCOUNTING POLICIES

Basis of Accounting

The financial Statements are prepared under the historical cost convention in accordance with applicable accounting standards and the Companies Act 1985.

Cash Flow Statement

The Company is a wholly owned subsidiary of British Waterways Board, a public corporation, and is included in the consolidated financial statements of British Waterways Board, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

Related Party Transactions

Although the company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the British Waterways Board group it has elected to do so in note 15 to these financial statements.

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. All turnover arises from continuing business operations in the United Kingdom.

Tangible fixed assets and depreciation

All fixed assets are recorded at cost less accumulated depreciation.

Depreciation of fixed assets is calculated on a straight line basis to write off each asset over the term of its useful life

The estimated lives are as follows:

Pontoons	25 Years
Cranes and Hoists	10 Years
Vans	5 Years

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is defined as latest purchase price. Net realisable value is defined as estimated selling price less all further costs to completion and estimated selling expenses.

Pensions

The Company participates in the pension scheme of its parent company, British Waterways Board. The scheme is a centrally administered funded defined benefit scheme. Pension costs are charged to the profit and loss account so as to spread the cost over the employees' working lives with the Company. The regular cost is attributed to individual years using the projected

unit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the cash amounts funded and the amounts charged to the profit and loss account are treated as either a provision or prepayment in the balance sheet.

The Company has adopted the transitional arrangements for pension cost disclosure detailed in FRS17. It is not possible for the scheme to identify the Company's share of the underlying assets and liabilities of the scheme and hence, in accordance with FRS 17, contributions to the scheme are accounted for as though it was a defined contribution scheme. The appropriate disclosures are included in the notes to the accounts.

2 OPERATING LOSS

	2005 £
The operating loss for the period was arrived at after charging:	
Auditors' remuneration - audit services	13,000
Operating lease rentals - plant and machinery	19,997
- land and buildings	468,764
Depreciation	56,480
and after crediting:	
Rents receivable (included in turnover)	68,788

3 STAFF COSTS AND NUMBERS

a) The average number of persons employed by the company, including Executive Directors, during the period was as follows:

	2005 No.
Full time	52
Part time	15

b) The related staff costs were as follows:-

	2005 £
Wages and salaries	1,386,050
Social Security costs	92,089
Pension costs	128,282
	<u>1,606,421</u>

c) Pension Scheme

Employer contributions are at the rate of 15% of pensionable pay during the year to 31 March 2005. From the 1 April 2005, company contributions will be made at the rate of 13.5% of pensionable pay.

The pension cost charge represents contributions payable by the Company to the fund and amounted to £128,282. There were no prepaid or accrued pension contributions at 31 March 2005.

Contributions to the Scheme are determined with the advice of independent professionally qualified actuaries on the basis of a triennial valuation using the projected unit method. The most recent actuarial valuation was conducted as at 31 March 2004. It applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual employers; hence disclosure of the funding arrangements for the whole scheme is made in the accounts of the parent company. The next full actuarial valuation will be carried out as at 31 March 2007 and the valuation report will be issued in March 2008.

Latest full scheme actuarial valuation:

Assumptions:

	As at 31 March		
	2005	2004	2003
Rate of inflation	2.75%	2.75%	2.50%
Rate of increase in salaries	4.30%	4.30%	4.00%
Rate of increase for pensions in payment and deferred pensions	2.75%	2.75%	2.50%
Rate used to discount scheme liabilities	5.40%	5.50%	5.40%

Assets and expected rate of return:

	31 March 2005		31 March 2004		31 March 2003	
	£ million	%	£ million	%	£ million	%
Equities	115.5	8.00%	109.3	8.10%	99.4	7.50%
Property	10.6	8.00%	8.9	8.10%	5.0	7.50%
Bonds	79.2	4.80%	68.4	4.90%	46.5	5.00%
Other assets	0.9	4.00%	0.3	4.00%	3.0	3.75%
Total fair value of assets	206.2		186.9		153.9	
Present value of scheme liabilities	272.2		242.5		221.7	
Deficit in the scheme	(66.0)		(55.6)		(67.8)	
Related deferred tax asset	19.8		16.7		20.3	
Net pension liability	(46.2)		(38.9)		(47.5)	

4 DIRECTORS' EMOLUMENTS

	2005 £
Emoluments	143,683
Including salaries, bonuses, car and other benefits and company pension contributions.	

The amounts in respect of the highest paid director are as follows:

Emoluments	93,484
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5 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005 £
Current Tax:	
UK Corporation Tax	-
Total Current Tax	-

Deferred Tax:

Origination and Reversal of Timing Differences (Note 10)	<u>1,013</u>
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Tax on Profit on Ordinary Activities	<u>1,013</u>
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(b) Factors affecting the tax charge

Loss on ordinary activities before tax	(20,215)
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Loss on ordinary activities at the UK tax rate	(6,065)
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Expenses not deductible for tax purposes	7,078
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Accelerated capital allowances	<u>(1,013)</u>
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Total current tax charge	<u>-</u>
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6 TANGIBLE FIXED ASSETS

	Craft, Plant And Equipment 2005 £
Cost:	
Additions	1,315,461
Disposals	(39,736)
At 31 March 2005	<u>1,275,725</u>
Depreciation:	
Provided during the period	56,480
Disposals	(1,323)
At 31 March 2005	<u>55,157</u>
Net Book Value: At 31 March 2005	<u>1,220,568</u>

7 STOCKS

	2005 £
Items held for resale	<u>1,304,474</u>

8 DEBTORS

	2005 £
Amounts falling due within one year:	
Trade debtors	462,130
Amounts due from parent company	711,952
Prepayments and accrued income	194,037
	<u>1,368,119</u>

9 CREDITORS – amounts falling due within one year

	2005 £
Trade creditors	463,661
Other taxation and social security	22,393
Other creditors	167,615
Accruals and deferred income	<u>781,615</u>
	<u>1,435,284</u>

10 PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current year are as follows:

At 1 January 2004	-
Deferred tax charge in profit and loss account (note 5(a))	<u>1,013</u>
At 31 March 2005	<u>1,013</u>

11 SHARE CAPITAL

	2005 £
Authorised	<u>2,000</u>
Allotted, called up and fully paid:	<u>1,290</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital	Share Premium	Profit and Loss Account	Total
Issued during the period	1,290	2,899,710		2,901,000
Loss for the period			(21,228)	(21,228)
At 31 March 2005	<u>1,290</u>	<u>2,899,710</u>	<u>(21,228)</u>	<u>2,879,772</u>

13 OPERATING LEASE COMMITMENTS

	Land and buildings 2005	Plant and machinery 2005
Operating leases which expire:		
Within one year	-	1,477
Within two to five years	-	18,520
After five years	576,060	4,000

14 CAPITAL COMMITMENTS

There were no capital commitments at the period end.

15 RELATED PARTY TRANSACTIONS

The business made the following payments to related parties:

British Waterways (Parent Undertaking)

Rent	468,764
Rates Equivalent	200,124
Service Level Agreement	86,060

Waterscape (100% subsidiary of British Waterways)

Development of Company Website	8,000
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16 PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company for which group financial statements are prepared is British Waterways Board, a UK public corporation. A copy of the financial statements of the parent undertaking can be obtained from British Waterways, Willow Grange, Church Road, Watford, Herts. WD17 4QA.