

# SCOTLAND'S OPERATING & FINANCIAL REVIEW

British Waterways Scotland manages five canals in Scotland: the Caledonian; the Crinan; the Forth & Clyde; the Union; and Monkland canals. We work within the framework of British Waterways' corporate objectives while seeking to meet the aspirations of the Scottish Executive as laid out in their policy document, 'Scotland's Canals – an Asset for the Future'.

The figures quoted here are incorporated in our Group Operating & Financial Review on pages 6 to 45.

## Scottish Executive Grant

We receive grant funding from the Scottish Executive. In 2004/05 our baseline grant grew by 5.9% to £8.9 million (2003/04: £8.4 million). We were delighted to receive an additional ad-hoc grant of £3.7 million during the year. The total grant accrued for the financial year 2004/05 was £12.6 million (2003/04: £12.6 million).

In October 2004 we welcomed the announcement by the Transport Minister of the Scottish Executive's continued funding of £8.9 million for 2005/06, increasing to £10.9 million for 2006/07 and £11.4 million for 2007/08. This is a very clear indication of the Scottish Executive's commitment to continue to support the transformation of Scotland's canals. In response to this strong support, we have pledged to improve future revenue streams by investing further commercial capital in Scotland.

## Strategic Priorities

The safety of visitors, contractors and our people is our main priority and we are committed to working together to achieve excellence in Health and Safety performance.

We wish to see our canals fulfil their potential and add value to people living in Scotland as set out in 'Scotland's Canals – An Asset for the Future'. Our strategic priorities are to deliver busier and more vibrant waterways, in particular to ensure that the Lowland canals fulfil their economic and leisure potential now they are restored. Wherever compatible with our vision and priorities we will use the waterways as a catalyst for urban and rural regeneration.

We aim to satisfy our customers by providing a secure infrastructure and improved level of service. During the year we adjusted the way we manage our business to adopt a clear, integrated, Scotland-wide approach. We have clear plans, which enable local teams to concentrate on delivering good service to meet the demands of our customers, partners and staff.

We wish to encourage all public bodies sponsored by the Scottish Executive to continue to work together and support the sustainable development and regeneration of canals and their surrounding areas. The unique built heritage and environment of Scotland's canals makes them special and attracts millions of visitors every year. They are all protected by Scheduled Ancient Monument status and are surrounded by environmentally sensitive sites (except the Monkland Canal). A close working relationship with Historic Scotland, Scottish Environmental Protection Agency and Scottish Natural Heritage is imperative to the success of our business. Working with the Waterways Trust Scotland we also wish to promote voluntary sector and community involvement, with particular regard to the educational value and the positive impact on quality of life.

A further aim is to facilitate waterway transport and freight. Timber shipments through our improved facilities at Ardrishaig continue to outperform our expectations and are at capacity. In 2004 timber tonnage shipped from the pier increased by 36.5% to 132,660 (2003/04: 97,149 tonnes). In the Lowlands, as an initiative supported by the Lowland Canals Steering Group, a Freight Action Plan is to be developed to investigate canalside freight facilities and potential freight movements.

We continue to consult with the Scottish Executive and the Scottish Environment Protection Agency to ensure that we will comply with the new control regimes expected to be phased in from October 2005 as a result of the Water Framework Directive which promotes sustainable water use.

## British Waterways Scotland Group

The British Waterways Scotland Group, is a non-statutory advisory group, chaired by Campbell Christie, British Waterways' Vice-Chairman. It plays a key role in advising and influencing our corporate and commercial interests within the devolved political environment. It meets three to four times each year at various locations throughout Scotland where the public, and interested organisations have the opportunity to discuss their needs and issues with the wide range of Group members. This is in addition to our formal public Annual Meeting, and two regular local user group meetings each year.



(Left to right): Jim Stirling, Director, British Waterways Scotland with Nicol Stephen, Minister for Transport, Scottish Executive and Campbell Christie, British Waterways Vice-Chairman and Chair of the British Waterways Scotland Group on the Union Canal.

Our second Scottish Boat Show was held at The Falkirk Wheel in August 2004. It was again sponsored by Scottish Enterprise Forth Valley, and attracted thousands of visitors to see a selection of over 60 boats.



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## Working in Partnership

Significant progress to encourage partnership working has been made during the year with the creation of the Scottish Canals Development Group – a new pan-Scotland partnership, chaired by the Scottish Executive, involving all those bodies who can contribute to and benefit from vibrant canals. A key objective of the Group is to work together to develop the canal corridors to maximise leisure, tourism and business use and so unlock their economic potential whilst taking account of social and environmental needs.

To help identify, implement and progress projects – both long-term and short-term two project development groups, which meet quarterly, have also been set up. These comprise the Highland Canals Steering Group, chaired by the chief executive of Lochaber Enterprise; and the Lowland Canals Steering Group, chaired by the chief executive of Scottish Enterprise Forth Valley.

It is clear from the initial meetings that there is a common agenda and shared vision surrounding the positive impact Scotland's canals can have at both national and local level on all the organisations involved. By working with all our partners in the public and voluntary sectors to identify projects of mutual benefit we are determined to make real progress to ensure that the momentum for developing Scotland's canals, their corridors and canalside communities is maintained.

## Review of Key Business Areas

The key business areas in which we operate include:

### Waterway Management

Safety remains top of our agenda and underpins all that we do. We need a safe and secure infrastructure so that people feel assured when visiting our waterways, and businesses are confident about investing in them.

Our statutory maintenance arrears are estimated at £7.8 million, and we are on target to eliminate them by 2012.

With the help of ad-hoc funding from the Scottish Executive, we were able to complete a further stage of the Caledonian Lock stabilisation programme to improve the reliability and efficiency of the Caledonian Canal. These major works were undertaken at Dochgarroch Lock, Clachnaharry Sea Lock and Corpach Double Lock during the winter of 2004/05. The lock repair programme is expected to be completed by 2005/06.

On the Crinan Canal stabilisation works were undertaken at locks 4, 5, 6 & 7 during the winter of 2004/05, in addition to embankment leak repairs at Badden Bend.

With the financial support of European Regional Development Fund and Scottish Enterprise Dunbartonshire, improved customer facilities at Bowling on the Forth & Clyde Canal will soon be available, with an amenity block and the installation of additional mooring pontoons under construction.

### Leisure

The total number of boats licensed remained fairly constant with 2,920 in 2004/05 (2003/04: 2,858), see table top right.

### The Falkirk Wheel

During the year, The Falkirk Wheel, the world's only rotating boat lift, reinforced its position as one of the country's leading visitor attractions. Despite very poor weather last summer visitor numbers have remained strong – 154,155 visitors from all over the world enjoyed a boat trip through The Wheel in 2004/05 compared to 152,493 in 2003/04. In August 2004 alone, 27,000 visitors enjoyed a boat trip and 251 private vessels transited The Wheel.

The experience of our customers at The Wheel is critical to the success of our business and we are constantly striving to enhance the visitor experience. Due to the high demand for boat trips since it opened in 2002, we have increased capacity with the introduction during the year of two specially constructed 96-seater passenger boats. Easy access, all round visibility, and manoeuvrability were the top priorities throughout the design stages. They are proving to be very popular with our visitors.

### The Scottish Boat Show

The second Scottish Boat Show, sponsored by Scottish Enterprise Forth Valley, attracted around 15,000 visitors to see a selection of over 60 boats of all types, shapes and sizes. The brand new leisure puffer Maryhill formally opened the show at the end of her maiden voyage along the Forth & Clyde Canal.

**Boat Licences in Scotland**

	Under 3 months		Over 3 months		Total	
	(04/05)	(03/04)	(04/05)	(03/04)	(04/05)	(03/04)
Caledonian Canal	948	1,151	171	140	1,119	1,291
Lowland canals	98	128	200	164 *	298	292
Crinan Canal**	1,440	1,214	63	61	1,503	1,275
<b>Total</b>	<b>2,486</b>	<b>2,493</b>	<b>434</b>	<b>365</b>	<b>2,920</b>	<b>2,858</b>

\* The 2003/04 figure, overstated as 220 in last year's report, has been corrected as above

\*\* There were 119 commercial freight ship visits to the Crinan Canal



Boaters at Clachnaharry, Inverness, on the Caledonian Canal.

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**The Lowland Canals**

The continuing regeneration of Scotland's Lowland canals took a major step forward with the completion of a new mooring basin at Auchinstarry near Kilsyth on the Forth & Clyde Canal. The development, for which we used a sustainable approach, includes hard standing for 40 boats, a car park and facilities block (also see page 16). Plans are being discussed for a possible hotel, bar and restaurant complex on the site.

To address the shortage of visitor moorings across the Lowland canals, during the year we have installed over 0.75 miles (1.2 kms) of new moorings at various locations including Leamington, Harrison Park, Linlithgow and The Wheel.

**The Highland Canals**

We have concluded a review of operations on the Caledonian Canal leading to the introduction of more flexible, customer-focused working practices. We are now looking at arrangements across Scotland to achieve a modern framework allowing us to quickly adapt our business to respond to the needs of our customers. We expect the new consistent and transparent system of commercial fees for all businesses operating on the Caledonian Canal to become the model for all Scotland's waterways to assist growth by encouraging true business to business relationships with our commercial customers.

Loch Ness is an outstanding, world-renowned waterways asset. It needs to come alive but this requires the development of amenities around the loch including safe moorings and tourism facilities. We will work with our partners to find ways to achieve this.

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## Restoration

We are seeking to expand our network by encouraging more waterway restoration and creation.

The re-connection of Speirs Wharf to Port Dundas, two of Glasgow's most historic canalside locations is scheduled for completion in late 2005. The £5.6 million restoration includes the provision of 300 metres of new canal and two new lock structures. It builds on the regeneration process started by The Millennium Link and will bring a new and exciting Canal Quarter to the Forth & Clyde Canal very close to Glasgow's vibrant city centre. It will unlock 30 hectares of vacant and unused land in Port Dundas for mixed-use development and environmental improvements. The restored canal basin will also provide opportunities for the creation of a thriving waterspace.

The project has been made possible through a strong partnership approach, with funding support received from Glasgow City Council, European Regional Development Fund, ISIS and the Garfield Weston Foundation. Port Dundas is the flagship initiative in a programme being pushed forward in partnership by ISIS and Glasgow City Council to regenerate a significant part of North Glasgow around the canal.

We reported last year that we recognise the need to improve the entrances to the Lowland canals at both the River Carron and Bowling. Feasibility studies are underway to investigate the navigation windows on the River Carron to improve access to and from the Forth & Clyde Canal from the east to the Firth of Forth at Grangemouth. The studies are jointly funded by us and the Scottish Executive, and outcomes will include increased canal use for through passage. A major part of the study is focused on the environment of the River Carron itself.

In addition, the prospect of re-linking Loch Lomond to the Clyde via a navigable River Leven has the potential to be enormously beneficial for tourism and leisure.

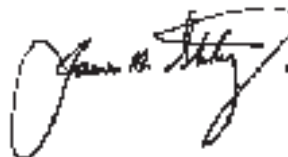
## Property and Ventures

Phase One of Edinburgh Quay, comprising offices, restaurants and housing, is now complete and well on its way to becoming fully occupied. The £60 million joint venture with Miller Developments on the Union Canal is transforming the area around Lochrin Basin and there is already strong interest in the Phase Two development which has planning consent for offices and retail outlets. With the official opening of Lochrin Basin at the beginning of 2005 by Nicol Stephen, our Scottish Minister we have created a lively canal destination point in the centre of Edinburgh. We hope to influence the shape of future development in the heart of Edinburgh at the adjacent Fountainbridge Brewery, now that brewing has ceased, by highlighting the advantages and value to be gained by creating vibrant, colourful waterspace.

We acquired the former Rosebank Distillery in Falkirk in 2002 and received planning consent for a mixed use development comprising leisure, offices and housing. We have concluded the sale of the residential site and residential construction has started.

We have also identified several potential high quality sites in Scotland to put forward to our Waterside Pub Partnership venture to develop waterside pubs.

In conclusion, the priorities for us are clear. By having a much stronger focus on the needs and wishes of our customers, by working together as one team in Scotland and by working in partnership with bodies who can contribute to and benefit from vibrant canals we are striving to add value to the economy, the environment and the social welfare of Scotland by delivering safer and thriving waterways. Thanks to our committed and supportive team in Scotland we are confident that we shall achieve our aims.



**James M Stirling**  
Director, Scotland

The Falkirk Wheel, where the Forth & Clyde Canal meets the Union Canal.



# SCOTLAND'S ACCOUNTS

## Financial Review

British Waterways Scotland made a loss of £953,000 in 2004/05 (2003/04: £379,000 profit). This loss increases the cumulative loss over the five years since devolution to £9.0 million, which represents the continued commitment of the British Waterways Group to the long-term potential of the waterways in Scotland.

Detailed comments on trading are included in the review of our 'key business areas' above.

During the year we increased our loan capital to Edinburgh Quay Ltd, an associate company set up to develop property in Edinburgh, by £1.3 million to £7.7 million. Interest receivable on loans made to Edinburgh Quay Ltd amounted to £0.3 million.

The value of fixed assets reduced by £1.1 million to £15.8 million, mainly as a result of the sale for residential development on the site of the former Rosebank Distillery in Falkirk.

## Profit and Loss Account Scotland year to 31 March 2005

	2004/05 £000	2003/04 £000
Direct income	7,435	3,977
Scottish Executive grant	12,634	12,646
<b>Total Revenue</b>	<b>20,069</b>	<b>16,623</b>
Major repairs and renovations	(7,014)	(4,915)
Other operating charges	(8,911)	(5,760)
Staff costs	(4,990)	(5,386)
Depreciation	(369)	(415)
Own work capitalised or charged to major works	-	-
<b>Total Expenditure</b>	<b>(21,284)</b>	<b>(16,476)</b>
<b>Operating (loss)/profit</b>	<b>(1,215)</b>	<b>147</b>
Profit on sale of investment properties	1,495	209
Interest receivable	262	232
<b>Profit for the financial year</b>	<b>542</b>	<b>588</b>
Transfer of profits on sale of property	(1,495)	(209)
<b>(Loss)/Profit transferred (from)/to reserves</b>	<b>(953)</b>	<b>379</b>

## Grant receivable from Scottish Executive

	2004/05 £000	2003/04 £000
Grant received in year	12,977	14,534
Accrued grant at 1 April	(2,417)	(4,351)
Accrued grant at 31 March	2,040	2,417
	<b>12,600</b>	12,600
Deferred capital grant released to profit and loss account	34	46
<b>Total revenue grant accrued during the year</b>	<b>12,634</b>	12,646

## Analysis of fixed assets

### a) Tangible fixed assets (net book value)

	31 March 2005 £000	31 March 2004 £000
Freehold land, building and structures - operational	4,726	4,326
Freehold land, building and structures - investment	9,086	9,630
Craft plant and equipment	2,048	2,982
	<b>15,860</b>	16,938

### b) Investments

	31 March 2005 £000	31 March 2004 £000
Shares at cost:		
Balance at 31 March	1	1
Loan to Edinburgh Quay Limited:		
Balance at 1 April	6,472	2,695
Additions	1,263	3,777
Balance at 31 March	7,735	6,472
<b>Net book amount at 31 March</b>	<b>7,736</b>	6,473

	Issued share capital £	Equity interest held %
Edinburgh Quay Ltd	100	100
Edinburgh Quay Ltd's principal activity is property development in Edinburgh.		
British Waterways' investment is shown in the balance sheet at cost less provisions for impairment		
The aggregate amount of capital and reserves and the profit and loss for the year was as follows:		

	Capital & Reserves £000	Profit/(loss) for the year £000
Edinburgh Quay Ltd (31 December 2004)	<b>(3,239)</b>	(2,690)