BRITISH WATERWAYS ANNUAL REPORT & ACCOUNTS 2010/11

British Waterways

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British Waterways Annual Report & Accounts 2010/2011

Accounts presented to Parliament pursuant to section 24 (3) of the Transport Act 1962.

Annual Report presented to Parliament pursuant to section 27 (8) of the Transport Act 1962.

Accounts presented to the Scottish Parliament pursuant to section 24 (3) of the Transport Act 1962.

Annual report presented to the Scottish Parliament pursuant to section 27 (8c) of the Transport Act 1962.

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BW is a public corporation sponsored by the Department for Environment, Food and Rural Affairs (Defra) in England and Wales, and by Transport Scotland (an agency of the Scottish Government) in Scotland. We manage a 2,200 mile long, 200-year-old network of canals and rivers.

Minister for Inland Waterways, England and Wales
Richard Benyon MP

Minister for Transport, Infrastructure and Climate Change, Scotland
Stewart Stevenson MSP (until December 2010)

Minister for Transport and Infrastructure, Scotland
Keith Brown MSP (from December 2010)

Strategic Priorities
In England and Wales our sponsoring department, the Department for Environment, Food and Rural Affairs, provides strategic guidance relating to the following priorities:

- Maintaining the waterway network in satisfactory order
- Achieving the shared Government / BW longer term vision of moving towards greater self-sufficiency
- Delivering a range of additional public benefits

In Scotland we have continued to work closely with the Scottish Government. The breadth of BW Scotland's activities is both consistent with, and complementary to, the Purpose and five Strategic Objectives set out by the Scottish Government:

- Wealthier and Fairer
- Healthier
- Safer and Stronger
- Smarter
- Greener

We also work closely with the Welsh Assembly Government and will continue to do so in 2011/12.

CHAIRMAN'S STATEMENT

Over the last 12 months we have achieved a great deal at both a strategic and operational level. Excellent progress has been made towards the move from public to charitable status in England and Wales and for the disaggregation of Scotland's canals that the Scottish Government has decided to retain in the public sector.

We believe these changes have the potential to put our wonderful waterways onto a new longer term sustainable financial footing, where responsibility and accountability lies much closer to the communities involved. Both governments are involved with evolving new governance structures to fit the need. In England and Wales Transition Trustees have been appointed to guide and ultimately approve the outcome and in Scotland an Advisory Board is in place to similarly guide the process. There is a great deal to do but we are all working to the same goal - to keep our waterways in the best possible condition for the widest use by the community for many generations to come.

New waterways charity in England & Wales

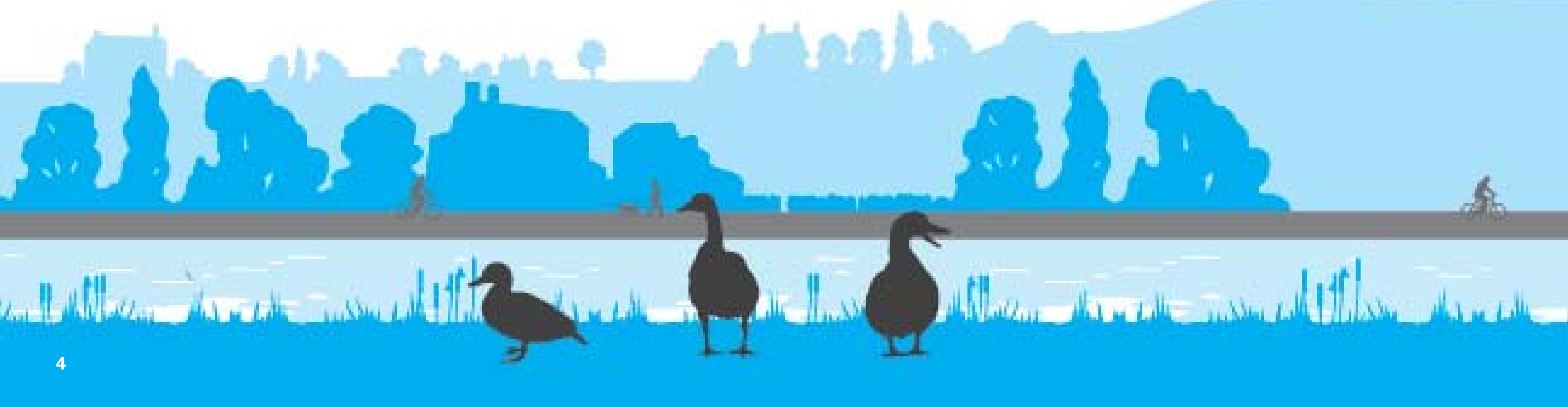
There are still many challenges ahead, not least building the initial income to the level required to maintain the waterways in a condition that will enable their continued growth and development. However, once we have charitable status with a government funding contract every extra resource gained goes straight to the waterways.

The government has given great support and encouragement to our charity plans. Ministerial commitments to both a long-term contract with a guaranteed minimum payment, together with the transfer of the income earning property assets to the new charity have been both essential and hugely welcome. We must not underestimate these achievements, which many thought government would never agree, but we must also acknowledge there is still some way to go before the charity becomes a reality.

Defra's three-month public consultation, *A New Era for the Waterways*, which set out the proposals for a new waterways charity in England and Wales, has been completed and we look forward to the results in the autumn. We have been hugely encouraged by the interest and support this consultation has generated. We have only got to where we are because the executive team has been tireless in their determination to achieve a change in status, government has been a supportive partner and stakeholders have engaged willingly and positively whenever and wherever asked. I am grateful to you all for your commitment and efforts.

The Transition Trustees for the new waterways charity have now been appointed by Defra. I am delighted to have been asked to be chair along with five new trustees: Lynne Berry (chief executive, WRVS), Jane Cotton (HR director, Oxfam) John Dodwell (former chairman, CBOA), Tom Franklin (chief executive, Ramblers), Simon Thurley (chief executive, English Heritage) and existing BW board members John Bridgeman and Nigel Hugill. They are widely respected in the fields of heritage, volunteering, leisure, social inclusion, boating, the third sector and commercial interests and can make a huge contribution to the success of the new charity.

The key to the future of our waterways is for them to continue to deliver the widest range of public benefits with everyone having an opportunity to help shape that future.



Increased popularity and support

Nearly thirteen million people visited our waterways in 2010 despite the poor summer weather. For the seventh year running, over 90% of the population rated canals as an important part of the nation's heritage. I am also delighted that the number of boats on the waterways remains as high as ever.

We have also achieved significant growth (67%) in volunteering – a priority as we move to charitable status. Volunteers come in all ages and from many different backgrounds. We have a volunteer lawyer, engineers, teachers and web designers to name just a few of the professions now giving us their time freely. These are regular long-term volunteers but the number of short-term volunteers engaged in general maintenance and tidying also continues to grow. We have successfully launched fourteen canal adoption schemes with employees at companies including HFC and Barclaycard caring for mile long stretches of canals. An excellent and developing relationship with the probation service is engaging their people in mainstream society and they are making a valued contribution through their work.

Waterways improved

On the waterways themselves we have achieved some significant milestones, including the long awaited completion of the Droitwich Canals. They closed in 1939 but are now an ideal long weekend cruising ring in the Midlands and a great source of pride to the local community who have been enthusiastic and generous supporters throughout.

The East London waterways have continued to be improved around the Olympic site and it was a marvellous occasion when a flotilla of boats from the St Pancras Cruising Club and the Three Mills Mooring Association passed through the restored City Mill Lock for the first time in forty years in July 2010.

In Scotland the new entrance to the Lowland Canals with its planned iconic two 30 metre high 'Kelpies' water horse sculptures is making good progress. The capital phase began this year and the tender went out for the canal extension which will hopefully be underway this winter.

Finding efficiencies

Reductions in income have forced tough decisions to be made within British Waterways (BW) resulting in changes to working practices, employee benefits and, regrettably, some redundancies. The Board is hugely grateful to all our colleagues in BW for their cooperation and positive support in delivering these changes.

We are becoming increasingly efficient with our management information systems allowing a much more targeted approach to waterway maintenance. As in all areas of the business, there is a careful allocation on a risk basis and unfortunately there just isn't enough money to do everything, particularly some of the less urgent but desirable repairs. Management has demonstrated that the condition of the core infrastructure remained unchanged, despite less investment this year. Low income growth but rising costs over the next three years will make it difficult to repeat this achievement but the principle of concentrating on the structures with the highest risk profile nationally will focus our resources.

We continue to improve the way in which we explain our work programmes. For example, we held a number of popular public open days during the winter maintenance programme and welcomed over a thousand people into our two workshops to see our craftsmen at work. These open days were so well received that we will be increasing the number next year.

In a way that sums up my job in being part of this incredible institution that engages so many people in different ways that come together for a common cause irrespective of the many other calls on their time and the opportunities they might have.

I would like to thank retiring Board members Maggie Carver and Eric Prescott for their contribution, our Government Ministers in England and Wales and Scotland, Clive Henderson, chairman of the Inland Waterways Association, who joined the Board as an active observer in 2010 and, once more, all our colleagues and supporters for their contribution.

Tony Hales
Chairman

GROUP OVERVIEW

This year has been one of both short term and long term success. Our year's results were good in a very difficult environment. We continued to deliver high levels of public benefit, grow public support, maintain the waterways to a constant standard and deliver improved financial results.

DELIVERING PUBLIC BENEFIT

Local communities and public spaces

We want our inland waterways to be enjoyed by the public for many years to come. Half the population lives within five miles of one of our waterways and they provide many social benefits and enhance the quality of life for those living in the surrounding area. A major output of our work is using our water spaces to engage with communities and to deliver greater public benefit, thus helping to deliver the governments' objectives.

A range of studies has shown that our canals, rivers, reservoirs and docks provide an incredible £500m worth of public benefit each year. Recent research, commissioned by Defra, sets out the wide range of public benefits that inland waterways deliver, such as encouraging communities out of their cars and on to our towpaths. In Scotland, our close working relationship with the Scottish Government has explicitly delivered elements of a 'Wealthier and Fairer; Healthier; Safer and Stronger; Smarter and Greener Scotland'. In particular, investment in the canals of Scotland has seen health benefits delivered which have been valued at £10m per year.

We work with a wide variety of organisations across Britain in public and private sector partnerships, as well as many national and local voluntary groups. We are proud of our track record of providing more than a ten-fold return on every £1 of government grant invested.

Waterways allow us to escape from the everyday world and people continue to visit our canals and rivers in large numbers. Research shows that waterway-based recreation and tourism generates some £1.1bn expenditure in local economies and supports 24,000 jobs. A recent study published in the Environmental Science and Technology journal confirms that waterways can also boost well-being. The report shows that just five minutes of exercise in the open air in green spaces can enhance your state of mind, particularly when exercising by water.

Waterways as an educational resource

We continue to build strong relationships with schools and community groups close to our waterways, working under the Wild Over Waterways (WOW) campaign which is linked to the national curriculum. Our work encourages children and their families, group leaders and teachers to use the waterways as an inspiration for learning. It is vital that we engage with young people now as we will rely on their enthusiasm and support to safeguard the waterways in the future. WOW has produced a number of new downloadable resources including '*All About Canals*' and '*Waterways Today*' for our education website (www.wow4water.net) which are designed to be delivered both canalside and in the classroom, and to cater for a range of learning styles. We held volunteer education recruitment events across the country for the first time to recruit helpers to lead school visits and educational sessions. Over the year we reached over 6,000 children through events and school visits, distributed over 35,000 printed educational aids and responded to 485 requests for support and resource from educational professionals and youth leaders via our website and education team.

Promoting Britain's minority languages

All our communications and public facing activity within Wales is carried out bilingually. Our Welsh Language Scheme, which complies with the Welsh Language Act, came into effect in March 2007 and we continue to work with the Welsh Language Board to deliver our action plan. Our bilingual communications include corporate literature, press releases and publications together with operations and visitor information signage and translation at public meetings. For more information on the content of our scheme visit www.britishwaterways.co.uk.

In Scotland we have worked with partner organisations in the Great Glen Ways initiative to deliver Gaelic as part of our interpretative signage in and around the Caledonian Canal. The signage has been designed to make Gaelic pronunciation accessible and encourage visitors to engage with, and enjoy, Gaelic culture. We are continuing this principle with the signage panels for the Great Glen Canoe Trail which are currently being installed and the new Great Glen Canoe Trail website will also have key titles translated into Gaelic.

A haven for wildlife

The natural environment of our canals, rivers, reservoirs and docks is a key element in making them very special places to visit and therefore conserving our wildlife and habitats is an important part of our business. We work closely with national and local conservation trusts on a diverse range of projects from managing Sites of Special Scientific Interest, to implementing biodiversity action plans; and from managing vegetation, to monitoring protected and invasive / non-native species. Our annual wildlife survey, through which we engage the help and enthusiasm of local visitors, has become a regular fixture. In 2010 participants recorded over 40,000 sightings of different species along our waterways. This year's results showed record numbers of the kingfisher, with sightings increasing by more than 200%. Newts, toads and otters have all been spotted in record numbers and, encouragingly, sightings of house sparrows, a declining species that is vanishing from our towns and cities, increased by 23%.

Conserving national heritage

As the guardians of a 200-year-old network we conserve, restore and protect some of the country's most historic and iconic features. Unlike many national treasures, you can look, touch and experience our heritage collection. We manage the third largest collection of listed structures in the country, including over 2,700 listed buildings, 51 scheduled ancient monuments, over 400 miles of conservation areas and thousands of archaeological sites.

Each summer we produce a '*State of the Waterways Heritage*' report which reviews our heritage structures and summarises our work. The report reflects changes and charts progress towards the achievement of our heritage goals: valuing heritage in its own right and for the public benefits it brings; promoting heritage awareness and skills; legal compliance; reduction of 'Buildings at Risk'; and heritage structures improved through repair or regeneration. Volunteer engagement has increased over the year and will grow in importance as BW moves to become a charity. The latest report is published on our website, www.britishwaterways.co.uk.

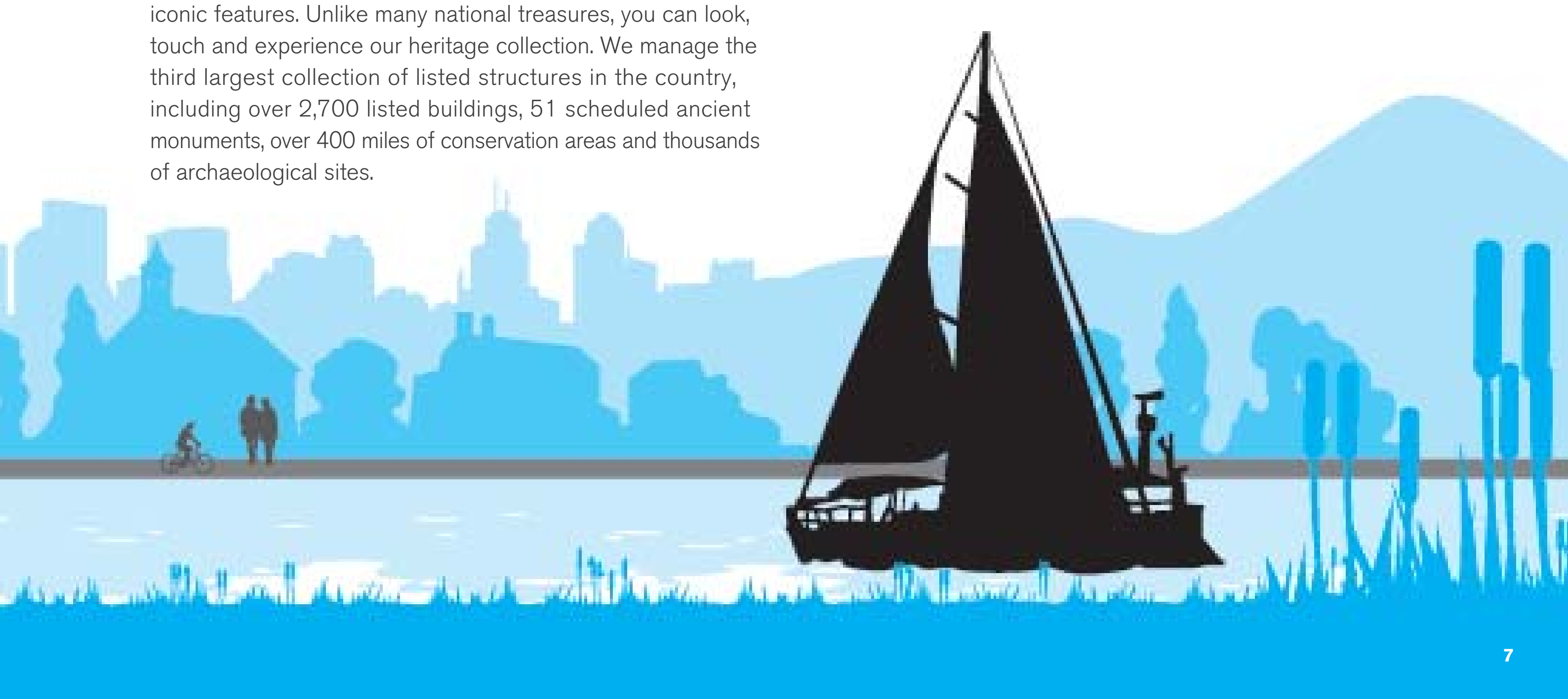
Green plan

In October 2010 we launched BW's Green Plan to simplify our sustainable development approach so it is easy to understand, has clear attainable targets and offers greater transparency to track progress. For a long time we've been caring for the waterways in this way but there's still more we can do. The Green Plan focuses on four areas: Energy, Resources, Waste and Environmental and Public Benefit, known as 'the anchors', representing the areas where we will prioritise our efforts and internal resources.

We aim to:

- assess our use of primary resources to minimise the environmental impact through appropriate use of renewable and recycled resources
- reduce the proportion of waste and dredged material that is taken to landfill
- protect and enhance the waterways for the benefit of biodiversity and public enjoyment
- measure accurately all our energy use and take action to reduce carbon emissions

We continue to work closely with the Carbon Trust and have produced a new Carbon Management Plan to significantly reduce carbon emissions from BW's operations. A Green Plan Working Group is leading our commitments in this area and we have appointed an environmental scientist to add more resource to develop and implement the Green Plan.



Tackling climate mitigation and adaption

Britain's waterways are becoming increasingly important as a means to help mitigate the effects of climate change. We're currently working with a number of developers to install small-scale hydroelectricity schemes on suitable river weirs. One of these, the Small Hydro Company, has been successful in obtaining four EA licences and planning permission for five schemes. Construction will commence on these schemes in 2012. The land alongside canals and rivers can also be used to host wind turbines and we are working with Partnerships for Renewables on opportunities for a number of turbines. A planning application has been submitted for a single 1.5MW turbine at Boddington Reservoir. If a wind turbine is developed at this site, it is anticipated that it could generate 3.28GWh of renewable electricity per year, which is equivalent to the electricity used annually by 713 average households, and could displace approximately 1,412 tonnes of carbon dioxide emissions per year.

We are continuing to offer businesses access to canal water for a number of uses. Our main focus is promoting the canal for cooling buildings. Many organisations, particularly with data centres and communication technology, spend a large proportion of their electricity costs on cooling. By using canal water they make a significant reduction in their energy costs and carbon footprint. Our latest customer, GlaxoSmithKline, uses the canal in this way to cool their HQ at Brentford. Per year, this scheme amounts to a total carbon saving of 276 tonnes, which equates to approximately 330 family cars off the road and in terms of energy cost savings this equates to more than £120,000. This cooling project won the prestigious BIFM (British Institute of Facilities Management) Award for Sustainability in 2010.

Even with the most optimistic scenarios for global mitigation, our climate is likely to continue to warm, with, on average, wetter winters and drier summers. We therefore need to start to plan for this, and we have accepted an invitation from Defra to report on climate change adaptation. The report will assess which parts of our business are most at risk from the effects of climate change, what we are already doing to minimise these risks, and what more we should do in the future.

GROWING PUBLIC SUPPORT

Visits, support and satisfaction

For the seventh year running, over 90% of the population rated canals as an important part of the nation's heritage. We strive to satisfy and increase the number of customers who live, work and play on and around our canals and rivers. In 2010 an estimated 12.7 million people, or 26% of the GB adult population, visited one of our waterways, slightly down from 13 million in 2009. Despite the economic downturn, the number of boats on our canals and rivers continues to increase with 35,241 licensed boats (2009/10: 34,944).

We measure our customers' experience by asking them about their 'propensity to recommend' and, in line with our desire to 'delight' our customers, we have chosen to measure ourselves against the very high rating of 'definitely' recommending. In 2010, 59% of towpath users (2009: 56%) and 65% of destination visitors (2008: 67%) said they would 'definitely' recommend our waterways to others. If we also take into account 'probably' and 'possibly', which is more comparable to other industries, we score a very respectable 95% for towpath visitors (2009: 95%) and 96% for destination visitors (2008: 96%).

We have millions of customers who use our waterways for many different reasons and we want to know what they think of our service. We are pleased to engage with so many communities, groups and individuals using both our formal communications channels as well as the informal conversations we have with them every day. We thank all those that regularly sit on our user groups, including the newly formed National Angling Advisory Forum, the long established British Waterways Advisory Forum (BWAF), and Waterways Users Special Interests Group (WUSIG). Their insight, passion and challenging debate helps us with our future plans and decision making.

We measure how we are performing internally through a set of customer service standards to enhance visitor's experience and to help our staff respond effectively to customer requirements. We monitor areas relating to Our People, Safety and Performance through internal audits and external 'mystery shops'.

A large number of individual standards are evaluated and results are fed into a final aggregate score to measure how we are performing. In 2010 we achieved a score of 82% (2009/10: 85%) for people standards, 97% (2009/10: 95%) for safety, and 87% (2009/10: 82%) for performance standards.

Customer service targets and achievements*

	Target	Achieved 2010/11
No. of individual visitors over a 2-week period (2010)	3.5 million	3.8 million
No. of upheld (wholly or in part) complaints by Ombudsman	0	3
People standards	85%	82%
Performance standards	80%	87%
Propensity to recommend (definitely) – towpath users (2010)	70%	59%
Propensity to recommend (definitely) – destinations (2010)	80%	65%
Perception of canals as an important part of nation's heritage	90%	91%

*Excluding Minimum Safety Standards (on page 10)

Teaming up with volunteers

In 2010 we recruited five new voluntary volunteer managers to help implement a company-wide volunteering programme and to develop existing and new volunteer relationships. We are working with volunteering experts BTCV to create an online diagnostic tool which will help us measure and assess the attitudes of our employees toward volunteering and assess future training needs. Regular waterway volunteering parties were launched which focus on informal groups that meet at least once a month, providing friends, family and strangers the chance to work together on a variety of tasks, from environment management and conservation work, to painting locks and sprucing up sites across the country. We have developed 14 new waterway adoption schemes across the network which provide a great way for people to really get involved and help look after their local canal or river. These include big companies like Barclaycard and local community groups like Blacon Youth and Community Project. There are now over 700 individual BW volunteers who've volunteered for us in the past two years including, for the first time, over 50 volunteer lock keepers who have been recruited in five of our waterway units. We continue working with young volunteers, such as the Waterway Action Squad in the North West, where over 530 16-25 year olds have given their time in the first year of the project. Our volunteering days have tripled from 8,000 in 2007 to over 24,000 in 2010 (2009: 14,600), which we value at over £1.6m. This is a massive increase in a very short space of time and the full potential is still to be realised over the coming years.

Complaints

We measure our official complaints and during 2010/11 we received 230 first level complaints, a reduction of 37% on the previous year (2009/10: 362). Of these first level complaints 49 went to the second level to be considered by a senior manager or director. This represents 21% of all complaints received (2009/10: 18% and 2008/09: 15%).

The independent Waterways Ombudsman is available to consider complaints at a third and final stage. During 2010/11 she received 85 enquiries (2009/10: 81), 14% of which did not relate to us and 59% of which were premature, i.e. the complainant had yet to complete our internal complaints procedure. 21 complaints (2009/10: 23) were accepted for consideration. The Waterways Ombudsman completed 21 cases during this year (2009/10: 22). 13 were not upheld, one was discontinued, three cases were resolved to the satisfaction of the Ombudsman (wholly or in part) after her intervention, three were upheld wholly or in part and in one case she made no finding. Information about the Ombudsman scheme and its independent committee is available at www.waterways-ombudsman.org.

The number of Freedom of Information Act requests increased by 18% this year to 259 compared to 220 requests during 2009/10.

MAINTAINING OUR HISTORIC CANALS & RIVERS

With such finite resources, it is a challenging task looking after a 200-year-old waterway infrastructure that stretches across 2,200 miles of Great Britain. Regular maintenance is essential to keep this part of the country's industrial heritage in good working order. Many assets are clearly visible to the public: our towpaths, bridges, tunnels, aqueducts, locks and signs. Other assets, such as lock chambers and gates, piers, abutments, culverts, side ponds, feeders and weirs are not visible. Therefore, not all of our work and expenditure is seen. In 2010/11, direct expenditure on the waterways, which covers repairs, maintenance, customer service and regeneration projects, together with the related costs from support teams such as technical, safety, water, environment and heritage amounted to £128.2m (2010: £143m); 70% (2010: 75%) of total operating expenditure.

The £128.2m direct expenditure on our waterways included:

- £65.4m on core waterway maintenance and customer operations
- £22.4m on major infrastructure works
- £18.3m on third party funded improvement projects
- £4.3m on dredging

We continue to work closely with our construction partner May Gurney on maintenance works and we have expanded our contract with Fountains Utilities Ltd in England and Wales to include all the vegetation and facilities work to achieve a consistent approach and reduce our costs. Land and Water Services Ltd was awarded the national dredging contract during the year and this single contract will allow us to deliver more spot dredging.

'Steady State' model

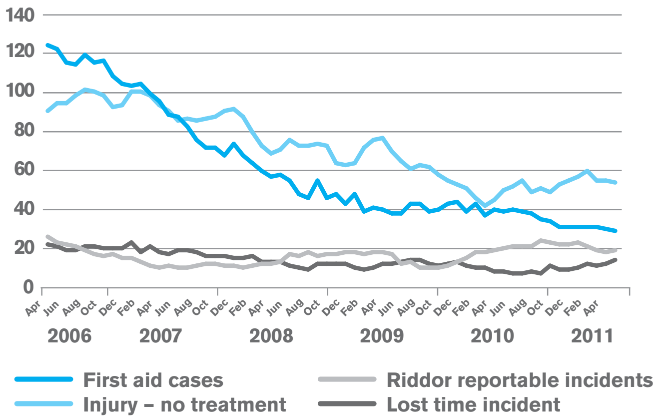
The 'Steady State' model is an estimate of the current cost of maintaining the waterways to prevent long-term decline and to keep the waterway infrastructure in a reasonably functional condition. This model was introduced in 2008 when maintenance spend was around £30m below the 'Steady State' amount. The model is being refreshed by an internal working group. It will bring up to date the cost estimates and reflect the operational cost efficiencies that are being pursued by the waterway maintenance and major engineering works teams. The outcome of this work stream is expected later in 2011. However, the lower level of expenditure on the waterways that is in prospect as a result of reductions in income and government grants will widen the gap between the actual expenditure and the required 'Steady State' amount until other sources of income grow. To address this, our plans for waterway general maintenance will focus on improving productivity on planned maintenance and stoppages and a schedule of repairs for high priority defects.

Asset condition and Minimum Safety Standards targets and achievements

	Target	Achieved 2010/11
Compliance for Minimum Safety Standards	100% compliant	97%
Principal assets graded D and E	Not to exceed 22%	17.9%

We aim for the waterway structures that are our principal assets to be in an acceptable condition, given our funding constraints. Each year we measure this by grading them A - E; A being the best condition and E the worst condition. In 2010/11 we reduced structures graded D and E to just 17.9% in aggregate.

BW employee safety incidents



Providing a safe environment

Safety continues to be a top priority with a focus on effective planning and delivery. The graph demonstrates how we have been successful in reducing the total incidents over time and, despite a challenging year, we have maintained this improvement with a reduction in the number of major injuries. We continue to put significant emphasis on safe behaviour to improve performance. Our programme involves mangers, supervisors and the workforce in identifying and addressing behaviour that puts colleagues at risk of injury.

Measuring waterway condition

In 2009 we worked with Defra to develop a method to measure the overall state and functionality of the waterways. It is based on many different components, which are weighted and combined to create Indices for Waterway Condition and User Benefit. During 2010 we calculated these indices for the first time and measured the movement from the baseline index in 2009. The Network Stewardship Score from the baseline 2008/09 score, increased by 7% in 2009/10 in both Waterways Condition Index, and in User Benefit Index. A report will be produced in the autumn and published on our website, www.britishwaterways.co.uk.

SUMMARY OF FINANCIAL RESULTS £M

	BW Group				
	2010/11	**2009/10**	**2008/09**	**2007/08**	**2006/07**
Total revenue	**176.5**	187.1	223.3	219.1	188.9
Operating (deficit) / surplus	**(3.7)**	(5.3)	5.6	(1.5)	(0.4)
Net interest payable	**(4.6)**	(7.8)	(3.4)	(0.2)	(0.4)
Share of profits and losses from joint ventures	**(1.8)**	(18.3)	(33.3)	(2.4)	7.3
Profit on sale of property and investments	**11.0**	5.3	4.7	19.4	8.3
Gain / (loss) on revaluation of investment properties	**4.4**	7.8	(66.4)	17.2	44.1
Surplus / (deficit) before taxation	**5.3**	(18.3)	(92.8)	32.5	58.9
Group reserves	**394.4**	350.2	378.7	477.8	426.8

Financial performance

The reduction in government grants, down 16% to £58.9m from £70.2m in 2009/10, is the headline of the 2010/11 accounts. We have dealt with it by focusing on operational efficiencies, by taking action to reduce the size of our management and technical teams and by reducing waterway maintenance and major works spend in the year by £9.5m.

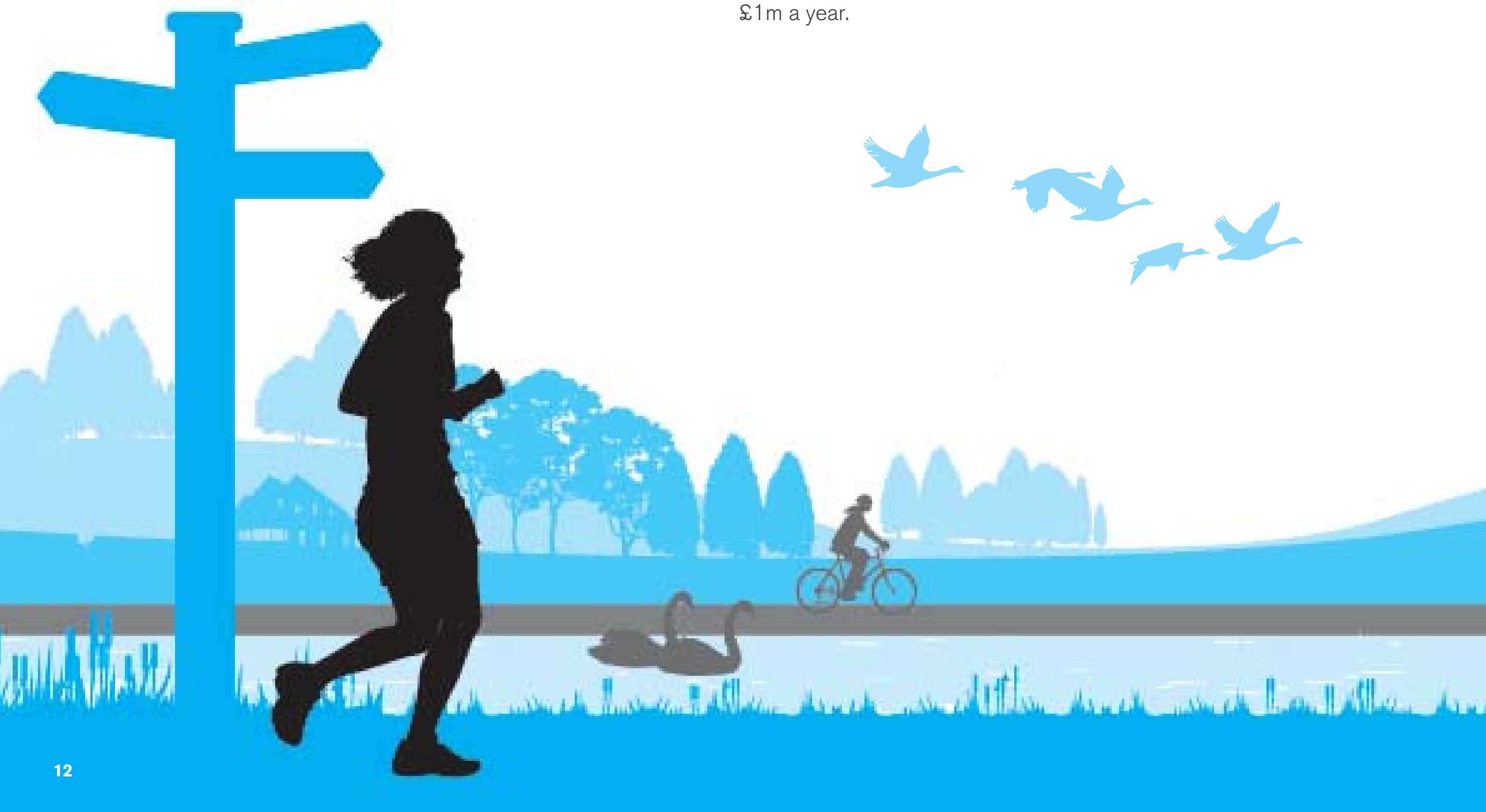
Profit on disposal of investment properties was a very substantial £11m and the value of our non-operational investment property portfolio continues to recover gradually from the effects of the recession with a modest 1% increase in the portfolio for the year (£4.4m) which, taken with the £7.8m increase last year, represents a 3% improvement against the 2008/09 reduction. More detail on the financial results can be found in the Finance Review section on pages 28 to 35.

Finding efficiencies

The general economic climate, reductions in commercial income, increased pension costs and cuts in government grant mean we face a tough three years. In February 2010 we implemented our recovery plan which included some difficult decisions, such as the loss of around 100 office-based posts. In addition, we consulted on and have now closed our defined benefit pension scheme to new employees and introduced changes that, while reducing employee benefits, enable us to better manage future costs and risks while still offering a good quality pension to members.

Our dedicated workforce deserves great credit for the way they have handled these changes, continuing their commitment and passion for conserving and developing our waterways.

On top of a freeze on most recruitment and all pay for 2011/12, we have consolidated office space in the Midlands, closing our Canwell office and moving the employees to our Hatton office. We are also planning to consolidate our Watford, Milton Keynes and Paddington offices into one in Milton Keynes, saving around £1m a year.



ENGLAND & WALES REVIEW

Our strategy in England and Wales is aligned with the objectives set by our sponsoring government department, Defra, who require us to:

1) maintain the waterway network in a satisfactory order;
2) achieve the shared government / BW longer term vision of moving towards greater self-sufficiency;
3) deliver a range of additional public benefits.

This section supplements the information in the Group Overview with more detailed case studies and demonstrates the good progress we have made against priorities 1 and 3 during the year. Details about commercial performance are in the Finance Review.

MAINTAINING THE WATERWAY NETWORK IN A SATISFACTORY ORDER

Successful maintenance programme completed

We look after one of the finest examples of working industrial heritage in the world, including the third largest collection of listed structures in the UK. Our winter maintenance programme is part of the vital works carried out every year to keep the two hundred year old network in working order.

Last summer, we sought our boating customers' views on our winter maintenance plans by publishing a provisional schedule on our website for comment. We used this feedback to keep disruption to a minimum during the winter boating season. Despite the severe weather conditions and heavy snowfall in December we managed to complete the advertised national works programme, mostly to schedule.

Maintenance work a public view

During the winter the public was given the opportunity to experience a 'behind the scenes' tour of restoration repairs to their local canals and rivers, including open days at Anderton Boat Lift, Caen Hill Lock Flight, Lune Aqueduct, as well as a unique opportunity to see inside BW's specialist lock gate workshops at Bradley in the West Midlands and Stanley Ferry in Yorkshire.

This year our diverse maintenance projects included a tunnel inspection and the replacement of five new lock gates at Tardebigge on the Worcester & Birmingham Canal, home to the largest grade two listed lock flight in the UK. We drained over 2.2 million gallons of water to carry out the repairs and restored brick work at the bottom of the chamber using traditional lime mortar instead of cement to preserve the existing structure. The lock gates were manufactured and restored at our own workshops using oak from sustainable sources.

In contrast, on Carthagena Lock on the River Lee, we used new techniques exploiting 21st Century technology to efficiently complete the works. The £80,000 essential works involved the removal and refurbishment of the lock's four steel-framed timber lock gates, each weighing between four and five-and-a-half tonnes. A new suction based lifting system was used to manoeuvre three metre long oak structures that lie on the lock floor in front of the lock gates and help to form a water-tight seal.

When carrying out our maintenance work, we must be considerate to the diverse wildlife that lives on our waterways. An example of this is a project to repair an 18th Century wall dating back to 1777 which forms a cutting at Kiveton that was praised with an 'Excellent' award from CEEQUAL who champion sustainability in civil engineering and public realm projects. The limestone canal cutting was partly rebuilt using a local source of matching sandstone. Supplementary works included providing new angling pegs to benefit the many anglers who use the canal. Throughout the project, resources were chosen from FSC-approved sources and waste was kept to a minimum in accordance with appropriate sustainability, biodiversity and heritage guidance. Ecological considerations included planting vegetation works in the early spring when water voles are least affected, and reusing canal silt to improve their habitat. Potential bat roosts were also identified and retained at the site.

To coincide with the two hundredth birthday of the Iron Trunk Aqueduct on the Grand Union Canal we are carrying out a £300,000 year-long programme of improvement works. The first task involved an analysis of the existing paint to be certain we use the right colours in the right places. We are engaging with local schools and organisations to research information for new interpretation panels that give visitors and boaters an insight into the aqueduct's history.

We also have to deal with the unexpected. For example, repairs to an embankment breach on the Caldon Canal were completed in July 2009 following £500,000 of investment over eight months. The clay lining of the canal was reinstated to ensure it remains watertight and a number of sections of embankment have been reinforced to reduce the risk of future leakages.

DELIVERING PUBLIC BENEFIT

Protecting and promoting heritage

We protect and manage our historic canals and river navigations, along with their built heritage, archaeology and man-made landscapes, for the nation to treasure as a valued asset for future generations. The heritage of the waterways, featured in the recent publication '*Resilient Places*' from the think tank Demos and backed by BW, called for an urban 'Right to Roam'. It believes that guaranteeing the public access is the first step to opening sites up to creative reuse. Therefore support should be given to communities to help them use such sites for leisure and events like festivals.

We continue to work alongside English Heritage and have signed a further three heritage partnership agreements at Foxton in Leicestershire, the Pocklington Canal, the Lancaster Canal, with others in the pipeline. Following a detailed submission of plans to the Heritage Lottery Fund (HLF), The Lune Aqueduct on the Lancaster Canal was awarded a £1m grant to improve the Grade I listed structure and BW match funded the project with £1.25m in addition to contributions from Lancaster City Council, Lancashire County Council and Lancaster Canal Trust. The programme of works included repairing the canal and aqueduct channel, removing vegetation and graffiti, undertaking re-pointing and masonry repairs, as well as improving access between the aqueduct and the River Lune.

We took part in the national 'Heritage Open Days' programme again this year with events including: guided walks around Gloucester Docks and tours of three sites in London, two of which were entirely led by volunteers. Standedge Tunnel and Visitor Centre was also opened and the first 100 visitors into the tunnel were given a piece of tunnel rock as a souvenir. This year also marked the bicentenary of Standedge Tunnel on the Huddersfield Narrow Canal. A special weekend of events took place in April at Britain's longest, highest and deepest canal tunnel.

2010/11 saw the launch of our joint project with the voluntary Transport Trust to commemorate Britain's rich and globally important legacy of historic transport sites by marking them with Red Wheel plaques. A number of waterways sites have been identified and Bingley Five Rise was the first of these to be unveiled, attracting widespread publicity.
We are working with more volunteers on heritage activities including: working with the Pocklington Canal Amenity Society to interpret iron railtracks used as balance beams in the 19th Century; clearing vegetation from the former lime kilns at Tardebigge Wharf in order to improve visitor access and interpretation and restoring an outbuilding at Crofton Pumping Station on the Kennet & Avon. Volunteers are also working alongside our heritage advisers on a range of useful jobs, including helping with listed building consents, adding information to heritage databases and researching local authority 'Heritage at Risk' registers. Our campaign to improve 'Heritage at Risk' assets continued in 2010/11 and work has started on the former Widcombe pumping station chimney and the two iron footbridges in Bath on the Kennet & Avon Canal.

Maintaining the working heritage of the waterways continued unabated and a number of historically significant heritage assets were given a new lease of life, including Hillmorton Locks in Rugby, where an exceptionally rare set of Victorian cast iron gates were carefully repaired, refurbished and put back in the lock chamber. As the stewards of an internationally important assemblage of heritage assets, we need to constantly refresh the skills of our dedicated workforce and the year saw more candidates enrolled on the NVQ3 Heritage Skills assessment course. Promoted by English Heritage and taken up by the National Trust, amongst others, this qualification allows BW staff to become nationally 'heritage-endorsed' workers. The candidates form a skilled group of heritage champions within BW's ranks and this initiative should ensure that our historic assets will be well cared for and managed for many years to come.

Encouraging wildlife

Canals and rivers are important wildlife corridors, providing and linking habitats in towns and the countryside. They contain a surprising number of habitats, each supporting a different community of plants and animals. Conservation is a core part of our business, almost every activity we undertake is related in some way to the environment of the waterways, and we have dedicated programmes to enhance the quality of the waterway environment. Projects include: helping to locate and map the movements of bats around Lune Aqueduct; inspecting barn owl nest boxes along the Aire & Calder Navigation where five separate broods have been found nesting; and replanting floating reed rafts providing spawning opportunities for fish, encouraging dragonflies and damselflies and creating places for nesting birds on the River Lee. We are the UK lead partner contact for two species of rare aquatic plant; floating water plantain (*Luronium natans*) and grasswrack pondweed (*Potamogeton compressus*). In the battle against invasive plants we enlisted the help of 2mm-long weevils against the North American water fern weed (*Azolla filiculoides*) on the Bridgwater & Taunton Canal. We are conducting research on the rise and effects of invasive American Signal Crayfish and Red Swamp Crayfish on the inland waterway ecoystem and infrastructure. We are planting Tussock sedges to rebuild the banks on the Kennet & Avon Canal creating a fringe of greenery along the water's edge and as the plants grow and its roots form, they help to knit the soil and sediment together, stopping erosion and defending the bank and providing a great habitat for water voles.

Invasive non-native flora is a significant concern with control costs of over £650,000 in 2010/11. We work with partners and volunteer groups at both a national and local level to help reduce the impacts. In the last year we have worked with Defra and the Non-Native Species Secretariat to raise awareness of the problems caused by invasive species and have been actively involved in the development of a natural control option for *Japanese knotweed*; a species estimated to cost the British economy as a whole £180m annually. We have continued to work closely with partners to control the spread of *Floating Pennywort* on several of our navigations including the Soar, Lee and Weaver. We have developed a working group to ensure best practice in planning and prioritisation internally, and have arranged numerous volunteering events to help in our fight against invasive species.

Access Improved

Local communities and organisations use our canals, rivers, reservoirs and docks to enhance local public amenities and to fulfil a wide range of public benefits. Some highlights this year include:

Community improvements along the River Lee

We upgraded the towpath in Hackney as part of a £400,000 maintenance project, part funded with a grant of £250,000 from the London Borough of Hackney. Works include the installation of DDA compliant access ramps, the repair of the river bank walls with special areas created within the new brickwork for permanent nesting sites for rare birds, such as Sand Martins. As well as creating a traffic free route through East London, visitors will be able to access the Olympic Park and the surrounding Lee Valley area more easily.

Providing green and safe routes in the Weaver Valley

In November 2010 we completed £1.15m worth of access improvements to the Weaver Valley including an all-purpose bridge across the river at Dutton Locks. The public right of way on both sides of the bridge is well used by walkers, cyclists and horse riders, forming part of the Sustrans sustainable travel network and a significant local riding route. The design is sympathetic and in keeping with the rural setting and includes a curved elevation to allow operational craft access to the vital downstream sluices.

Local communities enjoy more accessible waterways in Wolverhampton A two-year £425,000 project to transform an area of Wolverhampton's canal corridor has improved access to the towpath for disabled people, cyclists and those with pushchairs. The enhancement scheme, done in partnership with All Saints and Blackenhall Community Development's New Deal For New Communities project, also included re-paving sections of the towpath and hedge and reed planting to enhance bio-diversity.

Canoeing

The £4.6m upgrade of the Tees White Water Course is near completion. The works included reconfiguration of the existing course and building a new shorter course. The site features four giant Archimedes screws measuring 12 metres by 3 metres, which are used to pump water around the course and it is the first sustainable white water course in the UK. During the spring visitors were given the chance to see the course before it was filled with water and taken on a tour around the site. It is hoped that the course will attract Olympic teams to train there in preparation for the 2012 Olympic Games.

Boating

The rich array of new and historic craft is what differentiates our canals and rivers from other water spaces, and they're one of the main reasons that many towpath users revisit their local stretch. The number of licensed boats continues to increase, and is now 35,241. Licence evasion remains static compared to last year at 4.9%. Around half of our customers help us to contain our costs by paying for their license via direct debit or online, about 25% pay by direct debit and 20% of customers renew their licence over the internet which helps to reduce administration costs.

	2010/11	2009/10
Licensed boats*	35,241	34,944
Licences renewed online	7,254	6,006
Licence evasion	4.9%	4.9%

*A breakdown of boat licence types is shown on page 29.

In 2010/11, 885 vacancies at our directly managed long-term moorings were advertised on our auction website. Difficult trading conditions resulted in a significant decline to 60% in the number of these taken up by boaters. To help customers who are still uncomfortable with the auction process, we launched a new fixed price 'buy it now' facility for unsold vacancies. We also improved arrangements for advertising and letting winter moorings on a selection of 300 towpath lengths and encouraged potential winter mooring customers to research availability within privately operated mooring sites and marinas.

An extensive audit of our directly managed mooring sites was completed to establish and prioritise future maintenance work. Pontoons have been replaced at Bridgwater and Bardney moorings, and safety works have been addressed at other sites.

We consult with our customers when making big decisions regarding many aspects of boating. Major consultations over the year related to changes in arrangements for licensing boats kept for business purposes and to the development of local mooring plans. The changes to business boat licensing will allow better tailoring of pricing to reflect the wide diversity of self-drive, passenger and other floating businesses across the waterways. Importantly, the associated new Operator Agreement will typically run for five years or more, giving businesses a much longer horizon (compared to the existing 12-month Business Licence) on which to plan and secure financial backing. The development of local mooring plans is a priority established in our national moorings policy which itself was subject to public consultation in 2009. Local stakeholders are influencing the shape of the first two plans on the Kennet & Avon Canal and the River Lee area waterways.

Angling

Angling remains one of the nation's favourite pastimes and our canals and reservoirs offer a fantastic resource for anglers of all abilities, in the countryside and inner cities alike. At the beginning of the year we launched a National Angling Advisory Group to gain valuable feedback on its work and we attended the inaugural Fisheries and Angling summit hosted by Waterways Minister, Richard Benyon MP. The introduction of the Waterways Wanderers scheme received a good response; however angling clubs are also beginning to feel the impact of their members having less disposable income and the increasing number of stillwater commercial fisheries is also having an impact on angling clubs and some clubs have folded during the year. In order to address this we are working hard to improve our angling offer, including fish restocking at Butterley Reservoir, Gailey Upper Reservoir, Toddbrook Reservoir and on the Shropshire Union and Staffs & Worcester canals. Other ideas include hosting national competitions in partnership with the Angling Trust at the Stillwater Championships and with the Milton Keynes Angling Association at the Junior Canal Championships on the Grand Union Canal. Talks have also been held with local angling clubs and the Angling Trust over concerns about the development of Hydropower schemes.

Freight

During the year freight traffic on canals and rivers in England and Wales was approximate 1.5 million tonnes remaining at a lower level than in previous years. This is mainly because the economic downturn has reduced the demand for aggregates, which is a mainstay of waterway freight traffic. However a number of new traffics are being actively pursued on the canals in Yorkshire. Two new pilot traffics (aggregates and timber) have also started on the River Trent. This is as a result of a water freight development project funded by East Midlands Development Corporation / East Midlands Regional Assembly and supported by Nottinghamshire & Lincolnshire County Councils, the Commercial Barge Operators Association and BW.

Restoration

We continue to work in partnership to progress canal restoration projects which bring new life to local communities. These include:

Bow Back Rivers In July 2010, a flotilla of boats passed through City Mill Lock for the first time in over 40 years following its £475,000 restoration. Within the Olympic Park 2.4 kilometres of waterway wall repairs have been carried out creating new four metre wide towpaths for pedestrians, cyclists, anglers and boaters which will be opened soon after the 2012 Olympic Games. In addition, more than 2.5 kilometres of newly created bankside habitat is now in place to improve the aquatic environment. BW has delivered £750,000 of dredging and infrastructure improvements on the Waterworks River to facilitate future moorings and the first phase of Carpenter's Road Lock refurbishment is complete, ready for completion after the Games.

Droitwich Canals In September 2010 we completed the Barge Canal with the first boat in 80 years cruising into the centre of Droitwich. This was closely followed by the opening of the canalised section of the Junction Canal to navigation in June 2011 and the official opening in July 2011. The next stage is the construction of a 239 berth marina, two other marina applications are being assessed and a volunteer ranger scheme is being set up to continue the 37 years of volunteer activity.

World Class Stratford, Bancroft Basin, Stratford Upon Avon
With the opening of the revitalised RSC Theatre in Stratford-upon-Avon, the full picture of the £3m renovation of Bancroft Gardens and Basin can be seen. A million visitors a year can now enjoy the traditional basin setting with its vibrant canal life in the fresh, contemporary environment of the re-designed gardens and improved access around the basin area.

Regeneration

Regenerating local areas makes a real difference to people's lives and our involvement in regenerating waterside towns and cities continues. During the year we made progress on schemes in places such as Nottingham, Wakefield, Loughborough, Burscough and London.

Meadow Lane, Nottingham The £2m project created a green, traffic-free route to Nottingham city centre for walkers, cyclists, boaters and disabled visitors by providing the key missing link between the existing canal towpath and Victoria Embankment. It is now an important focal point for a 10-mile circular route as part of what is known as the 'Big Wheel' leisure route, while retaining all existing water-based access.

Wakefield Waterfront, Wakefield Work was completed on construction and fit out of the new Hepworth gallery on the waterfront at Wakefield in celebration of the famous sculptor Barbara Hepworth who was born in the city. The gallery was officially opened to the public in May 2011 on a prominent BW owned site next to the River Calder, and hopes to attract 140,000 visitors a year.

West Midlands Future Jobs Fund Around 200 young unemployed people have taken part in delivering improvements to the waterways over the last year in a programme done in partnership with Groundwork across much of the West Midlands metropolitan area. Most of the work has involved towpath upgrades and maintenance works identified by local customers and partners. For example, at Selly Oak, a much needed length of towpath was repaired to improve its accessibility.

Loughborough Our joint venture H2O Urban, secured detailed planning consent for an 87 bed Travelodge hotel and ground floor retail / leisure unit on the final plot at Loughborough Basin. H2O will start work on the scheme in June 2011. We will hold the finished building in our investment portfolio, earning important income to spend on our waterways. This will complete the regeneration of the site which already houses 179 bed student accommodation, two leisure units and boaters facilities around a reconfigured basin with moorings.

Burscough We worked with a local developer and Burscough Moving Forward to secure the redevelopment of this former BW office and workshop to assist in the local council's plans for the regeneration of Burscough. The mixed use scheme was opened in February 2011 and comprises shops, a restaurant, an art gallery, office space, community facilities and new BW customer service facilities.

Clayton Triangle (Enfield Wharf) In partnership with adjoining landowners, we acted as lead partner in securing a detailed planning consent for a major regeneration project on the outskirts of Accrington. The opportunity will see the redevelopment of a 3.03 ha (7.5 acre) canalside brownfield site and the creation of 129 mainly family sized residential units and the refurbishment of two BW owned Grade 2 listed buildings.

City Road Basin, London We have continued to make excellent progress with our regeneration activities at City Road. Following the successful delivery of new public realm space at the Head of the Basin, funded by Section 106 monies and the Government Office for London, an agreement has been entered into with Family Mosaic Housing Trust for BW (and its Partners) to deliver 100 affordable apartments. Construction is progressing well and the scheme was topped out by the Mayoress and Leader of Islington Council in March. A conditional contract has also been entered into which is expected to see construction of the next phase of regeneration, 200 apartments for private ownership, planned for later in 2011.

WALES REVIEW

The year saw sustained progress in the role our waterways can and do play in the prosperity and well-being of Wales. Recognition of that role has increased with their inclusion as case studies in *Valuing the Welsh Historic Environment* (Sept 2010) and the *South East Wales Spatial Plan Networked Environment Region Report* (June 2010).

Highly successful partnerships with Sustrans, Welsh Government sponsored bodies and local authorities saw them investing an unprecedented £1.4m in almost ten miles of towpaths across all four canals encouraging more people to access the countryside and use sustainable transport.

Welsh Government & Wales Advisory Group

BW's Wales Advisory Group continued to provide strategic guidance and to support the development of political and community relationships across Wales. Their advice will be particularly important as we seek to further strengthen our relationship with the Welsh Government, sponsored bodies and other partners as we move to civil society.

Through provision of the secretariat to the National Assembly for Wales Members All Party Group on Waterways, the well-established and well attended June waterway conference, run jointly with the Environment Agency (Wales) and our contribution to the Urban Waterfront Conference in Brecon in March allowed best practice to be shared and the way waterways can deliver the objectives of the Welsh Government to be demonstrated.

During the year BW was also invited to join the National Access Forum, North Wales Cultural Action Plan Steering Group (NWCAP), the Heritage Environment Group and to present evidence to the Inquiry into Access to Inland Water, whose report was launched at the Conference, all of which added to our ability to contribute to civic life. Regular engagement with Assembly Members and MPs plays an important role in promoting the wider value of our waterways.

Partnerships

We have strengthened our partnerships with Sustrans, the Ramblers Association and Canoe Wales. The BW office at Burgedin on the Montgomery Canal has been leased to Canoe Wales with the intention of transforming it into the National Flat Water Centre for Wales. This will complement the investment in soft edges made through the Splash fund and the nascent canoe trails under development with Visit Wales and the Brecon Beacons National Park.

World Heritage Status for Pontcysyllte Aqueduct

Since the Pontcysyllte Aqueduct & Llangollen Canal achieved World Heritage Site (WHS) status we have continued delivery of key components within the Management Plan through the WHS Steering Group and Sub Groups and the North East Wales Cultural Action Plan. We are continuing to work with our partners to ensure that the communities along the full 11 miles, including those such as Cefn Mawr and Acrefair, hard hit by the loss of manufacturing jobs, can capitalise on the status that being a World Heritage Site brings.

Community engagement

Last summer saw the 'Aqueducks' – friends of the Pontcysyllte Aqueduct & Canal established. The group is playing an important role organising events to strengthen the links between the communities of the WHS and build their skills, for example through, heritage and biodiversity activity sessions and by encouraging community members to train as green badge guides.

During 2012 we will mark the bicentenary of the Monmouthshire and Brecon Canal. A year of community led activities and events is being planned building on the 21 events taking place in 2011 through the Blaenavon WHS Forgotten Landscapes Project.

Restoration

Volunteer led restoration work on the Montgomery Canal has continued on the English and Welsh sections and has been strengthened by partners funding a development manager to seek third party funding applications. We also continue to offer advice to waterway restorations on non-BW waters.

SCOTLAND REVIEW

An important year for BW Scotland

Since devolution, BW's activities in Scotland have been sponsored and funded by the Scottish government. In early November, Scottish government ministers announced their intention to retain BW Scotland (assets and operations) within the public sector. This initiated a complex process of disaggregation which will continue through to April 2012 when BW in England and Wales becomes a charitable body.

A Broader Public Role

In December, the Scottish government launched a public consultation seeking views on opportunities for creating additional public benefit from Scotland's water infrastructure including canals. Recent research into the capacity of the Forth & Clyde Canal has confirmed that the Scottish waterways could contribute meaningfully to flood control and urban drainage in particular. BW Scotland responded positively to the consultation expressing that Scottish waterways could play its part through collaborative partnerships in the public sector.

Efficiency Measures

The three year grant cycle concluded with an award of £11.5m for 2010/2011 (2009/10: £11.8m) and we met the Scottish government's target of £0.75m in savings.

Our grant for 2011/12 is £10m, a reduction of 13% on this year. In line with all Scottish public bodies, BW Scotland received a one year budget. We will also be required to contribute a further 3% in efficiency savings.

Moving forward this is a significant reduction to our budget but not unexpected in the current economic climate. BW Scotland has put in place additional efficiency measures including offering office-based staff voluntary redundancy and reduced working hours, reducing seasonal staffing levels by 25%, prioritising planned preventative maintenance and up-skilling waterway operatives to reduce contract work.

Set against the harsh economic climate, we progressed well across all areas of the business delivering against the Scottish government's Purpose of sustainable economic growth and Strategic Objectives for a Wealthier and Fairer; Healthier; Safer and Stronger; Smarter; and Greener Scotland.

Wealthier and Fairer; Safer and Stronger

Working alongside our partners, we made significant advances on our major destination tourism and place making projects.

Glasgow Canal Regeneration Project

Alongside our partners Glasgow City Council and joint venture ISIS, we advanced the 15 year Glasgow Canal Regeneration Project. The Royal Scottish Academy of Music and Drama joined the burgeoning creative quarter at Speirs Locks opening the £6m Speirs Locks Studios. Part of the previously redundant Glue Factory was refurbished as rehearsal space for the National Theatre of Scotland and an exhibition and event venue.
We secured an exciting new tenant for the derelict former Whisky Bond building - Glasgow Sculpture Studios. The Landscape Link connecting Glasgow city centre with the Forth & Clyde Canal was completed with the Phoenix Flowers – a trail of 52 giant, vibrant metal blooms. The first 35 homes at Maryhill Locks were completed for Maryhill Housing Association and Phase Two, a £17m development of 125 homes, began.

Edinburgh Quay

Following the successful completion of Edinburgh Quay, the potential of the canal corridor was recognised by City of Edinburgh Council which began development of the new Edinburgh Canal Strategy. Lloyds Banking Group announced plans for a billion-pound student and cultural quarter which, alongside other third party developments, will further enhance Edinburgh Quay.

Falkirk to Grangemouth Canal Corridor

With our partner Falkirk Council, we successfully received planning permission for a 58 acre mixed use development extending out from The Falkirk Wheel and including residential accommodation, leisure / retail and commercial space arranged around the B Listed Union Inn, hotel and new marina.

The development will include a new parkland entrance to The Falkirk Wheel. This, alongside new pathway walks and orientation panels; a refurbished children's' play park; and a new Mini Canal, will further enhance what is now firmly established as one of Scotland's leading visitor attractions.

The capital phase of the £43m Helix project to transform 300 hectares of redundant land between Grangemouth and Falkirk into a vibrant new parkscape began. Scheduled to open in summer 2013, this major new community amenity and tourist destination will feature an improved eastern entrance to the lowland canals and an extension to the Forth & Clyde Canal heralded by two 30 metre high 'Kelpies' or water horse sculptures.

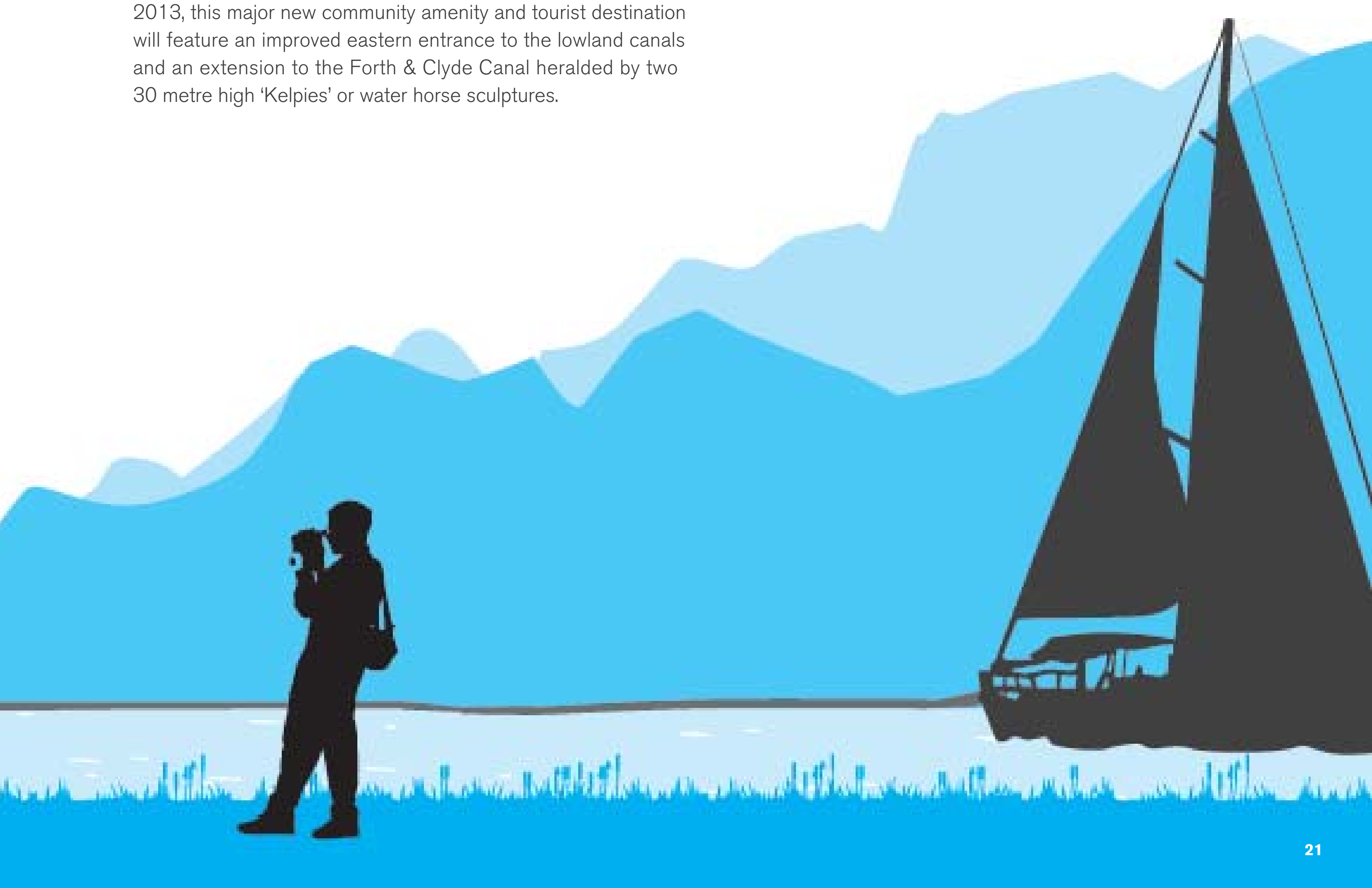
The Caledonian Canal

BW Scotland invested in a significant expansion of Seaport Marina, Inverness, as part of our wider aspirations for the area which is identified for regeneration in the emerging local plan.

With our partners The Vivat Trust, we announced the restoration of the B listed Bona Lighthouse on Loch Ness, reputedly once the smallest manned lighthouse in the UK. It is hoped that this will be the first with a series of historic buildings on the Caledonian Canal sustained as holiday accommodation by the partnership.

The Caledonian Canal was named 'Best Visitor Experience' in the Highlands and Islands Tourism Awards and our partnership project The Great Glen Ways was recognised with a Waterways Renaissance Award.

Throughout the year, we helped drive the tourism economy through partnership marketing. The Caledonian Canal was a key destination in VisitScotland's 'My Perfect Day' campaign. During the year, two new tourism partnerships were launched: the Heart of Argyll Tourism Alliance and Scotland's Heartland.



Greener

We took a major step forward in our aspirations to exploit the canals as a sustainable and cost effective alternative for urban drainage and flood risk mitigation. We furthered our involvement with the ground-breaking Metropolitan Glasgow Strategic Drainage Partnership and we continued to explore our joint aspirations for a new Lomond Canal which would alleviate flooding and stimulate significant corridor wide regeneration with West Dunbartonshire Council.

With partners Glasgow City Council and Glasgow and Clyde Valley Green Network, we began pioneering work on a canal environmental value decision support tool which balances the needs of built and natural heritage and promotes sustainable development. We also established a Carbon Management Plan to deliver a 25% reduction in carbon emissions across the business by 2015.

Healthier

We continued to support the Scottish government's drive to increase 'active living', saving, early research suggests, health services up to £10m by providing and promoting high quality green and blue space for recreation, leisure and commuting.

We reduced the number of events we attended but still engaged 160,000 people (2009/10: 209,000). We established a Lowland Canals Volunteer Group of canal societies, waterside charities and social enterprises, encouraging them to take ownership of engaging more people with their local waterway. The Group's first major project was Union 10 - a flotilla event celebrating the tenth anniversary of the reopening of the Union Canal which attracted around 15,000 people. Planning for tenth anniversary celebrations for the Forth & Clyde Canal and The Falkirk Wheel are now underway.

The Waterways Trust Scotland (TWTS) continued to encourage community and voluntary sector engagement, surpassing this year's target by raising £1.1m and engaging 12,233 people through initiatives including the award-winning Action Outdoors Activity and Learning Centre, The Green Action Project (Falkirk), Feet First, Scents & Sensitivities at Auchinstarry, Monkland Canal enhancements and Bigman 3, Glasgow. TWTS also attracted 812 individual volunteers (2009/10: 655) delivering 968 volunteer days, valued at £59,125.

BW Scotland launched an interactive website for the Scottish canals – www.scottishcanals.co.uk to further increase the 24m visits made to the towpath each year and began development of an improved website for The Falkirk Wheel.

We progressed with new amenities for paddling, which continues to be the fastest growing watersport. Canoe pontoons and orientation panels were installed on the Great Glen Canoe Trail, our partnership project on the Caledonian Canal which is due to open in 2012. Supported by one hundred individual paddlers and organisations, we submitted a planning application to create Glasgow Paddlesports Centre on a redundant industrial site by the Forth & Clyde Canal in Glasgow.

Smarter

A new Mini Canal and Outdoor Classroom was created at The Falkirk Wheel. With support from Glasgow University, we embarked on a major project to digitise our two hundred year old archives. We continued to support a raft of educational initiatives co-ordinated by canal societies, social enterprises and TWTS including the Wildlife Safari / Heritage Hunt boat trips held for over 400 Glasgow schoolchildren each year. We also began a programme to 'upskill' bankside operatives across Scotland.

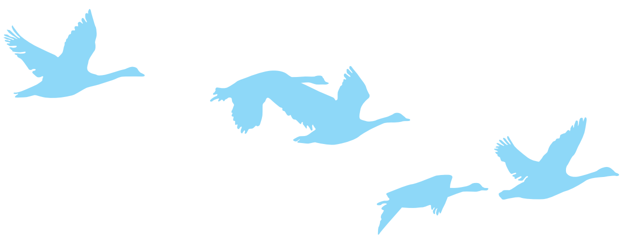
A Supportive Network

As well as our many public, private and third sector partners across Scotland, we are indebted to the voluntary members of the BW Scotland Group. Experts in the fields of commerce, environment and volunteering, they have made an invaluable contribution to our considerations during this year of change.

THE FUTURE

When we first put forward proposals in 2009 to become a charity, we thought it could take around ten years to achieve. Now, only two years later, we are well on our way to making the proposals a reality and creating a long term sustainable future for the waterways in England and Wales in the charity sector. In Scotland, the waterways will remain in public ownership and, in the longer term, could form part of the Scottish Government's innovative plans to manage water at a more strategic level. In the meantime, we are working with the Scottish Government and Defra to ensure a smooth and timely separation.

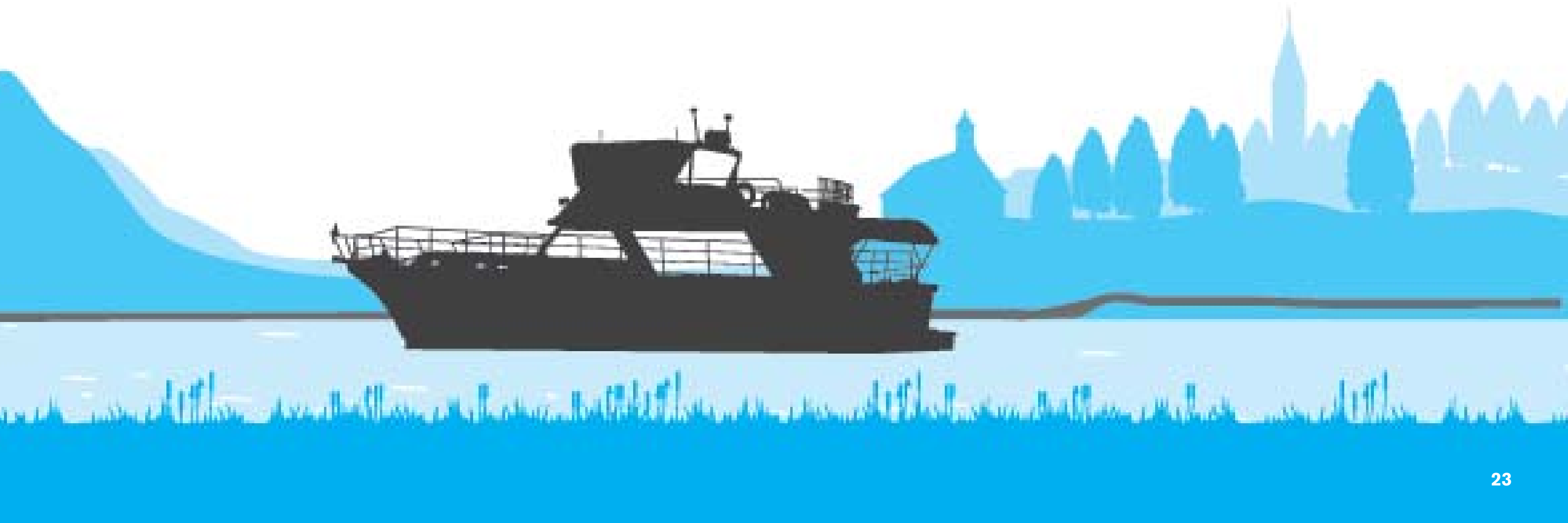
The new waterways charity in England & Wales
Working with Defra we are making remarkable progress and are on track to launch the charity in April 2012 if all goes well with the passage of the Public Bodies Bill through Parliament that enables the transfer of BW (England and Wales) to a new waterways charity.



Here's a re-cap of the key milestones from the last year:
In October 2010 the government announced its intention to transfer the inland waterways of England and Wales to a new charitable body building on BW's recommendation for a 'national trust' for the waterways.

Throughout January research was conducted to test possible names for the new waterways charity and the outcomes fed into Defra's wider consultation.

In February the government announced its intention to move the Environment Agency navigations into the charity in 2015, subject to adequate funding being available.



Defra appointed an independent advisory panel to help with the recruitment of Transition Trustees that will act as a shadow Board and represent the interests of the charity until it is up and running.

In March the government launched its three-month public consultation, A *New Era for the Waterways*, which set out the proposals for a new waterways charity to take over the ownership and management of the waterways in England and Wales, including how the organisation will be governed and how it will give communities a greater role in looking after their local canals, rivers, reservoirs and docks. We look forward to the results in the autumn.

Three trial Local Waterway Partnerships are up and running. They work with and advise local waterway managers and champion the interests of the canal network on the Kennet & Avon Canal, in the West Midlands and North West. Subject to the consultation by Defra, each of the existing eleven administrative waterway regions in England and Wales will have Local Waterway Partnerships.

In May Defra appointed eight founding trustees, a mix of five new trustees and three existing BW board members that bring with them a wealth of expertise and experience to help get the charity off to the best possible start.

Lynne Berry	Chief executive of WRVS
John Bridgeman	Current BW Board member and a leading expert in competition and fair trading
Jane Cotton	HR director of Oxfam
John Dodwell	Waterway campaigner and former chairman of the Commercial Boat Operators Association
Tom Franklin	Chief executive of Ramblers
Tony Hales	Current BW chairman and chair of the trustees
Nigel Hugill	Current BW Board member and chairman/advisor for a number of major property development businesses
Simon Thurley	Chief executive of English Heritage

Looking ahead to the charity's launch in 2012

What we have achieved in just two years is remarkable and we thank everyone who has supported and championed the plan to become a charity.

The Transition Trustees are now overseeing the work streams that range from the detailed design of the governance arrangements, to the new name and logo and from the fundraising strategy to preparing our people for working life in the third sector. However, their foremost priority is negotiating the contract with government that will determine public funding for the waterways in England and Wales for at least the next ten years.

Perhaps the greatest benefit of the new waterways charity will be the increased role that local people, customers and supporters will have, working together creatively and constructively for the common good. It's through these partnerships that we will unlock the full potential of the canals and rivers in England and Wales protecting and conserving them for future generations.

BOARD MEMBERS

Tony Hales CBE, Chairman

Tony is chairman of Workspace Group plc and Chair of NAAFI Pension Fund Trustees. He is a Trustee of both Welsh National Opera and SSVC, the armed forces broadcasting service. He was previously chief executive of Allied Domecq, a non-executive director of HSBC Bank plc, Welsh Water plc and Aston Villa plc, and a chairman of NAAFI Ltd. Age 62. **(D, F, G)**

John Bridgeman CBE TD, Vice chairman

John joined the Board in 2006. He is a former director general of Fair Trading, member of the Monopolies and Mergers Commission and CEO of British Alcan Aluminium plc. He is also regulatory director and a Pension Trustee of the British Horseracing Authority, chairman of the Audit and Standards Committee of Warwickshire County Council, complaints commissioner for the Direct Marketing Authority and a longstanding Trustee of three Oxfordshire charities. He sits on the Waterways Ombudsman Committee and is also chair of the Wales Advisory Group. Age 65. **(A, B, D, F, H)**

John Bywater

John is a non-executive director of Low Carbon Workplace Ltd, a subsidiary of the Carbon Trust. He is managing director of Caddick Developments based in Yorkshire, a non-executive director of Workspace Group plc and Realis Estates plc. John is also a former executive director of Hammerson plc, a FTSE100 company having retired in 2007. John is also a Trustee of Opera North based in Leeds. Age 63. **(C, G)**

Maggie Carver

Maggie is a former financier and non-executive director of a number of companies, mainly in the media sector. She is currently chairman of Independent Television News Ltd (ITN), on the board of The Eden Project and the British Board of Film Classification. Maggie is also managing director of Milton Keynes Mobility Ltd, a business selling products for the elderly and disabled, giving her knowledge of access issues. Age 46. **(C, D)**

Rodney Green

Rodney joined the Board on 1 May 2009. He is Prior of England and the Islands of the Priory of St. John. He is a Trustee of A Rocha International, a conservation agency operating internationally. Previously he was chief executive of Leicester City Council. He has also been assistant chief executive, West Glamorgan County Council, and Assistant County Education Officer, Surrey County Council. He has also served on the national Advisory Panel for the Beacon Scheme which disseminates excellence and innovation in public service; and on the national Migration Impacts Forum. Age 58. **(B)**

Dr. Jon Hargreaves CBE

Jon joined the Board on 1 April 2008 to represent Scottish interests after extensive experience in the water industry, most recently as chief executive of Scottish Water. He is also Chair of the BW Scotland Group. John is a non-executive of Baltic Centre for Contemporary Arts Gateshead, and The Port of Tyne Trust. He has had 35 years' experience in the water industry together with experience in international markets. Age 61. **(E, C)**

Nigel Hugill

Nigel is chairman of its audit and property committees. He is executive chairman of Urban & Civic and, previously, was chairman of Lend Lease Europe and managing director of Chelsfield plc (all major property development businesses). He is chairman of urban think tank, Centre for Cities, and of the estates strategy and capital project committees of the London School of Economics, where he is a member of Council. He also chairs the committee overseeing the proposed redevelopment of Tate Britain. He is a former special advisor to the Homes and Communities Agency, sits on the Independent Transport Commission and is trustee and treasurer of the Architecture Foundation. Age 53. **(B, D, G)**

Eric Prescott

Eric is the chief executive of Havelock Europa plc - one of the UK's leading retail and education fit out and manufacturing companies. Former roles include chief executive at Leonard Cheshire Disability, non-executive chairman of LogiKal Ltd - a programme management service provider - and President and managing director of ALSTOM UK and other UK infrastructure companies. As a former member of the CBI's Presidents Committee, he worked on climate change and sustainability issues. He is a keen angler with over 45 years' experience of fishing the UK's canals. Age 54. **(A, B)**

Pommy Sarwal

Pommy is a non-executive Board member of the Boards of The Port of London Authority, Christie Group plc, Chatham Historic Dockyard Trust, and Hyde Housing Association. He is also chairman of Master Ropemakers Ltd and Venners Ltd. Pommy has wide-ranging financial management experience of both the private and public sectors and is a former Corporate Finance Partner at Deloitte and a member of the Ports Advisory Group at the UK Trade & Investment Division of the Department for Business Innovation and Skills. He has a keen interest in heritage and conservation. Age 60. **(B, F)**

Duncan Sutherland

Duncan joined the Board to represent Scottish interests. He is managing director of Inpartnership. Previously he was director of City Development for Coventry City Council and achieved many city centre projects including Coventry Canal Basin. He has also worked at Inner City Enterprises plc, was chief executive of the EDI Group Ltd and has been involved in national organisations such as Historic Burghs Association of Scotland Advisory Council and was an executive Committee member of the Scottish Council for Development & Industry. Age 59. **(C, E, G)**

EXECUTIVE DIRECTORS

Robin Evans BSc, FRICS
Chief executive

Robin joined BW in 1999 as commercial director and became chief executive in December 2002. Prior to that he spent four years as Palaces' director for Historic Royal Palaces and was chief executive of The Landmark Trust for eight years. Age 57.

Steve Dunlop BEd (Hons)
Scotland director

Steve was previously director of Regeneration at Newcastle City Council. He started his career in leisure management before moving to a number of high profile senior positions in local government, latterly as director of Community Services at Falkirk Council. Age 48.

Nigel Johnson BSc (Econ), Solicitor
Corporate Services director and secretary to the Board

Nigel worked as a corporate lawyer in the finance industry for 18 years and was the senior lawyer at a national charity headquartered in Westminster before joining BW in 2000. Age 56. **(A)**

Stuart Mills, BSc, MRICS
Property & Enterprise director

A chartered surveyor, Stuart joined BW in 1990 after working with private sector property consultants, Drivers Jonas. He has worked extensively across the country in various property roles, and more recently, as Head of Property, was responsible for setting up a number of joint ventures. Age 43.

Vince Moran BA, FCIPD
Operations director

Vince joined BW following extensive personnel and general management experience in production, manufacturing and service activities with the coal industry and Chubb Security plc. Age 55.

Philip Ridal BEng, FCA, MCT
Finance director

A fellow member of the Institute of Chartered Accountants and a member of the Association of Corporate Treasurers, Philip has held a variety of financial roles in UK listed property companies, including the Mowlem construction group, and is a former Group finance director of Manchester Airports Group plc. Age 57.

Simon Salem BA, MBA
Marketing director

Simon has over 25 years' experience of marketing, PR, corporate affairs and fundraising. Before joining BW he worked for London Transport. He has worked extensively in the leisure and tourism industry. Age 53.

Jim Stirling OBE, BSc, MBA, CEng, FICE, MIStructE
Technical director

Jim joined BW as Manager, Scotland in 1992 and became director, Scotland in 1997 and technical director in 2005. Jim spent many years in civil engineering, construction and development both in the UK and abroad. Age 58.

Board members

The BW Board is appointed by the Secretary of State for Environment, Food and Rural Affairs and (in respect of two members) by the Scottish Government. The appointments are intended to ensure a good balance of skills and experience which are relevant to British Waterways' wide ranging remit.

Membership Key

A. Director of BW Pension Trustees Ltd
B. Member of The Audit Committee
C. Member of The Remuneration Committee
D. Member of The Nomination Committee
E. Member of The BW Scotland Group
F. Member of The Fair Trading Committee
G. Member of The Property Group Committee
H. Member of The Wales Advisory Group

FINANCE REVIEW

The financial circumstance that dominates these accounts is the apparent reduction in government grants, down 16% to £58.9m compared with £70.2m in 2009/10. The reduction is partly due to the effective claw back of £5m of grant that was received in 2008/09, from Defra, to offset an operational spending deficit in that year. The remainder of the grant-in-aid reduction reflects the wider restrictions on government spending that have led to reductions in grant support from both Defra and the Scottish Government. In 2010/11 the expenditure on waterway general and major works has been reduced by 9%, against the previous year, to balance the operating result.

The recent government spending cuts for 2011/12 will result in further cuts to grant support from Defra and the Scottish Government. To prepare for these circumstances we have made reductions in managerial and technical operating costs that will reduce BW's operating capability and increase the risk of non-delivery of operating standards for customer services and the waterway environment. Despite these cost cutting actions it will be necessary to make further reductions in spend on the waterways to maintain a break-even revenue position.

The operating result has, however, benefited from a modest increase in income from our commercial activities, and in particular from utilities and water sales. During the last three years we have sold income generating investment properties totalling £45m, to retain liquidity during a challenging trading environment. The consequential fall in rental income is reflected again in this year's result. However this trend is expected to reverse over the next year as market conditions improve and new property is acquired. The sale and reinvestment of parts of the property portfolio is also a feature of the strategy to hold fewer low value/high management cost assets to improve the return on the capital base. BW purchased £10m of investment property assets in March 2011 which will generate additional income in 2011/12.

The value of BW's non-operational property portfolio continues to recover from the effects of the recession with a modest 1% valuation increase of £4.4m in the portfolio for the year. This is lower than the UK property market which grew at just under 4%. However the wider market performance owed much to the bounce in prime central London offices which have remained attractive to investors with limited new supply. BW's portfolio is geographically diverse, canal-side and largely secondary in nature and so has not enjoyed the same bounce. However the portfolio has proved to be less volatile than the UK property market over the medium term with some significant long term ground rents providing stability.

Profit on disposal of investment properties was a very substantial £11m including £8.5m profit on the sale of a builders' merchant investment property adjacent to Paddington Basin. This boosted the total investment property return for the year to 9.1% on capital employed.

BW's share of the profits and losses of Joint Ventures recovered considerably from a £18.3m loss in 2009/10 to a £1.8m loss in 2010/11.

The investments in Gloucester Quays and the Waterside Pubs Partnership were fully written down in 2009/10 to reflect the adverse trading conditions in each joint venture. No further investment has been made, and the Group has not given any recourse in respect of the bank debt in these joint ventures. The Waterside Pub Partnership has recently been placed in administration by its lenders for the purpose of disposing of the remaining pub investment properties. Restructuring discussions are continuing with the bankers for Gloucester Quays.

In our other joint ventures, prospects have improved significantly. The ISIS residential developments in Leeds and Manchester have sold steadily throughout the year whilst planning consent was obtained for a major redevelopment at Commerce Road, Brentford. At Wood Wharf progress was made on land assembly through contracted acquisitions and development prospects, whilst still a few years away, moved closer as market conditions continued to improve. At City Road Basin profits began to flow from the development of affordable housing on the City Road site and contracts were exchanged for the profitable sale of the land with planning permission for a 35 storey tower which completed in early May 2011.

Third party funding of projects reduced by 12% to £14.0m (2010: £15.9m) as projects reached or neared completion and the availability of funding for new projects has reduced. The net cost to BW of this activity was £4.3m for the year (2010: £6.3m).

Group reserves have increased by 13% to £394.4m, reflecting the significant reduction in the pension fund deficit from £95.5m to £59.0m.

Summary of results £m (excluding government return on capital employed charge and subsidy)

	2010/11	2009/10	% change
Commercial income	**103.6**	101.0	3%
Third party contributions to works	**14.0**	15.9	-12%
Government grants	**58.9**	70.2	-16%
Total revenue	**176.5**	187.1	-6%
Operating expenditure	**69.8**	68.6	2%
Costs incurred on third party funded projects	**18.3**	22.2	-18%
Waterway maintenance and major works	**92.1**	101.6	-9%
Total expenditure	**180.2**	192.4	-6%
Operating deficit	**(3.7)**	(5.3)	
Net interest	**(4.6)**	(7.8)	
Share of losses in joint ventures	**(1.8)**	(18.3)	
Realised gains on sale of investment properties and assets held for sale	**11.0**	5.3	
Unrealised revaluation gains on investment properties	**4.4**	7.8	
Surplus / (deficit) before tax	**5.3**	(18.3)	
Tax credit	**11.6**	2.9	
Surplus / (deficit) after tax	**16.9**	(15.4)	
Amounts transferred (to) / from capital reserves	**(25.8)**	3.1	
Deficit transferred from revenue reserves	**(8.9)**	(12.3)	
Group consolidated reserves	**394.4**	350.2	13%

Analysis of boat licences issued in England & Wales

	England & Wales		
	2010/11	2009/10	Change %
Private pleasure boats - canals & rivers			
Powered	**26,871**	26,304	2%
Unpowered	**1,062**	999	6%
Total	**27,933**	27,303	2%
Private pleasure boats - rivers			
Powered	**4,794**	4,874	-2%
Unpowered	**62**	65	-5%
Total	**4,856**	4,939	5%
Houseboats	**78**	83	- 6%
Business craft	**2,374**	2,619	- 9%
Total long-term licences	**35,241**	34,944	1%

Boating statistics

	England & Wales			Scotland		
	2010/11	2009/10	Change	2010/11	2009/10	Change
Long-term boat licence income £m *	**16.7**	16.3	2%	**0.66**	0.77	-14%
Number of long-term boat licences issued	**35,241**	34,944	1%	**575**	602	-4%
Income per boat licence issued £	**474**	467	2%	**115**	118	-3%
Income from mooring permits £m	**5.8**	5.8	-1%	**0.38**	0.39	-3%
Number of mooring permits issued **	**5,533**	5,895	-6%	**575**	602	-4%
Mooring income per permit £	**1,048**	989	6%	**666**	636	5%

* Boat licence income and statistics exclude short term licences that are included in the total income reported in the group commercial income table on page 30.
**Excludes BWML. England and Wales includes three year mooring permits issued in prior years.

Group commercial income summary £m	BW Group			England & Wales		Scotland	
	2010/11	2009/10	change	**2010/11**	2009/10	**2010/11**	2009/10
Property rentals, wayleaves and premiums	**34.4**	35.6	-3%	**33.6**	35.0	**0.8**	0.6
Utility income and water sales	**25.1**	21.4	17%	**23.7**	20.0	**1.4**	1.4
Boat licence income	**17.4**	16.8	4%	**17.0**	16.4	**0.4**	0.4
BWML total income	**6.6**	6.8	-3%	**6.6**	6.8	**-**	-
BW moorings	**6.3**	6.5	-3%	**5.8**	6.0	**0.5**	0.5
BW retail sales	**3.2**	3.4	-6%	**1.7**	1.8	**1.5**	1.6
Maintenance and other income	**10.6**	10.5	1%	**10.3**	10.1	**0.3**	0.4
Group commercial income	**103.6**	101.0	3%	**98.7**	96.1	**4.9**	4.9
Group third party contributions to works							
Contributions to canal restoration and other third party funded works	**14.0**	15.9	-12%	**12.9**	14.6	**1.1**	1.3
Group turnover excluding joint ventures	**117.6**	116.9	-1%	**111.6**	110.7	**6.0**	6.2
Grants receivable from grants	**58.9**	70.2	-16%	**47.4**	58.4	**11.5**	11.8
Total Income	**176.5**	187.1	-6%	**159.0**	169.1	**17.5**	18.0

Analysis of operating costs £m

	BW Group			England & Wales		Scotland	
	2010/11	2009/10	Change	**2010/11**	2009/10	**2010/11**	2009/10
Waterway maintenance and customer operations	**65.4**	68.0	-4%	**58.1**	60.5	**7.3**	7.5
Major infrastructure works	**22.4**	29.7	-25%	**20.4**	27.6	**2.0**	2.1
Canal dredging	**4.3**	3.9	10%	**4.2**	3.9	**0.1**	-
Waterway maintenance and major works	**92.1**	101.6	-9%	**82.7**	92.0	**9.4**	9.6
Dowry funded assets	**2.6**	2.2	18%	**2.6**	2.2	**-**	-
National and waterway teams	**41.9**	42.5	-1%	**38.0**	38.8	**3.9**	3.7
Property and leisure income support costs	**19.5**	18.0	8%	**17.2**	15.4	**2.3**	2.6
BWML operating costs	**5.8**	5.9	-2%	**5.8**	5.9	**-**	-
Operating expenditure	**161.9**	170.2	-5%	**146.3**	154.3	**15.6**	15.9
Cost of canal restoration and other third party funded works	**18.3**	22.2	-18%	**15.7**	19.4	**2.6**	2.8
Total operating costs	**180.2**	192.4	-6%	**162.0**	137.7	**18.2**	18.7

Trading income

The total Group commercial income (excluding third party funding) increased by 3% to £103.6m.

Property rentals, wayleaves and premiums income reduced by £1.2m to £34.4m. Property Rental growth remained negative in the UK during 2010/11 with the exception of prime central London office locations. The wider UK economic outlook improved over the preceding year but the recovery has been rather weak and in property occupier markets supply continues to outstrip demand, leading to downward pressure on rents. Fixed rents and upward only rent review provisions have helped to prevent rents falling in many cases but the portfolio has come under pressure from increasing vacancy rates and tenant insolvencies.

The investment properties in our outsourced management contract recorded lower income due to vacant space rising from 6.6% to 7.4% of the rent roll. Hardest hit has been the industrial and office sectors in the north and in the retail sector, where one of our major multi-site tenants went into liquidation. New acquisitions were made, albeit late in the year, including the purchase of ten pubs from our Waterside Pub Partnership joint venture with Scottish & Newcastle which, together with other purchases, should generate £1m of additional income in 2011/12.

Utilities income has performed well this year achieving a £3.7m (17%) increase to £25.1m. The greatest increase came from the negotiation of local utility contracts, such as a surface water discharge with the Olympics Delivery Authority and new cable crossings and other agreements with property developers. A five yearly review under the terms of our surface water discharge national agreements was carried out with the Water Utility Companies delivering further increased revenue. Water sales were up £0.3m (6%) to £4.6m where a major contract was extended and an increase negotiated, together with increased water abstraction by a number of other customers.

Boat licence income increased by 4% to £17.4m due to a modest improved yield from price increases and the number of licences issued combined with continued efforts to reduce licence evasion.

BW Moorings Income experienced difficult trading conditions which together with the established BW policy of reducing the number of on-line moorings, led to a 6% decline in the number of BW mooring permits issued. However this was offset by an increase in the average income yield per mooring permit resulting in a net overall 3% reduction in income to £6.3m. Further details about our boats and boating activities can be found page 16 of this report.

British Waterways Marinas Limited (BWML) income reduced by 3% to £6.6m due mainly to a 2% drop in moorings income. The increase in new berths, which are now generally available on the inland waterways following the success of BW's New Marinas Unit, has given boating customers far more choice in locations at which to moor their craft and competition for customers has now become a significant factor for marina operators. There have also been falls in BWML's brokerage and retail sales activities which reflect the general state of the UK economy.

Operating costs

Total operating costs, excluding the cost of third party funded works, reduced 5% to £161.9m. The £11.3m reduction in government grant has inevitably led to some difficult decisions being made on spending priorities. Increased commercial income and efficiencies elsewhere in the business have enabled us to limit the reduction in waterway maintenance and major works to £9.5m.

Waterway maintenance and customer services expenditure reduced by £2.6m (4%) to £65.4m.

Major works and canal dredging expenditure in aggregate reduced by £6.9m to £26.7m (2010: £33.6m). Further detail on the costs of maintaining our historic canals and rivers can be found on page 10 of this report.

National and waterway teams include the £2m (2009/10: £3.9m) cost of the cost reduction plan carried out in early 2011. This category comprises of the costs of the main offices, based in Watford, Paddington and Leeds, together with the costs of the national operational teams and the local waterway units. It includes the costs of the teams who deal with safety, technical and engineering, water and environment, legal, HR, ICT, the finance and admin shared services centre, marketing, communications, customer services, internal audit, financial control as well as the executive directors and Board costs.

Property and leisure income support costs comprise the expenditure incurred in running Property, Leisure and Utility businesses and includes a £0.8m profit on sale of operational property (2009/10: £3.6m).

Operational activities £m

	2010/11	2009/10
Operating deficit	**(3.7)**	(5.3)
Share of results of joint ventures (after tax)	**(1.8)**	(18.3)
Transfer permanent losses in joint ventures to capital reserve	**-**	16.2
Interest receivable	**1.0**	0.6
Interest payable	**(5.6)**	(8.4)
Deficit on operational activities before taxation	**(10.1)**	(15.2)
Attributable corporation tax	**1.2**	2.9
Deficit on operational activities after taxation	**(8.9)**	(12.3)

Non-operational activities £m

	2010/11	2009/10
Profit on disposal of investment property and assets held for sale	**11.0**	5.3
Unrealised gains on revaluation of investment properties	**4.4**	7.8
Permanent losses in investments in joint ventures	**-**	(16.2)
Surplus / (deficit) on non-operational property activities before taxation	**15.4**	(3.1)
Capital gains tax charge on property disposal profits	**(2.8)**	(1.3)
Adjustments for tax relief on permanent impairment of investments made in prior years	**6.3**	-
Deferred tax credit on unrealised gains	**6.9**	1.3
Surplus / (deficit) on non-operational property activities after taxation	**25.8**	(3.1)
Transfer (to) / from realised capital reserves	**(25.8)**	3.1
Net surplus retained	**-**	-

Summary of movements on revenue reserve £m

	Operating Activities	Joint Venture Activities	**Sub-total**	Pension Deficit	**Total**
Balance as at 1 April 2010	(2.5)	-	(2.5)	(64.6)	(67.1)
Reallocation of prior year pension deficit movements *	4.2	-	4.2	(4.2)	-
Reallocation of prior year Joint Venture movements **	3.5	(3.5)	-	-	-
Restated balance as at 1 April 2010	5.2	(3.5)	1.7	(68.8)	(67.1)
Adjustment to prior year joint venture loses transferred to capital reserve ***	-	(4.5)	(4.5)	-	(4.5)
Deficit on operating activities for the year after tax	(7.1)	(1.8)	(8.9)	-	(8.9)
Transfer current year pension fund movements net of tax	1.5	-	1.5	(1.5)	-
Decrease in the pension fund liability net of deferred tax	-	-	-	26.6	26.6
Transfer from realised capital reserve (cash transfer)	5.0	-	5.0	-	5.0
Balance as at 31 March 2011	4.6	(9.8)	(5.2)	(43.7)	(48.9)

* The allocation of the revenue reserve between operating activities and the deficit on the pension fund has been restated as previous year movements on the pension deficit were understated. The restated balance now equals the net of the pension fund liability (see Note 19 to these accounts) and the associated deferred tax asset (see Note 8 to these accounts).

** The presentation of the revenue reserve has been extended to split out the joint venture activities from operating activities

*** Transfer of prior year joint venture profits to offset prior year losses already funded by realised capital reserve

Surplus / deficit on operational activities

BW is part funded by grant-in-aid from Defra for the England and Wales waterways and from the Scottish Government for Scottish waterways. Grant-in-aid funding can only be provided 'in the case of need' and accordingly BW targets a break-even result on its operational revenue account from year to year. The operational deficit before tax of £10.1m was partially funded by a cash transfer of £5m from commercial capital. A transfer of £5m from realised capital reserves to revenue reserves has been made to reflect this cash transfer.

The measure of BW's break-even on revenue account each year is shown in the summary of movements on revenue reserve table. The balance of revenue reserves in respect of operating activities has been restated to show a closing surplus of £4.6m (2010: £5.2m).

Unrealised gains and losses on non-operational property activities

The prior year tax credit relates to capital tax loss relief that has been claimed on the losses sustained in joint venture activities. The deferred tax credit on unrealised gains reflects the reduction in corporation tax rate from 28% to 26%. The net amount transferred to capital reserves is £25.8m (2010: £3.1m transferred from capital reserves), which represents the profit on revaluation of investment properties and profit on disposal of investment properties net of attributable tax.

Treasury management and liquidity

Cash balances are invested only in money market deposits for periods not exceeding six months. Cash balances at year end are as follows:

Bank accounts £m	**2010/11**	2009/10
Trading - BW company	**11.4**	19.6
Trading - Subsidiaries	**6.1**	6.5
	17.5	26.1
Commercial capital	**32.8**	40.9
Held in third party accounts for regeneration	**1.3**	1.2
	51.6	68.2

BW uses surplus liquidity in the commercial capital account to manage the borrowing risk in joint ventures. BW's comparatively low exposure to financial markets together with active management of liquidity has ensured it is well placed to withstand any risk in financial markets.

A net amount of £0.5m (2010: £22.4m) of cash was realised during the year from the sale of investment properties net of amount applied to reinvestment in property and tax payments. The net amount invested in joint ventures reduced this year to £3.2m (2010: £18.0m). The non-operational cash balances are held for reinvestment into non-operational properties and joint ventures and to meet tax liabilities.

Cash flow summary £m

	2010/11	2009/10
Operating deficit	**(3.7)**	(5.3)
Non-cash items in operating deficit	**2.6**	(1.8)
Movement in working capital and provisions	**(5.3)**	9.6
Dividends from joint ventures	**0.4**	0.6
Net interest receivable	**0.4**	(0.3)
Operating cash flow	**(5.6)**	2.8
Operational capital expenditure (net)	**(7.8)**	(0.3)
Purchase of investment properties	**(14.4)**	(0.9)
Disposal of investment properties	**16.3**	22.5
Investment in joint ventures	**(3.2)**	(18.0)
Payments to acquire trade or business	**(0.5)**	-
Taxation	**(1.4)**	0.8
Net cash flow	**(16.6)**	6.9
Cash balance as at 31 March	**51.6**	68.2

Borrowing and liquidity risk management

BW is included within public sector borrowing controls and is not permitted to borrow money or incur indebtedness unless authorised by HM Treasury. BW's authorised borrowings include loans from the National Loans Fund, from the Port of London Properties and a bank overdraft facility of £3m. Working capital loans are available from HM Treasury on an 'in year' basis up to the total authorised borrowing limit of £35m in aggregate for all the borrowing and debt.

BW has interest in a number of property development joint ventures that are stand-alone businesses which are independently funded with external bank debt without recourse to BW. In each of the joint ventures an assessment is made whether the interest payments on borrowings should be hedged having regard to the quantum of the debt, the period over which the borrowings are planned to be outstanding and the sensitivity of the project to changes in interest rates.

BW's share of bank borrowings in joint ventures £m

	2010/11	2009/10
Gloucester Quays	**48.7**	47.2
ISIS Waterside Regeneration	**6.4**	14.7
Waterside Pubs Partnership	**-**	11.2
Wood Wharf	**2.6**	2.9
	57.7	78.8

At 31 March 2011 BW's share of total bank borrowings in joint ventures were £57.7m (2010: £78.8m). Of these total borrowings 74% (2010: 78%) is either at fixed rates of interest or a fixed interest rate swap in place. BW also has borrowings from the Port of London Properties (POLP). These are at floating rate of interest being 1% plus Bank of England base rate. The amount owed to POLP was £12.9m for both 2011 and 2010. Long-term borrowings decreased by £0.3m to £4.9m representing 1.3% (2010: 1.5%) of total reserves.

Summary of changes in pension fund deficits £m

	2010/11	2009/10
Deficit as at 1 April	**(95.5)**	(73.0)
Current service cost	**(7.9)**	(6.2)
Past service cost adjustment	**-**	(0.4)
Discount unwinding on pension scheme liabilities	**(20.4)**	(19.3)
Return on pension scheme assets	**16.1**	54.8
Actuarial gains / (losses)	**40.1**	(60.4)
Contributions in cash from the employer	**8.6**	9.0
Deficit as at 31 March	**(59.0)**	(95.5)

Assets and liabilities in pension scheme £m

	2010/11	2009/10	Change
Market value of assets	**287.9**	278.1	4%
Present value of liabilities	**(346.9)**	(373.6)	7%
Deficit	**(59.0)**	(95.5)	
Funding %	83%	74%	

Pension fund

In line with other similar pension funds, during the year the investment assets experienced a positive correlation to the general financial markets, showing a modest increase in value of £16.1m, or 6% compared to the previous year end position. At 31 March 2011 the fund liabilities were 83% (2010: 74%) covered by value of assets. In December 2010 the government confirmed that from April 2011 the Consumer Price Index (CPI) will be used as the measure of prices for the purposes of the revaluation orders that determine increases to public sector pensions in payment. The BW Pension Fund rules provide that pensions in payment are increased in line with the government's revaluation orders, therefore CPI has been applied to the valuation as at 31 March 2011 in these accounts. The actuarial gain on liabilities of £40.1m reflects the reduction in the present value of liabilities caused by this change.

The pensions table shows the movement on the pension fund based on IFRS accounting standard for pensions, IAS 19. The deficit of £59m on the fund as at 31 March 2011 will be funded over a period that ensures the deficit is eliminated with particular regard to affordability and the funding available. Every three years the Fund's trustees are required to have the fund valued by an independent actuary. The results of the actuarial valuation carried out at 31 March 2010 have been finalised by the trustees. The market value of the Scheme's assets (excluding members' additional voluntary contributions) at 31 March 2010 amounted to £274.9m and the value placed upon the benefits that had accrued to members, after allowing for the effect of future increases in their earnings, was £340.5m. The Scheme was therefore £65.6m in deficit and 81% funded on an on-going basis.

Balance sheet

Group reserves have increased by £44.2m to £394.4m (2010: £350.2m) representing an increase of 13%. This increase is predominately made up of the reduction in pension fund deficit of £25.1m, net of deferred tax and a £12.5m reduction in net tax liabilities. The revenue reserve is split in the table above to show the deficit on the pension fund and joint venture activities separately from the accumulated revenue reserve on operational activities.

Risk management

Safety of customers, contractors and employees on the waterways is BW's top priority. BW continually strives to improve its safety processes. Safety training, procedures, signage, regular inspection and maintenance of assets and the development of relevant competencies are some of the examples of BW's safety framework.

Corporate Governance report on page 42 sets out BW's approach. This shows the importance attached to the ongoing clarification of risks, ensuring effective control processes exist and for embedding the risk management into BW's culture. The main risk stems from waterway infrastructure and commercial activities.

Legislation and regulation exposes BW to changes in agreed standards, given the nature of our work and responsibilities. The impact is assessed and managed as the full requirements emerge, for example, the Water Framework Directive.

Partnerships provide increasingly necessary and important sources of additional funding. These ventures allow further enhancement of BW's waterway assets by accessing external investment funds and development expertise. Processes have been developed to minimise risk in the selection of joint venture partners. Our joint ventures include significant property developments in which there are various commercial risks.

Expertise of partners' is actively engaged in the areas to manage risks effectively within constraints of the wider economic cycle of risks.

Organisational evolution and change can create a number of associated risks, for example, behaviours for consistency in developing standards, customer service and safety in a cost effective manner. BW manages these risks through codes of best practice to ensure fair trading, recognised project control techniques, communication, regular performance appraisals and individual development plans reflecting the continued business priorities. These will be particularly pertinent in the proposed move to the charity sector. BW will modify policies and procedures to ensure all material risks are reviewed, evaluated, and sufficient controls are in place to mitigate these risks.

Sustainable conditions are achieved through ongoing inspection, assessments and the prioritisation of remedial action on assets with high 'consequences of failure' and those that are important for customer service and amenity.

BW's wider objective is a commitment to deliver social, environmental and heritage benefits. There is regular assessment of all the company's heritage assets. Risk based assessments in accordance with BW's environment code of practice are applied to all works undertaken. In addition, BW has introduced sustainability targets to reduce the impact of carbon omissions and the use of resources. Safety risk, vandalism and impediments to access by all are managed by BW's educational role and community engagement through organisations with strong involvement in social inclusion and volunteers.

CONTENT OF ACCOUNTS

BOARD MEMBERS' REPORT

The board members present their annual report on the affairs of BW, together with the accounts and auditors' report, for the year ended 31 March 2011.

Principal activities

BW cares for a 2,200 mile network of canals and navigable rivers throughout Britain, working to provide a sustainable future for the inland waterways and generate maximum benefit and enjoyment to all from this unique environmental and leisure resource. We work with a broad range of public, private and voluntary sector partners to unlock the potential of the inland waterways and generate income for reinvestment in the waterways for the benefit of the millions who visit and care for the waterways every year.

Business review

A detailed review of BW's performance during the year (including key performance indicators) and expected future developments is contained in the Business Review section on pages 6 to 35.

Results

The audited accounts for the year ended 31 March 2011 are shown on pages 54 to 93.

Board members

The board members who served during the year are shown on page 26. Their terms of engagement are summarised in the Directors' Remuneration Report on pages 48 to 51.

A Register of Interests is maintained by the Corporate Services Director through whom public inspection can be arranged.

Fixed assets

Details of movements in fixed assets during the year, including the revaluation of investment properties, are set out in Notes 9 and 10 to the accounts.

BW does not incorporate revaluations of operational properties in the accounts. Based upon external valuations at 31 March 2011, it is the opinion of the board members that the operational property, excluding the canal track, towpaths and reservoirs, has a market value in the region of £60m (2010: £61.2m) at 31 March 2011.

Charitable and political contributions

BW has not made any charitable or political contributions other than £51,359 paid to The Waterways Trust. This was Tony Hales's fee as chairman, which he had waived and requested be paid to TWT for a specific community project.

Payment policy

It is BW's policy to agree payment terms with its suppliers at the outset of a transaction, and abide by these terms, subject to satisfactory performance by the supplier and the timely presentation of an accurate invoice. Amounts owed to suppliers are generally settled by the end of the month following receipt of invoice. At the year end, the amount owed to trade suppliers was equivalent to 59 days credit (2010: 36 days).

Equal opportunities

BW 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, age, sex and disability discrimination.

Employees
BW places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting business performance. This is achieved through formal and informal meetings allowing the two-way flow of information between management and employees and a monthly newspaper.

BW has common terms and conditions of employment and single table bargaining with employee representatives through a National Forum for all employees other than senior employees. Senior employees are consulted through a directly elected Senior Managers Representation Panel. Consultation on employment and other related matters takes place at these forums in a spirit of cooperation and open exchange of information and ideas.

All employees are covered by an annual performance and development review process. The personal development of our people in their work is supported and is underpinned by our reward strategy that links pay to job and skills growth and to individual performance. We are investing in developing the leadership capabilities of our senior managers and in identifying the next generation of leadership talent.

Audit
Grant Thornton UK LLP were appointed as external auditors of BW for the year ended 31 March 2011 by the Secretary of State for Environment, Food and Rural Affairs in accordance with Section 24(2) of the Transport Act 1962.

STATUTORY AND FINANCIAL FRAMEWORK

Statutory basis
The British Waterways Board (BW) is a public corporation, which was established by the Transport Act 1962 to manage the inland waterways and associated docks and estates, which had previously been the responsibility of the British Transport Commission.

BW is responsible for approximately 2,200 miles of canals and river navigations in England, Scotland and Wales, together with their associated reservoirs, docks, repair yards and workshops.

The Transport Act 1968 classified these waterways into:

a) The Commercial Waterways, which were to be kept principally available for the commercial carrying of freight and maintained in a suitable condition for use by commercial freight carrying vessels.

b) The Cruising Waterways, which were to be kept principally available for cruising, fishing and other recreational purposes and maintained for use by vessels constructed or adapted for the carriage of passengers and driven by mechanical power.

c) The remainder, which have to be dealt with in the most economical manner possible (consistent, in the case of retained waterways, with the requirements of public health and the preservation of amenity and safety), but subject nevertheless to a duty (contained in the British Waterways Act 1995) to take account of the desirability of protecting them for future use as cruising waterways or for other public recreational use.

Under s.27 of the Transport Act 1962, the government may give directions of a general character to BW as to the exercise of its functions and in February 1999 the government published a Framework Document containing its aims and objectives for BW. Under the terms of the Framework Document, BW is required by the government to operate and maintain its waterways to standards that reflect use and prospects of use and any land drainage requirements. Such standards do not always fully reflect the historic standards for the channel dimensions of Commercial and Cruising Waterways prescribed by the Transport Act 1968.

The UK government requirement in the Framework Document is expressed to be subject to BW's statutory obligations. Nevertheless the government (Scottish Ministers in respect of canals in Scotland) have power to make Orders varying the historic standards prescribed in the 1968 Act. Furthermore, the currently prescribed standards may only be enforced in special proceedings under that Act. The government (and Scottish Ministers) have power to intervene in any such enforcement proceedings and to curtail them if it certifies to the court it intends to make an Order specifying different statutory standards. This power may be exercised if compliance with the standards being enforced under the proceedings would require the payment of further grant by the government (Defra or Scottish Government).

The Framework Document also sets out BW's wider relationship with government and responsibilities of the Board and Chief Executive, as well as setting a framework for BW's relations with users, the Waterways Ombudsman and the Inland Waterways Advisory Council.

Consistent with its statutory obligations, powers and objectives agreed with government, BW runs its affairs on a commercial basis and promotes the fullest use of the waterways for leisure, recreation and amenity, and freight transport where appropriate.

Grant
Whilst BW obtains the majority of its revenues from its commercial and other business activities, it receives support from government through annual deficit funding grants to assist it in meeting its statutory obligations. In England and Wales such grant support is funded by Defra and in Scotland it is funded by the Scottish Government.

Conditions for the payment of grant and details of other controls applicable to BW as a public corporation are set out in Financial Memoranda issued by government.

Part of the grant received from government may be used for the purchase of vehicles, plant and equipment for maintaining the waterways as economically as possible but on which no return on investment can be obtained. This is treated in the accounts as a capital grant and the income deferred and brought into account in line with the depreciation charges on the assets concerned.

BW is precluded from drawing government grant in advance of need.

Objective to avoid loss and not draw grant in advance of need
The above requirement of not drawing grant in advance of need, combined with the statutory responsibility to avoid a loss on revenue account, taking one year with another, leads BW to target to break-even on revenue account each year.

Borrowings and capital investment
The government sets the maximum amount of grant and any access to loans from the National Loans Fund to fund capital expenditure. BW is not normally allowed long term borrowings other than from the National Loans Fund. BW's borrowings are subject to a statutory limit of £35 million. The Treasury annually renews guarantees of bank overdraft facilities in order for BW to meet day-to-day fluctuations in receipts and payments.

BW's profit generating capital expenditure can be funded through access to National Loans Fund loans, subject to government limits. In recent years BW has only been permitted to borrow amounts equal to the total of earlier loans due for repayment. Within these limitations, BW has been restructuring its asset portfolio by disposal and reinvestment to improve its ability to achieve its business objectives. In February 1999 the UK government announced that it had decided to phase out most of BW's outstanding debt as it matures, thus removing from BW the need to take out new loans to repay existing loans.

BW is also required to obtain government (UK or Scotland as appropriate) consent for all expenditure projects over £6m (over £10m for property acquisition) in England and Wales and expenditure projects over £3m in Scotland or when there are novel or contentious features or to take an interest in a body corporate.

Preparation of accounts
BW is required to prepare audited annual accounts which reflect Companies Act requirements and comply with best commercial accounting practice, although the information to be disclosed is amended and extended by Direction of the Secretary of State for Environment, Food and Rural Affairs as shown on page 95.

Expenditure on repairs and renewals of the basic canal infrastructure is written off to revenue account as it is incurred. Investment property is revalued annually by external valuers.

CORPORATE GOVERNANCE

The Board is committed to achieving the highest standards of corporate governance. This is key to the objective of BW being an exemplar public organisation that maximises the public benefit it creates. Accordingly the Board has resolved that, save for necessary adaptations consequent upon its actual status as a statutory Public Corporation, it should adhere to and apply the standards of corporate governance applicable to a quoted public limited company. In doing so, it also meets (and exceeds) the Accounts Direction to meet the disclosure requirements 'of companies legislation currently in force'.

The applicable standards for this reporting year are those set out in the UK Combined Code on Corporate Governance and this statement explains how the Board has applied those standards throughout the reporting year.

Board - operation and membership

One of the principal differences between BW and a quoted company relates to the structure of the Board and the appointment of its members. As such, sections A4, A7 and B of the UK Combined Code on Corporate Governance relating to the appointment, re-election and remuneration of board members are not applicable to BW.

BW is governed by a Board comprising a chairman and vice chairman and (currently) eight other non-executive members appointed by the Secretary of State for Environment, Food and Rural Affairs and (in respect of two members) Scottish Ministers. Their appointment is fixed for a period of three years and their remuneration is set by the Secretary of State and Scottish Ministers. Subject to performance, board members may be reappointed once without competitive selection.
The appointments are intended to ensure a balance of skills and experience relevant to the various sectors of the business. Mr Tony Hales was appointed chairman from 10 July 2005, and met the independence criteria on his appointment.
His appointment was made in accordance with the guidance of the Office of the Commissioner for Public Appointments (OCPA) and therefore on merit and against objective criteria. In May 2008 Mr Hales was reappointed chairman for a second term of three years from July 2008. The chairman has enough time available to devote to the job.

The Board meets regularly (at least six times during the year with additional meetings as required) and brings an independent judgement to its oversight of the direction, strategy and corporate objectives of BW. Reporting to the Board are executive directors who have direct responsibility for operations and management. They also are responsible for the development of business strategy and policies, subject to approval by the Board. Biographical details of the board members and executive directors can be found on pages 26 and 27.

All the board members are non-executive and therefore are independent from management. Any business association or other relationship which could interfere with the exercise of their independent judgement or any other potential conflict is required to be declared. Any declaration is noted in the minutes and, in appropriate cases, the board member will withdraw from the meeting during consideration of the business to which the declaration relates.

The chairman has ensured that the board members have been provided with appropriate and timely information and that their enquiries have been properly met. Board papers are sent out a week in advance of the relevant meeting to allow the members fully to prepare for meetings, and minutes of committee meetings are circulated to all members. The Board is kept informed of developments within the business through regular presentation by management. Executive directors are normally present during board meetings though the chairman held meetings, or parts of meetings, of the board without the executive directors present. Board meetings are held at different locations around the business and are preceded by visits and meetings with BW employees and local stakeholders.

The Board has a schedule of matters specifically reserved to it for decision and has also defined those delegated to Board committees and the executive directors. The Board appointed the vice chairman, John Bridgeman CBE, as its senior independent director for the purposes of the UK Combined Code on Corporate Governance. The roles of chairman and chief executive are clearly separated and the division of responsibilities is defined in the delegation arrangements.

All board members have access to the advice and services of the Secretary to the Board, and may take independent professional advice at BW's expense after notifying the chairman. The Secretary ensures that new board members receive appropriate induction on appointment.

Where necessary, BW provides the necessary resources for professional development and updating the knowledge and capabilities of both the board members and executive directors. The Secretary may only be removed with the approval of the Board.

The Board has a prescribed methodology for determining appropriate levels of governance and control for subsidiaries, joint ventures and associated undertakings of BW. The methodology provides a risk profile that is used as a guide to the appointment of directors and the appropriate level of management reporting.

Conduct and performance evaluation

The Board is committed to achieving high standards of conduct. The Seven Principles of Public Life recommended by the Committee on Standards in Public Life have been applied to itself and its people and these are complemented by a code of conduct and ethics statement.

The Board evaluates its performance annually. In 2010 the Board undertook a self-evaluation exercise, though it has used the services of an external consultant for evaluation of its performance in the past and intends to do so at appropriate intervals in the future. A Board improvement plan is updated in the light of each evaluation exercise.

The chairman undertakes appraisals of individual board member performance and the vice chairman appraises the chairman. The Board meets without the chairman present at least once a year to consider the appraisal of his performance.

Audit Committee

The Board's Audit Committee comprises five non-executive Board members. Details of the members are given on page 26. The Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience. The Committee has written terms of reference that are available on the BW website, and meets at least three times a year to review the internal audit plan, progress against that plan, and summary findings of the internal and external auditors. In addition to reviewing the financial results and accounting policies, the Committee monitors the effectiveness of risk management and internal control systems for the Board.

By invitation the chairman attends the meetings, together with the chief executive and the head of audit and, when appropriate, executive directors and the external auditors.

The Committee also meets the external auditors and head of audit each without executive directors present. The Committee reviews the effectiveness of the external auditors and of internal audit annually and considers an external effectiveness review of the internal audit unit every five years. The last such review was in 2006.

The Audit Committee oversees the nature and amount of non-audit work undertaken by Grant Thornton UK LLP each year to ensure that the external auditors' independence is safeguarded. All non-audit services above £12,000 to be performed by the external auditors are required to be approved by the Audit Committee. The Board's policy is for a presumption that non-audit work will be put out to competitive tender. Details of the external auditors' fees are given in Note 5 on page 71.

The Audit Committee is responsible for making recommendations to the Secretary of State regarding the appointment of the external auditor. Following an evaluation by the Audit Committee, Grant Thornton UK LLP were appointed by the Secretary of State (in consultation with Scottish Ministers) as external auditors and reappointed for the period from 1 April 2010.

Attendance

Details of attendance at the principal Board and Committee meetings in 2010/11 were:

	Board	Audit	Remuneration	Fair Trading	Property
Total number of meetings	**8**	**3**	**4**	**1**	**5**
Tony Hales [1]	8	(3)	(4)	1	5
John Bridgeman	7	3		1	
John Bywater	8		4		5
Maggie Carver	8		4		
Rodney Green	6	3			
Jon Hargreaves	7		2		
Nigel Hugill	7	3			5
Eric Prescott	6	3			
Pommy Sarwal	8	3		1	
Duncan Sutherland	7		4		4

[1] Tony Hales, Chairman, is not a member of the Audit Committee, nor of the Remuneration Committee but attends their meetings by invitation.

() - attended by invitation

Nominations Committee

The Board has a Nominations Committee and terms of reference are available on the BW website. It comprises four non-executive board members, details of which are given on page 26. It provides support and advice to the board chairman when he is consulted by Ministers on the appointment of persons to the Board and reviews the board composition (its mix of skills, experiences and characteristics) from time to time. It also considers succession planning. There was no requirement for it to meet during the year.

Remuneration Committee

The Remuneration Committee, comprising four non-executive board members (details of whom are given on page 26), has as its main task consideration annually of the performance of the executive directors and determination of their remuneration levels. The chairman of the Board attends by invitation but is not a member of the Committee. Terms of reference for the Remuneration Committee are also available on the BW website. Further details of the work of the Committee are given in the Director's Remuneration Report on pages 48 and 49.

Fair Trading Committee

The Fair Trading Committee, comprising three non-executive board members (details of whom are given on page 26), has as its main task an informed scrutiny and oversight of compliance by BW and its subsidiaries of their fair trading commitments and obligations. Terms of reference for the Fair Trading Committee are available on the BW website.

The work of the Fair Trading Committee concerns BW fair trading practice in connection with a wide range of its commercial activities or those of its subsidiaries as well as continuing oversight of its compliance with competition law. It reviews all decisions of the Waterways Ombudsman on fair trading related complaints.

In 2010/11 the Fair Trading Committee considered issues such as the Waterway Ombudsman scheme, boat licensing issues and the leisure boating market generally.

Property Committee

The Property Committee, comprising four non-executive board members (details on whom are on page 26), has as its main task a strategic oversight of the commercial property business of BW, in particular monitoring the performance of the commercial property portfolio against external benchmarks.
It also reviews policies and strategies and may obtain reports.
The role of approving large property transactions outside the limit of the delegated authority of executive directors remains with the Board. The Committee also keeps under review at each meeting progress on the major joint venture developments.

Relations with shareholders

Unlike a listed company, BW does not have shareholders so that Sections D and E of the UK Combined Code on Corporate Governance do not apply. The Board is responsible to the Secretary of State for Environment, Food and Rural Affairs and to Scottish Ministers and maintains an ongoing dialogue at all levels within both governments. This includes regular contact by the chairman, chief executive, finance director and (in Scotland) Scotland director, including scheduled quarterly meetings with agendas set in accordance with the respective financial memorandums. The chairman's meetings include reference to the board members' performance evaluation, and whether those reappointed would continue to be effective by adequate commitment to the role and time.
The Board holds an Annual Meeting at which it communicates the key business results and plan for the future to the main user groups, its partners and individual users.

BW has two advisory groups, the British Waterways Scotland Group (BWSG) and the Wales Advisory Group. The Groups support the development of the business in Scotland and Wales respectively within their devolved political environments. They are both non-statutory groups working to support BW's Board and its executive directors. They have a counselling, consultative and influencing function externally and internally, rather than a decision making role and have an open remit to bring to the Board and/or the executive directors for consideration any issues of concern to a majority of their members.

In England and Wales, under its Openness and Accountability policy, BW has facilitated the creation of the British Waterways Advisory Forum (BWAF). This is a body, independent of BW, whose membership comprises organisations of national scope with an interest in the waterways managed by BW. Through meetings between BWAF and BW such stakeholder organisations will have direct access to the chairman, board members and senior management to raise significant issues of concern or common interest. These arrangements incorporate and enlarge upon the arrangements for more specialist national user group meetings.

Clive Henderson, chairman of the Inland Waterways Association, was invited to attend the Board meetings as an observer to facilitate a better understanding of issues of mutual interest between the two organisations and as part of the preparation for the transition to the new waterways charity.

The Waterways Ombudsman Scheme
An independent Waterways Ombudsman is available to consider complaints against BW that are not resolved through its own internal complaints procedure. The terms of the scheme under which the Ombudsman operates are available from the Waterways Ombudsman's website (www.waterways-ombudsman.org).

Operation of the scheme is overseen by a Waterways Ombudsman Committee under the chairmanship of Jeffrey Jowell QC, Visiting Professor of Public Law at University College London and Director of the Bingham Centre on the Rule of Law. The Committee comprises a majority of persons who are not connected with BW and includes members elected by the BWAF.

The Waterways Ombudsman, Hilary Bainbridge, is a full member of the British and Irish Ombudsmen Association which has strict independence criteria for such membership. She was reappointed Waterways Ombudsman by the Committee for a second term of three years in March 2008. In the light of the prospective move of BW business in England and Wales to a new waterways charity in May 2011 the Committee extended the term of Ms Bainbridge's appointment for up to an additional 14 months.

Under the Waterways Ombudsman Scheme, the Ombudsman may consider complaints against BW by users and others that have not been resolved under BW's internal complaints procedure. It is a non-statutory scheme funded by BW. More information on the work of the Ombudsman since the last Annual Report is given on page 9.

Risk management
The Board members acknowledge their responsibility for defining BW's risk appetite and tolerance and maintaining a sound risk management system. The Board, with the advice of the Audit Committee, has satisfied itself that appropriate systems are in place to enable it to identify, assess and manage key risks.

Risks are identified in each directorate business plan and are reviewed by the executive directors and the Board. The key risks are subject to regular review by the executive directors to identify new and changing risks and updated at each meeting of the Audit Committee. The chairman of the Audit Committee reports the issues discussed and conclusions reached to the following Board meeting. The Board also considers specific reports on key risks, including the consequences of asset failure.

This is supplemented by ongoing risk assessments in each directorate jointly by management and internal audit.

The system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Internal control
A process of review of the effectiveness of internal controls and compliance with BW's standards has been established. The chief executive reviews with each director during the annual corporate governance review a representation of assurance outlining how risk management and the control environment has provided reasonable assurance of effective and efficient operations throughout the period. A statement is given to the Audit Committee summarising the significant risks, controls and required action points.

Control environment
There is a clear organisation structure with delegated responsibilities and authorities coupled with standards and processes for each functional area. The Board is committed to achieving high standards from its people. A code of conduct and ethics statement, which includes a whistleblowing procedure, is supported by high safety, customer care and recruitment standards, an appraisal process and a policy of unlocking the potential of staff.

Information and communication
The executive directors submit a rolling three year Business Plan, detailed annual budgets and key performance indicators on its strategic priorities to the Board for approval. The plan describes the implementation of the Board's long term strategic vision and is supported by individual business plans that apply consistent economic and financial assumptions. Monthly operational reports and financial summaries together with regular forecasts are produced for each business unit and reviewed by the Executive. Progress against the key performance indicators is supplied on a quarterly basis to the Executive for review. Detailed reports and projections are presented to the Board.

Monitoring
During the year the Audit Committee:

- reviews the internal and external audit plans
- considers reports from management, internal and external audit on the system of risk management, internal control and any significant control weaknesses
- discusses with management the actions and follows up progress in dealing with identified problem areas.

The chairman of the Audit Committee reports the outcome of the Audit Committee meetings and any significant risk management and internal control issues to the Board. The Board receives the minutes of all Audit Committee meetings.

Board members' responsibilities in respect of the group accounts
The Board is required to prepare group accounts for each financial year which comply with the Accounts Direction issued by the Secretary of State for Environment, Food and Rural Affairs in respect of BW, see page 95.

In preparing those accounts, the Board is required to:

- take all reasonable steps to secure that the operating and financial review complies with the Accounts Direction
- 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 accounts
- prepare the group accounts on the going concern basis unless it is inappropriate to presume that the organisation will continue in business.

The Board confirms that the group accounts comply with the above requirements.

In the case of each board member or director:

- so far as the board member or director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- all the steps that ought to have taken as a board member or director have been taken in order to make himself or herself aware of any relevant audit information and to establish that the Board's auditors are aware of that information.

The Board is responsible for ensuring that adequate accounting records are kept and that these disclose with reasonable accuracy, at any time, the financial position of BW and enable them to ensure that the accounts comply with the Direction.

The Board is also responsible for safeguarding the assets of BW and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Compliance with the UK Combined Code on Corporate Governance

The Board considers it has complied throughout the financial year and up to the date of approval of the annual report and accounts with the UK Combined Code on Corporate Governance, except for those matters disclosed in this statement or those that cannot be applied to BW because of its status as a statutory public corporation rather than a quoted public limited company.

BW is additionally subject to public sector controls, government monitoring and approval, parliamentary scrutiny and external reviews.

Going concern

The funding arrangements of BW differ from those of a public limited company. BW receives payment from government to assist it in meeting its statutory obligations, as referred to in the Statutory and Financial Framework on pages 40 to 41. It is anticipated that funding will continue at levels sufficient to enable BW to continue in operational existence for the period to 31 March 2012. After that date it is expected that (as a result of the proposed transfer of the business of BW in England and Wales to a new waterways charity) BW will comprise only its operations in Scotland and will remain within the public sector and secured by the financial backing of the Scottish Government. A more detailed going concern statement will be found on page 60.

By order of the Board

Nigel Johnson

Corporate Services Director and Secretary to the Board

DIRECTORS' REMUNERATION REPORT

NOT AUDITED

The BW Board
The terms of board members' appointments are determined by the Secretary of State for Environment, Food and Rural Affairs or (in the case of two board members) Scottish Ministers. They are for a fixed term with the option for this to be extended by a further term. The contracts are terminable upon notice not exceeding six months. The Secretary of State, or Scottish Ministers as appropriate, determines board members' emoluments.

Details of board members' fees are shown in the table on page 50.

Reporting to the Board, but not board members, are executive directors who have responsibility for management and for the development of business strategy and policies, subject to approval and general oversight by the Board.

The Remuneration Committee
The Board has established a Remuneration Committee responsible for determining and reviewing the terms of employment and remuneration for executive directors. The remuneration principles established for this senior group of employees provides the framework for remuneration policy within the business. The Committee comprises from three to five board members. The Committee members in 2010/2011 were:

Maggie Carver, chair
John Bywater
Jon Hargreaves
Duncan Sutherland

Maggie Carver retired as a board member in May 2011 and Rodney Green was appointed by the Board to chair the Committee with effect from June 2011.

The chairman, chief executive, corporate services director (until December 2010) and head of HR (from January 2011) attend the Committee by invitation to present recommendations and provide technical support but have no input into decisions affecting their own remuneration.

In determining appropriate remuneration packages, the Committee commissions specialist independent advice, surveys conducted by external consulting firms and remuneration information on comparable organisations. Executive directors' roles are independently evaluated, with responsibility levels assessed and compared with organisations of similar size in the public and private sectors.

The Committee operate to a Remuneration Policy designed to specifically reflect BW's business requirements taking account of the specialist independent advice received. The executive directors have agreed with the recommendation to publicly disclose their remuneration. Full details are included in the table on pages 50 to 51.

Remuneration Policy
The Remuneration Committee's overriding objective is to ensure that BW's remuneration policy and packages are sufficient, taking account of BW's financial position and the wider remuneration context in the business, to attract, retain and motivate a high quality team of executive directors to deliver the business strategy.

Based on the information and recommendations provided by independent remuneration consultants, the Committee has agreed that BW should benchmark remuneration packages to market median levels with a proportion of variable pay in the form of performance related pay (PRP).

A summary of each element of the remuneration package is set out below.

1 Basic salary
Basic salaries are normally reviewed annually on 1 July and increases are determined by reference to comparator information taking into account each director's contribution during the year. Details of basic salary levels for 2010/11 for each executive director are shown in the table on page 50 and are unchanged from the salary levels determined at the July 2008 review, no changes having been made at the July 2009 and July 2010 reviews except in the case of Steve Dunlop and Simon Salem, who received a modest increase in 2010/11.

2 Performance Related Pay (PRP)
A normal feature of the directors' remuneration package is PRP which is awarded by reference to both corporate performance and personal performance targets subject to certain health & safety and customer satisfaction thresholds. Such payments are normally made on 1 July of the financial year following that in respect of which they were awarded. Whilst a standard feature of the remuneration package, the Committee does have power to override its terms on an exceptional basis.

The directors decided collectively that they would not accept any PRP for 2008/09 which would otherwise have been paid on 1 July 2009 and reported in the 2009/10 accounts. Notwithstanding this waiver by the directors, the Remuneration Committee determined that PRP could have been payable by reference to the thresholds and performance targets but made no detailed assessment in the light of the waiver.

PRP was awarded for 2009/10, capped in line with government Cabinet Office guidelines and was paid on 1 August 2010 (one month later than usual) and is reported in these 2010/11 accounts. Robin Evans waived his PRP award for 2009/10.

The payment of PRP for the financial year 2010/11 will be reported in the report and accounts for 2011/12, being the year in which it will be assessed and paid.

3 Other Benefits
The executive directors are entitled to a company car (or an allowance in lieu of a company car), health insurance and critical illness insurance. Details of the levels of taxable benefit are shown in the table on page 50.

4 Pensions
All executive directors with over two years' service participate in the BW Pension Fund which provides a pension on a defined benefit basis and based on basic salary. Details of the accrued pension levels are shown in the table on page 51.

5 Notice Period
Executive directors are entitled to 12 months' notice of termination of contract by BW. Directors are required to give BW six months' notice.

6 External Appointments for executive directors
The Board recognises that executive directors may be invited to become non-executive directors of other companies unconnected with BW's activities and that such appointments can broaden their knowledge and experience to the benefit of BW. On the basis that it does not impact upon their executive duties, directors are generally allowed to accept one such appointment and retain any resulting fee. In addition executive directors may also serve as non-executive directors of joint venture companies. In such circumstances fees are not payable to executive directors as activities of this nature are part of the normal responsibilities of the directors.

Robin Evans sits on the Council of Reading University and receives no remuneration for this commitment.

SUMMARY OF DIRECTORS' REMUNERATION 10/11

AUDITED

The information provided below in respect of the BW Board members complies with the provisions of section 412 of the Companies Act 2006, as required by the Accounts Direction of the Secretary of State. In addition, and with their agreement, BW has chosen to include information on the remuneration of the executive directors.

	Date of expiry of current term	Contracted time committed during the year	**2010/11 Total**	2009/10 Total
		Days	**£**	£
BW Board				
Tony Hales, chairman	9/7/11	76	**-**	-
John Bridgeman, vice chairman (from 1/10/09)	24/9/12	up to 42	**21,684**	19,607
John Bywater	31/1/13	up to 42	**15,030**	15,030
Maggie Carver	31/5/11	up to 42	**15,530**	15,530
Rodney Green (from 1/5/09)	30/4/12	up to 42	**12,155**	14,403
Jon Hargreaves	31/3/14	up to 42	**16,530**	16,530
Nigel Hugill	24/9/12	up to 42	**16,530**	15,808
Eric Prescott	31/5/11	up to 42	**15,030**	15,030
Pommy Sarwal	31/3/12	up to 42	**15,030**	15,030
Duncan Sutherland	24/9/12	up to 42	**16,030**	16,030
Richard Bowker, vice chairman (to 30/9/09)	-	up to 42	**-**	9,842
			143,549	152,840

Tony Hales waived his £51,359 fee (2009/10: £50,600) and the money saved was, at his request, added to the support BW provides to The Waterways Trust but ring-fenced to a specific community project.
The change in the figures shown above relate to some change in committee responsibilities and in the case of Rodney Green, an overpayment of £1,875 in 2009/10, repaid in 2010/11.

Executive directors	Salary	PRP* (2009/10)	Taxable benefits	**2010/11 Total**	Salary	PRP* (2008/09)	Taxable benefits	Compensation for loss of office	**2009/10 Total**
	£	£	£	**£**	£	£	£	£	**£**
Robin Evans, chief executive	222,000	-	12,050	**234,050**	222,000	-	11,623	-	233,623
Steve Dunlop	132,313	9,360	12,172	**153,845**	130,000	-	11,101	-	141,101
Nigel Johnson	158,000	10,750	10,401	**179,151**	159,000	-	9,995	-	168,995
Stuart Mills	140,000	7,140	10,610	**157,750**	140,000	-	7,786	-	147,786
Vince Moran	147,000	6,764	8,350	**162,114**	147,000	-	8,863	-	155,863
Philip Ridal	183,279	10,750	3,029	**197,058**	183,279	-	2,935	-	186,214
Simon Salem	134,250	6,732	6,695	**147,677**	132,384	-	9,376	-	141,760
Jim Stirling	147,000	6,615	13,990	**167,605**	147,000	-	11,307	-	158,307
Mark Bensted (to 31/3/10)	-	-	-	**-**	140,000	-	13,548	188,738	342,286
	1,263,842	58,111	77,297	**1,399,250**	1,400,663	-	86,534	188,738	1,675,935

* Directors decided to waive PRP for financial year 2008/09 that would have been payable in 2009/10. Performance related pay (PRP) payments made in August 2010 (capped in accordance with Government guidelines) relate to awards made in respect of performance in financial year 2009/10. There was no significant change in directors' salaries at the annual review in July 2010. Robin Evans waived his PRP award for 2009/10.

ACCRUED PENSION

	Accrued pension at 31 March 2011	Accrued lump sum at 31 March 2011	Increase in accrued pension during the year	Increase in accrued lump sum during the year	Transfer value of accrued benefits 31 March 2011	Transfer value of accrued benefits 31 March 2010	Increase / (reduction) in transfer value over the year net of directors' contributions
Robin Evans, chief executive	83,828	-	5,368	-	**1,451,240**	1,390,154	42,645
Steve Dunlop	6,367	-	2,963	-	**76,226**	42,663	24,598
Nigel Johnson	37,462	-	3,706	-	**634,586**	589,384	34,496
Stuart Mills	41,257	-	3,383	-	**397,233**	388,038	(251)
Vince Moran	41,549	-	3,342	-	**657,711**	623,777	23,998
Philip Ridal	22,050	-	6,353	-	**387,458**	282,916	76,226
Simon Salem	67,651	9,828	3,872	218	**1,047,065**	1,020,748	17,278
Jim Stirling	53,164	-	3,913	-	**1,003,861**	951,033	42,892

The accrued annual pension is the amount, on attaining normal pension age, to which the director would be entitled if he had left BW at the year end and include pension accrued from membership of the Pension Fund prior to appointment as a director in relevant cases. These amounts cover all retirement benefit entitlements for directors and there are no other funded or unfunded unapproved retirement benefit entitlements.

The transfer values, calculated by reference to GN11 published by the Board for Actuarial Standards, are of the accrued benefits under the scheme at the dates stated not including any additional voluntary contributions.

Signed on behalf of the Board

Nigel Johnson
Corporate Services Director and Secretary to the Board

INDEPENDENT AUDITORS' REPORT

TO THE SECRETARY OF STATE FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS

We have audited the group and parent company financial statements ('the financial statements') of The British Waterways Board for the year ended 31 March 2011 which comprise the principal accounting policies, the group income statement, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of changes in members' equity, the group statement of comprehensive income and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and modified by the directions of the Secretary of State for Environment, Food and Rural Affairs are set out in the Statement of Board Members' Responsibilities are described in more detail in the Basis of Accounting and Accounting Convention note in the principal accounting policies.

This report is made solely to the Secretary of State for Environment, Food and Rural Affairs and British Waterways Board members in accordance with Part 1 of the Transport Act 1962. Our audit work has been undertaken so that we might state those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Secretary of State for Environment, Food and Rural Affairs and British Waterways Board members, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board Members and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 46 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements and the part of Directors' Remuneration Report to be audited in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by board members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement and the business review sections on pages 4 to 35 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union and modified by the directions of the Secretary of State for Environment, Food and Rural Affairs, of the state of the Group's affairs as at 31 March 2011, and of the Group's profits for the year then ended;

- the British Waterways Board's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union and modified by the directions of the Secretary of State for Environment, Food and Rural Affairs, of the state of The British Waterways Board's affairs as at 31 March 2011, and of The British Waterways Board's profits for the year then ended; and

- the financial statements have been properly prepared in accordance with the directions of the Secretary of State for Environment, Food and Rural Affairs.

Opinion on other matters
In our opinion:

- the information given in the Board Members' Report is consistent with the financial statements; and

- in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London
28 June 2011

GROUP INCOME STATEMENT
FOR THE YEAR TO 31 MARCH 2011

	Note	2010/11 £m	2009/10 £m
Revenue	3	117.6	116.9
Government grant	4	58.9	70.2
Total revenue		176.5	187.1
Government return on capital employed subsidy		25.4	27.7
		201.9	214.8
Operating expenditure	5	(180.2)	(192.4)
Government return on capital employed charge		(25.4)	(27.7)
		(205.6)	(220.1)
Operating deficit		(3.7)	(5.3)
Share of losses of joint ventures		(1.8)	(18.3)
Profit on sale of investment properties		10.4	4.0
Gain on revaluation of investment properties		4.4	7.8
Profit on sale of assets held for sale		0.6	1.3
Surplus / (deficit) from operating activities		9.9	(10.5)
Finance income	7	1.0	0.6
Finance costs	7	(5.6)	(8.4)
Surplus / (deficit) before taxation		5.3	(18.3)
Taxation credit	8	11.6	2.9
Surplus / (deficit) after taxation		16.9	(15.4)
Transfer (to) / from capital reserves		(25.8)	3.1
Deficit transferred from revenue reserves		(8.9)	(12.3)

GROUP STATEMENT OF COMPREHENSIVE INCOME

	2010/11 £m	2009/10 £m
Surplus / (deficit) for the year	16.9	(15.4)
Actuarial gain / (loss) on defined pension plans	38.6	(19.4)
Deferred tax associated with gain / loss on pension liability	(12.0)	5.4
Total comprehensive surplus / (deficit) for the year	43.5	(29.4)

BALANCE SHEETS
AS AT 31 MARCH 2011

	Note	Group 2010/11 £m	Group 2009/10 £m restated	Group 2008/09 £m	BW 2010/11 £m	BW 2009/10 £m	BW 2008/09 £m
Non-current assets							
Property, plant and equipment	**9**	**71.4**	68.6	68.9	**55.3**	53.7	54.3
Investment property	**10**	**380.1**	377.0	386.8	**389.9**	386.8	396.6
Intangible assets	**11**	**1.7**	1.2	1.3	**-**	-	-
Investments:	**12**						
in subsidiaries		**-**	-	-	**13.8**	12.7	12.7
in joint ventures		**79.9**	77.6	84.1	**92.7**	89.5	89.0
Trade and other receivables	**14**	**9.6**	-	-	**9.0**	-	-
Deferred tax assets	**8**	**15.3**	29.1	23.6	**15.3**	28.7	22.9
Total non-current assets		**558.0**	553.5	564.7	**576.0**	571.4	575.5
Current assets							
Inventories	**13**	**1.2**	1.2	1.5	**0.8**	0.8	1.1
Trade and other receivables	**14**	**53.6**	43.7	54.6	**50.7**	41.4	52.5
Current tax receivable		**9.0**	-	-	**9.1**	-	-
Cash and cash equivalents	**15**	**51.6**	68.2	61.3	**45.5**	61.7	55.5
Total current assets		**115.4**	113.1	117.4	**106.1**	103.9	109.1
Non-current assets held for sale	**10**	**3.5**	3.1	10.8	**3.5**	3.1	10.8
Total assets		**676.9**	669.7	692.9	**685.6**	678.4	695.4
Current liabilities							
Trade and other payables	**16**	**71.0**	66.1	82.0	**74.2**	71.0	81.4
Current tax liabilities		**-**	0.7	1.4	**-**	0.5	1.3
Provisions for liabilities	**17**	**12.9**	12.9	9.8	**9.1**	9.8	6.5
Due to National Loans Fund	**22**	**0.3**	0.7	0.9	**0.3**	0.7	0.9
Total current liabilities		**84.2**	80.4	94.1	**83.6**	82.0	90.1
Non-current liabilities							
Other Payables	**16**	**62.3**	60.0	60.3	**61.5**	59.8	60.1
Deferred tax liabilities	**8**	**67.1**	72.3	73.7	**67.6**	72.8	74.3
Employee retirement benefits	**19**	**59.2**	95.8	73.3	**59.2**	95.8	73.3
Deferred capital grant	**20**	**4.8**	5.8	6.8	**4.8**	5.8	6.8
Due to National Loans Fund	**22**	**4.9**	5.2	6.0	**4.9**	5.2	6.0
Total non-current liabilities		**198.3**	239.1	220.1	**198.0**	239.4	220.5
Total liabilities		**282.5**	319.5	314.2	**281.6**	321.4	310.6
Net assets		**394.4**	350.2	378.7	**404.0**	357.0	384.8
Capital and reserves							
Reserves		**17.0**	16.3	15.4	**17.0**	16.3	15.4
Retained earnings		**377.4**	333.9	363.3	**387.0**	340.7	369.4
Total equity		**394.4**	350.2	378.7	**404.0**	357.0	384.8

* Details of all prior year reinstatements are shown in Note 26.

T Hales
Chairman

R Evans
Chief Executive

28 June 2011

GROUP CASH FLOW STATEMENT FOR THE YEAR

FOR THE YEAR ENDED 31 MARCH 2011

	2010/11	2010/11	2009/10	2009/10
	£m	£m	£m	£m
Surplus / (deficit) before taxation		5.3		(18.3)
Items not involving the flow of cash:				
Net finance cost	4.6		2.3	
Loss from joint ventures	1.8		18.3	
Gain on disposal of investment property	(10.4)		(4.0)	
Gain on revaluation of investment property	(4.4)		(7.8)	
Depreciation	5.1		5.1	
Amortisation of intangible assets	-		0.1	
Difference between pension charge and cash contributions	(0.7)		3.1	
Profit on sale of property, plant and equipment and non-current assets held for sale	(1.4)		(4.9)	
Release of deferred capital grant	(1.0)		(1.0)	
		(6.4)		11.2
Operating deficit before movements in working capital		(1.1)		(7.1)
Movements in working capital				
Decrease in inventories	-		0.3	
(Increase) / decrease in receivables	(9.3)		12.0	
Increase/ (decrease) in payables	4.1		(5.8)	
		(5.2)		6.5
(Decrease) / increase in provisions		(0.1)		3.1
Cash (used in) / generated from operations		(6.3)		2.5
Interest paid	(0.6)		(0.8)	
Interest received	1.0	0.4	0.5	(0.3)
Net cash flows from operating activities		(6.0)		2.2
Cash flows from investing activities				
Payments to acquire property, plant and equipment	(9.3)		(4.4)	
Payments to acquire investment property	(14.4)		(0.9)	
Proceeds from disposal of property, plant and equipment	1.5		4.1	
Proceeds from disposal of investment property and non-current assets held for sale	16.3		22.5	
Corporation tax (paid) / reclaimed	(1.4)		0.8	
Investments in associates and joint ventures	(3.2)		(18.0)	
Dividends from joint ventures	0.4		0.6	
Payments to acquire trade or business	(0.5)		-	
Net cash flows from investing activities		(10.6)		4.7
Cash flows from financing activities				
Capital contribution from Defra	0.7		0.9	
Repayments of loans to National Loans Fund	(0.7)		(0.9)	
Net cash flows from financing activities		-		-
Net (decrease) / increase in cash and cash equivalents		(16.6)		6.9
Cash and cash equivalents at 1 April		68.2		61.3
Cash and cash equivalents at 31 March		51.6		68.2

BW CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	2010/11	2010/11	2009/10	2009/10
	£m	**£m**	£m	£m
Surplus / (deficit) before taxation		**6.8**		(18.9)
Items not involving the flow of cash:				
Net finance cost	**4.6**		2.3	
Gain on disposal of investment property	**(10.5)**		(2.9)	
Gain on revaluation of investment property	**(4.4)**		(7.8)	
Depreciation	**4.6**		4.8	
Difference between pension charge and cash contributions	**(0.7)**		3.1	
Profit on sale of property, plant and equipment and non-current assets held for sale	**(1.4)**		(5.2)	
Impairment of investment in joint ventures	**-**		16.2	
Release of deferred capital grant	**(1.0)**		(1.0)	
		(8.8)		9.5
Operating deficit before movements in working capital		**(2.0)**		(9.4)
Movements in working capital				
Decrease in inventories	**-**		0.2	
(Increase) / decrease in receivables	**(8.3)**		12.2	
Increase / (decrease) in payables	**3.4**		(5.4)	
		(4.9)		7.0
(Decrease) / increase in provisions		**(0.8)**		3.3
Cash (used in) / generated from operations		**(7.7)**		0.9
Interest paid	**(0.6)**		(0.8)	
Interest received	**0.9**	**0.3**	0.5	(0.3)
Net cash flows from operating activities		**(7.4)**		0.6
Cash flows from investing activities				
Payments to acquire property, plant and equipment	**(7.2)**		(3.3)	
Payments to acquire investment property	**(14.4)**		(0.9)	
Receipts from sale of operational property, plant and equipment	**1.2**		3.7	
Receipts from sale of investment property and non-current assets held for sale	**16.3**		22.5	
Corporation tax (paid) / reclaimed	**(1.2)**		1.0	
Investments in subsidiaries and joint ventures	**(4.4)**		(18.0)	
Dividends from subsidiaries and joint ventures	**0.9**		0.6	
Net cash flows from investing activities		**(8.8)**		5.6
Cash flows from financing activities				
Capital contribution from Defra	**0.7**		0.9	
Repayments of loans to National Loans Fund	**(0.7)**		(0.9)	
Net cash flows from financing activities		**-**		-
Net (decrease) / increase in cash and cash equivalents		**(16.2)**		6.2
Cash and cash equivalents at 1 April		**61.7**		55.5
Cash and cash equivalents at 31 March		**45.5**		61.7

GROUP STATEMENT OF CHANGES IN EQUITY

	Retained earnings				Reserves			
	Realised Capital Reserve £m	Investment Property Revaluation Reserve £m	Revenue reserve £m	**Total retained earnings £m**	Unrealised Capital Reserve £m	Capital Contribution £m	**Total reserves £m**	**Totals £m**
Balance at 1 April 2009	225.4	185.7	(47.8)	**363.3**	4.1	11.3	**15.4**	**378.7**
Deficit for the year			(15.4)					
Pension actuarial loss			(14.0)					
Total comprehensive deficit for the year	-	-	(29.4)	**(29.4)**	-	-	**-**	**(29.4)**
Net transfer between reserves shown on income statement:								
Property revaluation movement	-	9.1	(9.1)	**-**	-	-	**-**	**-**
Profits on sale of property	4.0	-	(4.0)	**-**	-	-	**-**	**-**
Permanent losses in investments in joint ventures	(16.2)	-	16.2	**-**	-	-	**-**	**-**
Net transfer	(12.2)	9.1	3.1	**-**	-	-	**-**	**-**
Other transfers between reserves:								
Cash transfer to revenue reserve	(7.0)	-	7.0	**-**	-	-	**-**	**-**
Realisation of prior years' property revaluation	5.4	(5.4)	-	**-**	-	-	**-**	**-**
Receipt from Defra	-	-	-	**-**		0.9	**0.9**	**0.9**
Balance at 31 March 2010	211.6	189.4	(67.1)	**333.9**	4.1	12.2	**16.3**	**350.2**
Balance at 1 April 2010	211.6	189.4	(67.1)	**333.9**	4.1	12.2	**16.3**	**350.2**
Surplus for the year			16.9					
Pension actuarial gain			26.6					
Total comprehensive surplus for the year	-	-	43.5	**43.5**	-	-	**-**	**43.5**
Net transfer between reserves shown on income statement:								
Property revaluation movement	-	11.3	(11.3)					
Profits on sale of property	8.2	-	(8.2)					
Tax relief on prior year joint venture investment impairments	6.3	-	(6.3)					
Net transfer	14.5	11.3	(25.8)	**-**	-	-	**-**	**-**
Other transfers between reserves:								
Cash transfer to revenue reserve	(5.0)	-	5.0	**-**	-	-	**-**	**-**
Realisation of prior years' property revaluation	10.7	(10.7)	-	**-**	-	-	**-**	**-**
Transfer of prior year joint venture profits	4.5	-	(4.5)					
Receipt from Defra	-	-	-	**-**	-	0.7	**0.7**	**0.7**
Balance at 31 March 2011	236.3	190.0	(48.9)	**377.4**	4.1	12.9	**17.0**	**394.4**

Note: All changes in equity above are net of tax.

BW STATEMENT OF CHANGES IN EQUITY

	Retained earnings				Reserves			
	Realised Capital Reserve	Investment Property Revaluation Reserve	Revenue reserve	**Total retained earnings**	Unrealised Capital Reserve	Capital Contribution	**Total reserves**	**Totals**
BW	£m	£m	£m	**£m**	£m	£m	**£m**	**£m**
Balance at 1 April 2009	235.5	174.0	(40.1)	**369.4**	4.1	11.3	**15.4**	**384.8**
Deficit for the year			(15.3)					
Pension actuarial loss			(14.0)					
Total comprehensive deficit for the year	-	-	(29.3)	**(29.3)**	-	-	**-**	**(29.3)**
Transfers between reserves								
Property revaluation movement	-	9.1	(9.1)	**-**	-	-	**-**	**-**
Profits on sale of property	3.4	-	(3.4)	**-**	-	-	**-**	**-**
Permanent losses in investments in joint ventures	(16.2)	-	16.2	**-**	-	-	**-**	**-**
Dividend received from joint ventures	-	-	0.6	**0.6**	-	-	**-**	**0.6**
Cash transfer to revenue reserve	(7.0)	-	7.0	**-**	-	-	**-**	**-**
Realisation of prior years' property revaluation	5.9	(5.9)	-	**-**	-	-	**-**	**-**
Receipt from Defra	-	-	-	**-**	-	0.9	**0.9**	**0.9**
Balance at 31 March 2010	221.6	177.2	(58.1)	**340.7**	4.1	12.2	**16.3**	**357.0**
Balance at 1 April 2010	221.6	177.2	(58.1)	**340.7**	4.1	12.2	**16.3**	**357.0**
Surplus for the year			18.9					
Pension actuarial gain			26.6					
Total comprehensive surplus for the year	-	-	45.5	**45.5**	-	-	**-**	**45.5**
Transfers between reserves								
Property revaluation movement	-	11.3	(11.3)	**-**	-	-	**-**	**-**
Profits on sale of property	8.3	-	(8.3)	**-**	-	-	**-**	**-**
Tax relief on prior year joint venture investment impairments	6.3	-	(6.3)	**-**	-	-	**-**	**-**
Dividends received from joint ventures and subsidiaries	-	-	0.8	**0.8**	-	-	**-**	**0.8**
Cash transfer to revenue reserve	(5.0)	-	5.0	**-**	-	-	**-**	**-**
Realisation of prior years' property revaluation	9.4	(9.4)	-	**-**	-	-	**-**	**-**
Transfer of prior year disposal profit	5.2	-	5.2	**-**	-	-	**-**	**-**
Receipt from Defra	-	-	-	**-**	-	0.7	**0.7**	**0.7**
Balance at 31 March 2011	245.8	179.1	(37.9)	**387.0**	4.1	12.9	**17.0**	**404.0**

The realised capital reserve includes the value of profits arising from the sale of property and other property rights and the realisation of property revaluation gains of previous years, net of corporation tax. The investment property revaluation reserve includes unrealised gains on investment property, net of deferred tax. The unrealised capital reserve includes the excess of the fair value of assets acquired on acquisition of a business over the fair value of the consideration paid. Capital contributions are from Defra to enable BW to repay National Loans Fund loans maturing before 2013 as they mature (see Note 22).

NOTES RELATING TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of preparation

On 14 October 2010 the government announced its intention to form a new charity to care for the waterways in BW's care in England and Wales. The government launched its public consultation on the plans on 30 March 2011 and the consultation is due to end on 30 June 2011. It is anticipated that funding will continue at levels sufficient to enable BW to continue in operational existence for the period to 31 March 2012. After that date it is expected that (as a result of the proposed transfer of the business of BW in England and Wales to a new waterways charity) BW will comprise only its operations in Scotland and will remain within the public sector and funded by the financial resources made available from the Scottish Government.

The funding arrangements of BW differ from those of a public limited company. BW receives payment from Government to assist it in meeting its statutory obligations.

The group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current pressures on government grant and the uncertain economic outlook.

As highlighted in Note 12, the group participates in a number of joint venture arrangements to facilitate the development of various waterside properties. The current economic conditions create some uncertainty over the level of further cash investment required by these investments, however the group's forecasts and projections, taking account of reasonably possible changes in joint venture funding requirements show that the group should be able to operate within the level of it's current cash resources.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

These accounts include a number of restated prior year comparatives which are disclosed in Note 26 on page 92.

A summary of the principal accounting policies is set out opposite.

A separate income statement for the parent company is not presented with the group financial statements as permitted by section 408 of the Companies Act 2006.

Basis of accounting

Under Section 24(1)(b) of the Transport Act 1962, BW is required to prepare an annual Statement of Accounts in such form and containing such particulars as the Secretary of State for Environment, Food and Rural Affairs may, with the approval of HM Treasury, from time to time direct. A copy of the Accounts Direction, at present in force, is set out on page 95.

Accounting convention

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as adopted by the European Union (EU), with the following exception, required by the Accounts Directions issued by the Secretary of State for Environment, Food and Rural Affairs:

The movement from retained profits to capital reserves is presented at the foot of the Income Statement. Non-operational items to be transferred to capital reserves include the value of profits arising from the sale of property and other property rights, the realisation of property revaluation gains, net of corporation tax and unrealised revaluation gains net of deferred tax. Transfers are made from capital reserves in respect of non-operational unrealised property revaluation losses and permanent losses arising from investments in property joint ventures. A fully compliant IFRS Income Statement would present Profit after Tax as the final figure, the extra two lines presented by BW are required by the Accounts Direction to show the non operating element of the results transferred to the capital reserve and the on-going operational business being transferred to the income statement reserve.

The following issued IFRSs and interpretations as modified by the Accounts Direction were available for early adoption but have not been applied by the group in these financial statements:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- FRS 11 Joint arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of interests in other entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)

BW anticipates that the adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of the group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the British Waterways Board (BW) and all entities controlled by BW for the year ended 31 March 2011.

Subsidiaries are entities controlled by BW. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of all group companies are adjusted, where necessary, to ensure the use of consistent accounting policies. Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of consideration transferred over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Business combinations completed prior to the date of transition to IFRS as modified by the accounts direction

The group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 April 2006 being the date of transition. Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS as modified by the Accounts Direction, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS as modified by the Accounts Direction, unless IFRS as modified by the Accounts Direction requires fair value measurement.

Segmental reporting

The determination of the Group's operating segments is based on the principle stakeholder interest, the stakeholders being in England and Wales the Department for Environment Food and Rural Affairs and for Scotland the Scottish Government. Certain headquarter activities are internally reported as 'Corporate'. These include the executive directors, corporate finance, internal audit, secretariat and legal, external communications and public relations, pension scheme deficit funding, and are included in England and Wales.

Interests in joint ventures and associates

The group has a number of contractual arrangements with other parties that represent joint ventures. These joint ventures are established through an interest in a company, partnership or other entity (a jointly controlled entity). The group recognises its interest in the entity's assets and liabilities using the equity method of accounting in accordance with the option in IAS 31 (Interests in Joint Ventures). The Notes to the Accounts disclose the names of joint ventures, the nature of the business and details of the shares held by BW. The group's interest in its associates, being those entities over which it has significant influence and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting.

Transactions eliminated

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates (and jointly controlled entities) are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates and joint ventures are eliminated against the investment in the associate or joint venture.

Investment in subsidiaries, associates and joint ventures in BW's accounts
Non-current asset investments are stated at cost, less any provision for impairment.

Intangible assets
In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the group.

Intangible assets are amortised over the expected life of the assets and the amortisation is charged to the income statement.

Impairment
The carrying values of BW's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its net selling price and its value in use. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

Intangible assets are tested for impairment if there are indicators of impairment and any impairment is charged to the income statement.

Property, plant and equipment
(a) Operational property
Waterways, reservoirs and towing paths were written off in the capital reconstruction on 1 January 1969 resulting from the Transport Act 1968.

Land, buildings, and structures capitalised are:
(i) Purchases of land and the construction and major improvement of buildings.

(ii) Additional assets and improvements to existing assets of BW.

All other expenditure on improvements, repairs and renewals is charged to the income statement as it arises.

(b) Craft, plant and equipment

All expenditure on additions, improvements and replacements is capitalised.

Property, plant and equipment are stated at cost, net of depreciation and any provision for permanent diminution in value. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value (if any), of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	40 years
Leasehold land and buildings	Over the term of the lease
Plant, machinery and structures	Between 5 and 25 years
Vehicles	5 years

Non-current assets classified as held for sale
Assets held for sale include assets that the group intends and expects to sell within one year from the date of classification as held for sale. The asset must be available for immediate sale in its present condition and its sale must be highly probable, have the appropriate level of authorisation by management and be at a price that is reasonable in relation to its current fair value.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Any impairment from this classification is charged to the income statement. Assets classified as held for sale are not subject to depreciation or amortisation.

Investment properties
Investment properties are classified as being held for long-term investment to earn rental income or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs, and thereafter are stated at fair value, which reflects market conditions at the balance sheet date. Our investment property portfolio includes land and buildings which are mature investments let at open market rents and also those which have potential for capital appreciation driven through wider regeneration activity and the planning process.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by end of owner-occupation, commencement of owner-occupation or where the asset meets the criteria for classification as held for sale i.e. immediately available for sale in its present condition, a programme for sale has been initiated and it is highly probable that a sale will occur within one year.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised on disposal or when the investment property is permanently withdrawn from BW and no more future economic benefits are expected.

Gains or losses arising from the retirement or disposal of investment properties are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement in the period of retirement or disposal. Profit or loss on retirement or disposal is calculated with reference to the opening (preceding year end) book asset value.

Leased property, plant and equipment

(a) Group as a lessee
All leases in are leases where substantially all the risks and rewards incidental to legal ownership of the asset have not been transferred by the lessor and are therefore classified as operating leases. Rentals payable are charged in the income statement on a straight line basis over the lease term.

(b) Group as a lessor
Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Where the Group transfers substantially all the risks and rewards incidental to legal ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. As payments fall due, finance income is recognised in the income statement so as to achieve a constant rate of return on the remaining net investment in the lease.

(c) Grant of long lease over investment property
BW has a statutory responsibility to maintain an interest in the future use of any land that is disposed of having issue onto or bordering the waterways. In situations where such disposals occur, the substance of the transaction is that the Group effectively disposes of its interest, but retains a reversionary interest, and reflects the resultant profit / loss at the point of the disposal.

Grants of long leasehold interests in land that transfer substantially all the risks and rewards of ownership are accounted as a sale of a finance lease with the proceeds and profit recognised on completion.

Inventories

Inventories are stated at the lower of cost or net realisable value on a first in first out basis.

Revenue

The Group recognises revenue on an accruals basis when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Revenue is measured by reference to the fair value of consideration received or receivable by the group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or transfer of the risk incidental to ownership to the customer.

Group revenue comprises revenue of BW and its subsidiary undertakings and excludes VAT and discounts.

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction.

Selecting the appropriate timing for, and amount of, revenue to be recognised requires judgment. This may involve estimating the fair value of consideration before it is received. This evaluation requires estimates to be made, including the level of provision to be made for amounts with uncertain recovery profiles. Provisions are based on historical trends in the percentage of debts which are not recovered, or on more detailed reviews of individually significant balances.

(a) Sale of goods
Revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue and costs incurred or to be incurred can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group.

(i) Property sales. Revenue is generally recognised when title passes on completion of sales.

(ii) Water sales. Sales of water supplied from our waterway network under a water sales agreement allow access to a continuous supply of water over the period contracted. These are invoiced in arrears and revenue is accrued on a straight line basis on the assumption that water is used at a constant rate.

(iii) Retail sales. Sales of goods from our waterway visitor centres and British Waterways Marinas (BWML) subsidiary company chandleries are recognised on a point of sales basis.

(iv) Other sales of goods. These include equipment for boaters such as lock and sanitary station keys, information booklets and other waterway related items. These are recognised either on a point of sales basis or an accruals basis depending on the type of revenue.

b) Rendering of services
Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date. Stage of completion is measured by reference to the assessment of a suitably qualified expert as to the progress of the contracted work. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(i) Property rents. Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore recognised on the same, straight-line basis. Incentives are provided to customers in various forms such as rent free periods or funding towards property fit-out costs and are usually offered on signing a new contract. Where such incentives are provided the fair value of the incentive is deferred and recognised in line with this accounting policy.

(ii) Boat licences and mooring permits. These are invoiced in advance and revenue is recognised on an accruals basis over the term of the licence or permit.

(iii) Wayleaves and easements. This is income received from third parties in return for access to BW's land, for example underground pipes. These agreements are for fixed time periods, revenue is recognised on a straight line basis over the term of the agreement.

(iv) Maintenance agreements. This is income received from third parties (such as a local authority) to maintain an area of the waterway network. The revenue is recognised on a straight line basis over the term of the agreement reflecting the assumption that maintenance is performed at a constant rate over the term of the agreement.

(v) Other income from third parties. This is income towards restoring and improving the waterways network. Revenue is recognised in proportion to the staged completion of the work being funded.

(vi) Other income from services. These are recognised either at the time of provision of the service or on an accruals basis depending on the type of revenue.

(c) Interest income. Revenue is recognised as interest accrues using the effective interest method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(d) Dividends. Revenue is recognised when the Group's right to receive payment is established.

Government grants
Government grants of a revenue nature are credited to the income statement when the income is due for receipt.

In previous years a proportion of the grant-in-aid received from governments has been allocated by BW for the purchase of plant, equipment and vehicles used for waterway operation and maintenance. The grant concerned is treated as deferred capital grant and released to the income statement over the expected useful lives of the assets concerned.

Return on capital employed
For the first time in 2007/08 Defra levied a cost of capital charge on BW in accordance with guidance set out in the HM Treasury Consolidated Budgeting Guidance. Cost of capital has been abolished within central government and Non Departmental Public Bodies, but a return on capital employed dividend (calculated in the same way as the cost of capital charge) is still required from public corporations. The charge represents the notional cost to the taxpayer of having resources tied-up in public sector assets. The rate of return used in 2010/11 is 7% (2009/10: 7%) to represent the weighted average cost of capital in line with guidance from HM Treasury.

BW is targeted to break-even on revenue account therefore it does not earn sufficient profit to cover the cost of the return on capital employed dividend. The HM Treasury guidance requires Defra to pay a subsidy to BW so that it can make the payment.

Taxation
Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items taken directly to equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is provided on the full difference between the original cost of investment properties and their carrying amounts at the reporting date taking into account deductions and allowances which would apply if the properties concerned were to be sold.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Employee benefits

a) Defined benefit pension scheme

BW operates a single funded defined benefit scheme for all staff. In accordance with IAS 19 Employee Benefits, the service cost of pension provision relating to the period, together with the cost of any change in benefits relating to past service, is charged to the income statement. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the group's long-term expected return on assets (based on the market value of the scheme assets at the start of the period) are also included in the income statement. The finance income and charges included in the income statement for the pension scheme are calculated by assuming an estimated rate of return on the assets held by the scheme.

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet. Any difference between the expected return on assets and that actually achieved is recognised in the statement of comprehensive income and expense along with differences which arise from experience or assumption changes.

Further information on pension arrangements is set out in Note 19 to the accounts.

b) Other employee benefits

Post-employment benefits other than pensions are re-assessed annually at the reporting date by independent qualified actuaries using discount rates consistent with those required for pension liabilities under IAS19.

Finance costs

Finance costs of debt are recognised in the income statement over the term of such loans at a constant rate on the carrying amount.

Equity

BW's status is a Public Corporation and has neither share capital or share premium within its equity. The equity of the company comprises a number of individual reserves, the nature and purpose of each of which is outlined in the Statement of changes in equity.

Deferred income - Dowries

BW has received cash dowries to take on the asset maintenance and operational obligations of other public sector organisations. Each dowry is accounted for as deferred income and released to the income statement as revenue in line with the net operating expenditure in accordance with IAS18 Revenue.

Financial instruments

BW has interests in a number of property development joint ventures that are stand-alone businesses and are independently funded with external bank debt without recourse to BW. Interest rate swaps and other derivative instruments are used by the joint ventures. The joint venture makes an assessment as to whether the interest payments on borrowings should be hedged having regard to the quantum of the debt, the period over which the borrowings are planned to be outstanding and the sensitivity of the project to changes in interest rates.

Financial instruments are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial assets and liabilities as a result of firm commitments are only recognised when one of the parties has performed under the contract.

(a) Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(b) Trade and other receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are loans and receivables initially recognised at fair value and subsequently at amortised cost using the effective interest method. This represents the invoiced amounts, less adjustments for estimated revenue deductions such as rebates and cash discounts. Doubtful trade receivables provisions are established based upon the difference between the recognised value and the estimated net collectible amount with the estimated loss recognised in the income statement. When a trade receivable becomes uncollectible, it is written off against the doubtful trade receivables provisions.

(c) Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are initially recognised at fair value which represent the invoiced amounts, less adjustment for estimated revenue deductions and subsequently measured at amortised cost.

(d) Deferred consideration
Where BW enters into a significant sale of assets or rights with deferred consideration terms, the fair value amount receivable is recognised in the income statement at the point of legal completion.

(e) Borrowings
BW's borrowings are from the National Loans Fund; these are at a fixed rate of interest until the repayment date. BW also has borrowings from Port of London Properties. These are recognised initially at fair value net of transaction costs and subsequently at amortised cost under the effective interest method.

Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Critical accounting estimates

The preparation of consolidated financial statements requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed opposite:

(a) Investment property valuations
The Group normally uses the valuation performed by its external valuers as the fair value of its investment properties as at 31 March. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. The directors review the valuations in the light of current market conditions at 31 March. A summary of the results of this process is given in Note 10 to these accounts.

(b) Unagreed rent reviews
Where the rent review date has passed, and the revised annual rent has not been agreed, rent is accrued from the date of the rent review based upon an estimation of the revised annual rent. The estimate is derived from knowledge of market rents for comparable properties.

(c) Deferred tax
In calculating the deferred tax on the difference between the original cost of investment properties and their carrying amounts at the reporting date (see taxation policy above), the tax base cost has been calculated using historic external valuation data.

(d) Accounting for dowries
BW has received cash dowries from public bodies in respect of obligations to maintain assets and these amounts are held as deferred income (Note 16). The Board regularly assesses whether the amount held is sufficient to meet the estimated future maintenance requirements of the individual assets to ensure an onerous contract does not exist.

(e) Post-retirement benefits
The determination of the pension cost and defined benefit obligation of the group's defined benefit pension scheme depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth, mortality and expected return on scheme assets. See Note 19 for further details.

Judgements made in the process of applying accounting policies

The Group's significant accounting policies are stated here. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity and judgement involved in their application and their impact on the consolidated financial statements.

(a) Revenue recognition
BW often receive payments for right of access to its waterspace and surrounding areas which are classed as either revenue receipts or lease premiums accounted for in accordance with IAS 17, depending upon the circumstances of the particular agreement. For example, a contract that does not place any obligation to provide services to the third party in respect of the income received would be accounted as revenue on receipt, whereas a contract that is for a fixed period of time over which BW will provide services is a lease premium accounted over the period of the lease.

(b) Investment properties
Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by end of owner-occupation, commencement of owner-occupation or where the asset meets the criteria for classification as a non current asset held for sale in accordance with IFRS5 i.e. immediately available for sale in its present condition, a programme for sale has been initiated and it is highly probable that a sale will occur within one year.

(c) Disposal of long leaseholds
BW has preferred to grant long leasehold interests over its freeholds rather than make outright freehold sales in order to create covenanted obligations over waterside land use. Each grant of a long leasehold interest in land has been reviewed to ensure that substantially all the risks and rewards of ownership are transferred to the purchaser to enable the disposal to be classified as a disposal under a finance lease.

(d) Non-current assets held for sale
Significant judgement has been required in assessing whether non-current assets qualify for treatment as a non-current asset held for sale. Judgement is required in determining the fair value less costs to sell, which has been evaluated based on our progress against the plan to sell non-current assets at the balance sheet date. Non-current assets are held at the fair value less costs to sell.

(e) Trade receivables
The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the counterparty and the status of any disputed amounts.

(f) Joint ventures
Significant judgement has been required in assessing the carrying values of BW's investments in joint ventures. Judgement is required in determining the fair value which has been evaluated based on recent accounts, access to joint venture board papers and discussions with our partners.

2 SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

BW reports segmental information based on the principal stakeholder interests, the stakeholders being England and Wales the Department for Environment, Food and Rural Affairs and for Scotland the Scottish Government. The accounting policies of the reportable segment are the same as the Group's accounting policy described in Note 1.

The following tables present revenue and profit and certain asset and liability information regarding the Group's operating segments for the years ended 31 March 2011 and 2010 based on management information produced in accordance with UKGAAP, and where applicable, IFRS and prior year restatements. An income statement, balance sheet and associated disclosure notes for Scotland are also shown on page 94.

2010/11	England & Wales £m	Scotland £m	**Total Group £m**
Income			
Property rentals, wayleaves and premiums	33.6	0.8	**34.4**
Utility income and water sales	23.7	1.4	**25.1**
Boat licence income	17.0	0.4	**17.4**
BWML total income	6.6	-	**6.6**
BW mooring permits	5.8	0.5	**6.3**
BW retail sales	1.7	1.5	**3.2**
Maintenance and other income	10.3	0.3	**10.6**
Canal restoration contributions	0.9	-	**0.9**
Contributions to other third party funded works	12.0	1.1	**13.1**
Government grant	47.4	11.5	**58.9**
Total income	**159.0**	**17.5**	**176.6**
Government return on capital employed subsidy	25.4	-	**25.4**
	184.4	**17.5**	**201.9**
Operating expenditure			
Waterway maintenance and customer service	58.1	7.3	**65.4**
Major infrastructure works	20.4	2.0	**22.4**
Canal dredging	4.2	0.1	**4.3**
Waterway unit management costs	2.5	2.4	**4.9**
Dowry funded assets	2.6	-	**2.6**
HQ and centralised service functions	35.5	1.5	**37.0**
Property and leisure income support costs	17.2	2.3	**19.5**
BWML operating costs	5.8	-	**5.8**
Canal restoration cost	0.7	1.2	**1.9**
Cost of other third party funded regeneration projects	15.0	1.4	**16.4**
Total operating expenditure	**162.0**	**18.2**	**180.2**
Government return on capital employed charge	25.4	-	**25.4**
	187.4	**18.2**	**205.6**
Share of operating profits and losses of joint ventures	(2.5)	0.7	**(1.8)**
Profit on sale of investment properties	10.0	0.4	**10.4**
Revaluation of investment properties	4.3	0.1	**4.4**
Profit on sale of assets held for sale	0.6	-	**0.6**
Surplus before interest and taxation	**9.4**	**0.5**	**9.9**
Finance income	1.0	-	**1.0**
Finance charges	(5.6)	-	**(5.6)**
Surplus before taxation	**4.8**	**0.5**	**5.3**
Assets and liabilities			
Segment assets	646.2	30.7	**676.9**
Segment liabilities	(278.3)	(4.2)	**(282.5)**
Net assets	**367.9**	**26.5**	**394.4**

2010/2011 continued

Capital and reserves	England & Wales £m	Scotland £m	**Total Group £m**
Property revaluation reserve	184.4	5.6	**190.0**
Realised capital reserves	226.7	9.5	**236.2**
Revenue and other reserve	(60.2)	11.4	**(48.8)**
Other reserves	17.0	-	**17.0**
Total equity	**367.9**	**26.5**	**394.4**

2009/10 (restated)	England & Wales	Scotland	**Total Group**
Income	£m	£m	**£m**
Property rentals, wayleaves and premiums	35.0	0.6	35.6
Utility income and water sales	20.0	1.4	21.4
Boat licence income	16.4	0.4	16.8
BWML total income	6.8	-	6.8
BW mooring permits	6.0	0.5	6.5
BW retail sales	1.8	1.6	3.4
Maintenance and other income	10.1	0.4	10.5
Canal restoration contributions	2.9	-	2.9
Contributions to other third party funded works	11.7	1.3	13.0
Government grant	58.4	11.8	70.2
Total income	169.1	18.0	**187.1**
Cost of capital subsidy	27.7	-	27.7
	196.8	18.0	**214.8**
Operating expenditure			
Waterway maintenance and customer service	60.5	7.5	68.0
Major infrastructure works	27.6	2.1	29.7
Canal dredging	3.9	-	3.9
Waterway unit management costs	7.4	2.2	9.6
Dowry funded assets	2.2	-	2.2
HQ and centralised service functions	31.4	1.5	32.9
Property and leisure income support costs*	15.4	2.6	18.0
BWML operating costs	5.9	-	5.9
Canal restoration cost	4.5	1.1	5.6
Cost of other third party funded regeneration projects	14.9	1.7	16.6
Total operating expenditure	**173.7**	**18.7**	**192.4**
Cost of capital charge	27.7	-	27.7
	201.4	**18.7**	**220.1**
Share of profits and losses of joint ventures	(19.0)	0.7	(18.3)
Profit on sale of investment properties	3.7	0.3	**4.0**
Revaluation of investment properties	7.0	0.8	7.8
Profit on sale of assets held for sale	1.3	-	1.3
(Deficit) / surplus before interest and taxation	(11.6)	1.1	**(10.5)**
Finance income	0.6	-	0.6
Finance charges	(8.4)	-	(8.4)
(Deficit) / surplus before taxation	**(19.4)**	**1.1**	**(18.3)**
Assets and liabilities			
Segment assets	644.0	30.0	674.0
Segment liabilities	(320.5)	(3.3)	(323.8)
Net assets	**323.5**	**26.7**	**350.2**
Capital and reserves			
Property revaluation reserve	183.7	5.7	189.4
Realised capital reserves	202.9	8.7	211.6
Retained earnings	(79.4)	12.3	(67.1)
Other reserves	16.3	-	16.3
Total equity	**323.5**	**26.7**	**350.2**

* The allocation of costs between England & Wales and Scotland has been restated to remove the £0.7m share of profits and losses of joint ventures which was incorrectly duplicated and understated the property and leisure income support costs in Scotland.

3 REVENUE

Revenue disclosed in the income statement as analysed in accordance with IAS 18:

Operating revenue	Note	2010/11	2009/10
		£m	£m
Sale of goods			
Water sales		**4.6**	4.3
Retail sales		**4.8**	5.1
Rendering services			
Property rents		**30.8**	31.6
Wayleaves and easements		**24.8**	21.2
Moorings		**9.7**	10.6
Boat licences		**17.4**	16.8
Funding from third parties towards restoration		**0.9**	2.9
Funding from third parties towards waterway maintenance and repair		**17.7**	17.7
Other income from services		**6.9**	6.7
		117.6	116.9
Government grants	4	**58.9**	70.2
Total revenue		**176.5**	187.1

4 GRANTS RECEIVABLE FROM CENTRAL GOVERNMENT

Grant receivable from Defra	2010/11	2009/10
	£m	£m
Grant received in year	**46.4**	57.4
Accrued grant at 1 April	**(4.6)**	(4.6)
Accrued grant at 31 March	**4.6**	4.6
	46.4	57.4
Deferred capital grant released to income statement	**1.0**	1.0
	47.4	58.4
Grant receivable from the Scottish Government		
Grant received in year	**11.5**	11.8
Total revenue grant accrued during the year	**58.9**	70.2

5 EXPENDITURE

(a) Operating expenditure in the year is analysed as follows:	2010/11	2009/10
	£m	£m
Major infrastructure works	26.7	33.6
Core waterway	68.0	70.2
Regeneration	16.4	16.6
Restoration	1.9	5.6
Other operating charges	67.2	66.4
Operating expenditure	**180.2**	192.4

Operating expenditure includes:	2010/11	2009/10
	£m	£m
Depreciation of property, plant and equipment	5.2	5.1
Profit on sale of operational non-current assets	(0.8)	(3.6)
Rents on leased properties	2.3	2.2
Board members' emoluments *	0.1	0.2

*Details of Board members' emoluments are disclosed in the Directors Remuneration Report on pages 48 to 49.

In accordance with the exemption available under section 408 of the Companies Act 2006 BW has not presented its own income statement.

(b) Auditors' remuneration	2010/11	2009/10
	£000	£000
Fees payable to the Company's auditor for the audit of the financial statements	136.0	123.6
Fees payable to the Company's auditor and its associates for other services	-	18.0
Audit of the financial statements of the Company's subsidiaries	18.4	18.1
	154.4	159.7

6 STAFF COSTS

(a) The average number of persons (excluding Board Members) employed during the year was:

	Group	
	2010/11 Number	2009/10 Number Restated
Total employed	**1,700**	1,900
Full-time equivalent	**1,694**	1,895

(b) Total employment costs (excluding Board Members' emoluments stated in the Remuneration Report) were:

	Group	
	2010/11 £m	2009/10 £m
Wages and salaries	**51.8**	53.9
Social security costs	**4.1**	4.3
Pension costs	**7.9**	6.6
Total employment costs	**63.8**	64.8

7 NET FINANCING COSTS

Finance costs	**2010/11 £m**	2009/10 £m
Interest payable on loans	**0.2**	0.2
Interest on loans from Defra under Section 19 of the Transport Act 1962	**0.4**	0.5
Unwinding of discount on dowry liabilities	**2.2**	2.2
Net financing charge on pension fund assets and liabilities	**2.8**	5.5
Total finance cost	**5.6**	8.4

Finance income	**2010/11 £m**	2009/10 £m
Bank interest receivable	**0.7**	0.5
Other interest receivable	**0.3**	0.1
Total finance income	**1.0**	0.6

8 TAXATION

Tax	**2010/11 £m**	2009/10 £m
Current tax	**(8.2)**	(1.4)
Deferred tax	**(3.4)**	(1.5)
	(11.6)	(2.9)

Corporation tax is calculated at 28% of the estimated assessable surplus/deficit for the period.

The total credit for the period can be reconciled to the deficit per the income statement as follows:

	2010/11	2009/10
	£m	£m
Surplus / (deficit) for the financial year before tax	**5.8**	(18.3)
Tax at the UK corporate tax rate of 28%	**1.6**	(5.1)
Tax effect of expenses that are not deductible in determining taxable profits	**0.6**	0.4
Current tax over provided in previous years*	**(9.0)**	(0.6)
Deferred tax under / (over) provided in previous years	**2.8**	(0.1)
Tax effects of share of results of associates and joint ventures	**(1.0)**	4.5
Investment property differences between accounts and tax	**(3.9)**	(3.4)
Effect of tax rate change in deferred tax balances	**(4.9)**	-
Losses not recognised	**2.2**	1.4
Total tax credit	**(11.6)**	(2.9)
Tax expensed to equity		
Defined benefit pension change / (credit) in respect of actuarial	**12.0**	(5.4)

* The current tax credit of £9m in respect of prior years relates to amendments to previously submitted computations or revisions to draft computations since the preparation of the accounts for the previous year. In 2010/11 amendments to prior year computations include a credit of £6.3m for tax relief on the impairments of loans to joint ventures claimed in the period ended 31 March 2009. The amendment was made following the reclassification of the write down of the loans as a permanent loss in the 2009/10 accounts. The other significant prior year adjustment relates to additional roll-over relief claims to carry over capital gains on the disposal of investment properties into replacement assets. These additional roll-over claims give rise to a corresponding charge within prior year adjustments to deferred tax.

Deferred Tax

Group

The following are the major deferred tax liabilities and assets recognised by the by the Group and movements thereon in the current and prior reporting period. Deferred tax is calculated at 26% (2010: 28%). On 23 March 2011 the Government announced that the main rate of Corporation Tax would reduce to 26% with effect from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. The rate reduction to 26% has been substantially enacted at the balance sheet date and therefore has been reflected in the tax accounting workings. The subsequent rate reductions have not been substantially enacted at the balance sheet date and have therefore not been reflected in the workings.

	Accelerated tax depreciation	Revaluation of land and buildings	Retirement benefit obligations	Tax losses	Other short term differences	**Total**
	£m	£m	£m	£m	£m	**£m**
At 1 April 2009	5.1	68.6	(20.5)	(2.4)	(0.7)	**50.1**
Charge / (credit) to income	0.3	(1.7)	(0.8)	0.4	0.3	**(1.5)**
Charge to other comprehensive income	-	-	(5.4)	-	-	**(5.4)**
At 31 March 2010	5.4	66.9	(26.7)	(2.0)	(0.4)	**43.2**
Charge / (credit) to income	(1.1)	(7.0)	(0.6)	2.0	3.3	**(3.4)**
Credit to other comprehensive income			12.0			**12.0**
At 31 March 2011	**4.3**	**59.9**	**(15.3)**	**0.0**	**2.9**	**51.8**

8 TAXATION
CONTINUED

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2010/11 £m	2009/10 £m
Deferred tax liabilities	**67.1**	72.3
Deferred tax assets	**(15.3)**	(29.1)
	51.8	43.2

At the balance sheet date, the Group has unused tax losses of £nil (2010: £7.2m) available for offset against future profits in respect of which a deferred tax asset has been recognised in respect of all of these losses.

In addition the Group has unrecognised tax losses carried forward of £12.4m (2010: £5.5m).

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £nil (2009: £nil).

BW

	Accelerated tax depreciation £m	Revaluation of land and buildings £m	Retirement benefit obligations £m	Tax losses £m	Other short term differences £m	**Total £m**
At 1 April 2009	4.9	68.6	(20.5)	(2.4)	0.8	**51.4**
Charge / (credit) to income	0.2	(1.7)	(0.8)	0.4	-	(1.9)
Charge / (credit) to other comprehensive income	-	-	(5.4)	-	-	(5.4)
At 31 March 2010	5.1	66.9	(26.7)	(2.0)	0.8	**44.1**
Charge / (credit) to income	(1.1)	(7.0)	(0.6)	2.0	2.9	(3.8)
Credit to other comprehensive income			12.0			12.0
At 31 March 2011	**4.0**	**59.9**	**(15.3)**	**0.0**	**3.7**	**52.3**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2010/11 £m	2009/10 £m
Deferred tax liabilities	**67.6**	72.8
Deferred tax assets	**(15.3)**	(28.7)
	52.3	44.1

9 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Operational Freehold Land, Buildings and Structures	Operational Long Leasehold Land and Buildings	Craft, Vehicles, Plant and Equipment	Total
	£m	£m	£m	£m
Costs				
At 1 April 2009	49.0	4.1	68.0	**121.1**
Transfers	1.3	-	-	**1.3**
Additions	0.2	0.4	3.3	**3.9**
Disposals	-	-	(3.0)	**(3.0)**
At 31 March 2010	**50.5**	**4.5**	**68.3**	**123.3**
Depreciation				
At 1 April 2009	14.4	0.8	37.0	**52.2**
Transfers	(0.1)	-	-	**(0.1)**
Provision for year	0.9	0.2	4.0	**5.1**
Disposals	-	-	(2.5)	**(2.5)**
At 31 March 2010	**15.2**	**1.0**	**38.5**	**54.7**
Net book value				
At 31 March 2010	**35.3**	**3.5**	**29.8**	**68.6**

	Operational Freehold Land, Buildings and Structures	Operational Long Leasehold Land and Buildings	Craft, Vehicles, Plant and Equipment	Total
	£m	£m	£m	£m
Costs				
At 1 April 2010	50.5	4.5	68.3	123.3
Transfers	0.4	-	(0.2)	0.2
Additions	0.3	1.5	6.3	8.1
Disposals	(0.2)	(0.1)	(2.6)	(2.9)
At 31 March 2011	**51.0**	**5.9**	**71.8**	**128.7**
Depreciation				
At 1 April 2010	15.2	1.0	38.5	54.7
Transfers	(0.1)	-	(0.1)	(0.2)
Provision for year	0.9	0.1	4.2	5.2
Disposals	(0.1)	(0.1)	(2.2)	(2.4)
At 31 March 2011	**15.9**	**1.0**	**40.4**	**57.3**
Net book value				
At 31 March 2011	**35.1**	**4.9**	**31.4**	**71.4**

9 PROPERTY, PLANT AND EQUIPMENT

BW

Costs	Operational Freehold Land, Buildings and Structures £m	Operational Long Leasehold Land and Buildings £m	Craft, Vehicles, Plant and Equipment £m	Total £m
At 1 April 2009	39.3	1.1	64.1	104.5
Transfers	1.3	-	-	1.3
Additions	0.1	-	2.7	2.8
Disposals	-	-	(2.6)	(2.6)
At 31 March 2010	**40.7**	**1.1**	**64.2**	**106.0**
Depreciation				
At 1 April 2009	13.1	0.4	36.7	50.2
Transfers	(0.1)	-	-	(0.1)
Provision for year	0.8	0.1	3.9	4.8
Disposals	-	-	(2.6)	(2.6)
At 31 March 2010	**13.8**	**0.5**	**38.0**	**52.3**
Net book value				
At 31 March 2010	**26.9**	**0.6**	**26.2**	**53.7**

Costs	Operational Freehold Land, Buildings and Structures £m	Operational Long Leasehold Land and Buildings £m	Craft, Vehicles, Plant and Equipment £m	Total £m
At 1 April 2010	40.7	1.1	64.2	106.0
Transfers	0.4	-	(0.2)	0.2
Additions	0.5	-	5.6	6.1
Disposals	(0.1)	-	(2.3)	(2.4)
At 31 March 2011	**41.5**	**1.1**	**67.3**	**109.9**
Depreciation				
At 1 April 2010	13.8	0.5	38.0	52.3
Transfers	(0.1)	-	(0.1)	(0.2)
Provision for year	0.8	0.1	3.7	4.6
Disposals	-	-	(2.1)	(2.1)
At 31 March 2011	**14.5**	**0.6**	**39.5**	**54.6**
Net book value				
At 31 March 2011	**27.0**	**0.5**	**27.8**	**55.3**

10 INVESTMENT PROPERTY

Group	Freehold Land, Buildings and Structures	Long Leasehold Land and Buildings	
			Total
Valuation	£m	£m	**£m**
At 1 April 2009	379.6	7.2	**386.8**
Transfers	(3.0)	-	**(3.0)**
Additions	0.9	-	**0.9**
Disposals	(15.5)	-	**(15.5)**
Revaluation	8.1	(0.3)	**7.8**
At 31 March 2010	370.1	6.9	377.0
At 1 April 2010	370.1	6.9	**377.0**
Transfers	(0.8)	-	**(0.8)**
Additions	14.4	0.1	**14.5**
Disposals	(15.0)	-	**(15.0)**
Revaluation	4.1	0.3	**4.4**
At 31 March 2011	**372.8**	**7.3**	**380.1**

BW	Freehold Land, Buildings and Structures	Long Leasehold Land and Buildings	
			Total
Valuation	£m	£m	**£m**
At 1 April 2009	389.8	6.8	**396.6**
Transfers	(3.0)	-	**(3.0)**
Additions	0.9	-	**0.9**
Disposals	(15.5)	-	**(15.5)**
Revaluation	8.1	(0.3)	**7.8**
At 31 March 2010	380.3	6.5	**386.8**
At 1 April 2010	380.3	6.5	**386.8**
Transfers	(0.8)	-	**(0.8)**
Additions	14.3	0.2	**14.5**
Disposals	(15.0)	-	**(15.0)**
Revaluation	4.1	0.3	**4.4**
At 31 March 2011	382.9	7.0	**389.9**

In the income statement, the group has recognised £26.4m (2010: £27.4m) of rental income from investment properties and direct operating expenses of £8.2m (2010: £8.1m).

10 INVESTMENT PROPERTY
CONTINUED

The net book value of investment properties at 31 March comprises:

	Group		BW	
	2010/11	2009/10	**2010/11**	2009/10
	£m	£m	**£m**	£m
Historic cost	**163.6**	149.8	**172.3**	158.5
Revaluation surpluses	**216.5**	227.2	**217.6**	228.3
	380.1	377.0	**389.9**	386.8

Investment properties were valued as at 31 March 2011 and as at 31 March 2010 on the basis of market value, by reference to recent market evidence of transactions for similar properties in accordance with the requirements of the International Valuation Standards and IFRS. The valuations are based on the information as to the title and tenure of each property and the leases and agreements granted as provided by BW. In the year ended 31 March 2011 all valuations for investment properties in the Group were performed by Gerald Eve LLP except for those marinas occupied by BW Marinas Limited where directors are satisfied that the value remains unchanged from the prior year.

	Group		BW	
	2010/11	2008/09	**2010/11**	2009/10
	£m	£m	**£m**	£m
Non-current assets classified as held for sale	**3.5**	3.1	**3.5**	3.1

Non-current assets held for sale are valued at the lower of carrying amount and fair value less costs to sell. All non-current assets held for sale are in England and Wales. The asset must be available for immediate sale in its present condition and its sale must be highly probable, (i.e. the sale is expected to occur within 12 months) have the appropriate level of authorisation by management and be at a price that is reasonable in relation to its current fair value. Fair value gains and losses, less costs to sell, in respect of assets classified as held for sale was £nil (2010: £nil).

Assets held for sale include revaluation surplus over historic cost of £3.4m (2010:£1.8m)

11 INTANGIBLES
GROUP

	2010/11	2009/10
	£m	£m
Costs		
At 1 April	**1.5**	1.5
Additions	**0.6**	-
At 31 March 2011	**2.1**	1.5
Amortisation		
At 1 April	**0.3**	0.2
Provision for the year	**0.1**	0.1
At 31 March 2011	**0.4**	0.3
Net book value at 31 March	**1.7**	1.2

Intangible assets of £0.6m in 2010/11, £0.7m in 2007/08 and £0.8m in 2006/07 arose on the acquisition of inland waterway marina businesses. The Marina assets are being amortised evenly over their useful economic life of 20 years and a charge is made to operating expenditure in the income statement.

12 INVESTMENTS

SUBSIDIARIES

BW **Investments in subsidiaries:**	**2010/11** **£m**	2009/10 £m
Shares at cost less amounts written off		
At 1 April	**12.7**	12.7
Additions	**1.1**	-
At 31 March	**13.8**	12.7

Subsidiary undertakings

BW's principal subsidiary undertakings are as follows and have a 31 March year end unless stated:

- Blackwall Estates Ltd manages property in London Docklands (year end 30 June).
- British Waterways Marinas Ltd operates inland waterway marinas.
- British Waterways Pension Trustees Ltd acts as trustee to the British Waterways Pension Fund. The book value of BW's interest is represented by a debt of equal amount due to the subsidiary and both have been eliminated from BW's accounts.
- Wood Wharf Management Company Ltd manages property in London Docklands.
- BW Reinsurance Ltd provides reinsurance to BW in respect of property, motor and public liability.
- Granary Wharf Ltd, Leeds Canal Basin Development Ltd and Watergrid Ltd are no longer trading.

All subsidiaries are wholly owned by BW and, with the exception of BW Reinsurance Ltd (which is in Ireland), are registered and operate within the United Kingdom.

JOINT VENTURES

BW **Investments in joint ventures:**	**2010/11** **£m**	2009/10 £m
Shares at cost less amounts written off		
At 1 April	**89.5**	89.0
Additional shares in joint ventures	**-**	16.3
Net movements in loans to joint ventures	**3.2**	0.4
Amounts written off investments	**-**	(16.2)
At 31 March	**92.7**	89.5

Group **Investments in joint ventures:**	**2010/11** **£m**	2009/10 £m
At 1 April	**77.6**	84.1
Shares or partnership interest subscribed	**-**	16.3
Loans made	**3.4**	3.5
Loans repaid	**(0.2)**	(3.1)
Share of revenue losses	**(2.1)**	(1.4)
Share of post-acquisition revaluation deficit	**-**	(17.5)
Consolidation adjustment	**1.2**	(4.3)
At 31 March	**79.9**	77.6

12 INVESTMENTS
JOINT VENTURES CONTINUED

Group

The Group's share of assets and liabilities of joint ventures, which are included in the consolidated financial statements, are as follows:

	Total 2010/11 £m	Total 2009/10 £m restated
Non-current assets	**71.2**	76.0
Current assets	**105.6**	107.8
Share of gross assets	**176.8**	183.8
Current liabilities	**(12.2)**	(10.3)
Non-current liabilities	**(84.7)**	(95.9)
Share of gross liabilities	**(96.9)**	(106.2)
Share of net assets	**79.9**	77.6

The group's share of income from joint ventures was £15.3m (2010: £15.3m) and share of operating expenses were £11.9m (2010: £12.2m).

Investments in joint ventures and associated undertakings

The following information relates to those joint ventures and associated undertakings of the Group at the year end whose results or financial position, in the opinion of the directors, principally affect the figures of the Group. All joint ventures and associated undertakings of the Group are unlisted and are registered and operate in the United Kingdom.

	Accounting period end date used in these accounts**	Equity interest held*** %	Main activity
Joint Ventures			
Isis Waterside Regeneration LP	31 December 2010	49.5%	Property development
Waterside Pub Partnership LLP*	31 December 2010	50%	Pub management
Wood Wharf LP	31 December 2010	50%	Property development
Gloucester Quays LLP	31 December 2010	50%	Property development
City Road Basin Ltd	31 December 2010	49%	Property development
Edinburgh Quay Ltd	31 December 2010	49%	Property development
H2O Urban Ltd	31 December 2010	49%	Property development
H20 Urban LLP	31 December 2010	50%	Property development
Paddington Basin Business Barges Ltd	31 December 2010	49%	Office management
Timber Basin Ltd	31 March 2010	49%	Property development

* On 14 April 2011 the Waterside Pub Partnership LLP was put into administration

Associated undertakings			
West India Quay Management Company Ltd	30 June 2010	12%	Property management

** Statutory and management accounts have been apportioned to reflect twelve months ending 31 March 2011 and are included in the BW accounts.

*** Whilst BW retains a 49% shareholding in some joint venture companies, the voting rights and profit share is 50:50.

13 INVENTORIES

	Group		BW	
	2010/11 £m	2009/10 £m	**2010/09 £m**	2009/10 £m
Raw materials	**0.5**	0.5	**0.5**	0.5
Work in progress	**0.1**	0.1	**0.1**	0.1
Finished goods and goods for resale	**0.6**	0.6	**0.2**	0.2
	1.2	1.2	**0.8**	0.8

14 TRADE AND OTHER RECEIVABLES

(a) Current	Group		BW	
	2010/11	2009/10	**2010/11**	2009/10
	£m	£m	**£m**	£m
Trade receivables	**26.5**	24.4	**24.2**	22.2
Less: Provision for impairment of trade receivables	**(2.9)**	(3.0)	**(2.9)**	(3.0)
Amounts owed from Group undertakings	**0.7**	0.7	**1.4**	1.4
Less: Provision for impairment	**(0.7)**	(0.7)	**(1.4)**	(1.4)
Prepayments and accrued income	**20.3**	12.7	**20.3**	12.7
Deferred consideration agreements	**1.1**	3.4	**1.1**	3.4
Value added tax	**3.3**	1.2	**3.5**	1.5
Accrued grant-in-aid	**4.5**	4.6	**4.5**	4.6
Other receivables	**0.8**	0.4	**-**	-
	53.6	43.7	**50.7**	41.4

(b) Non-current	Group		BW	
	2010/11	2009/10	**2010/11**	2009/10
	£m	£m	**£m**	£m
Trade receivables	**0.6**	-	**-**	-
Deferred consideration agreements	**9.0**	-	**9.0**	-
	9.6	-	**9.0**	-

The following trade receivables balances are past due but not impaired:

	Group		BW	
	2010/11	2009/10	**2010/11**	2009/10
	£m	£m	**£m**	£m
Less than 1 month	**1.3**	2.0	**0.8**	1.6
Between 1 - 6 months	**1.3**	4.0	**0.4**	3.8
Greater than 6 months	**0.7**	1.1	**0.4**	1.0

Included in the trade receivables balances past due but not impaired are 7 (2010:10) individual debtors with material balances totalling £1.2m (2010: £3.3m).

Movement on provisions for impairment of trade receivables are as follow:

	Group	BW
	2010/11	**2010/11**
	£m	**£m**
Opening provision at 1 April 2010	**3.0**	**3.0**
Charge for the year	**1.4**	**1.4**
Unused amounts released	**(0.7)**	**(0.6)**
Uncollectible items written off	**(0.8)**	**(0.9)**
Closing provision at 31 March 2011	**2.9**	**2.9**

Credit risk in respect of receivables is limited, due to the Group's customer base being large and diverse. Our historical experience of collecting receivables, supported by the level of defaults, is that the credit risk is low across all trade receivables. We do not consider fair values to be significantly different from their carrying values. Balances are considered for impairment on an individual basis and by reference to the extent they become overdue. The maximum credit risk exposure at reporting date is £114.8m (2010: £111.9m), being the sum of cash and cash equivalents and trade and other receivables. The fair values are not materially different to carrying values.

15 CASH AND CASH EQUIVALENTS

	Group		BW	
	2010/11	2009/10	**2010/11**	2009/10
	£m	£m	**£m**	£m
Cash at bank and in hand	**51.6**	68.2	**45.5**	61.7
Cash and cash equivalents in the statement of cash flows	**51.6**	68.2	**45.5**	61.7

16 TRADE AND OTHER PAYABLES

(a) Current

	Group			BW		
	2010/11	2009/10	2008/09	**2010/11**	2009/10	2008/09
	£m	£m	£m	**£m**	£m	£m
		Restated				
Trade payables	**17.6**	11.6	14.4	**17.3**	11.6	14.2
Taxation and social security	**1.4**	1.4	1.6	**1.4**	1.4	1.6
Amounts owed to other group companies	**-**	-	-	**7.1**	7.3	7.1
Accruals	**11.7**	14.4	18.6	**10.9**	13.6	17.6
Deferred income	**37.4**	35.0	35.5	**34.3**	32.5	33.2
Other payables	**2.9**	3.7	11.9	**3.2**	4.6	7.7
	71.0	66.1	82.0	**74.2**	71.0	81.4

(b) Non-current

	Group			BW		
	2010/11	2009/10	2008/09	**2010/11**	2009/10	2008/09
	£m	£m	£m	**£m**	£m	£m
Deferred income	**47.7**	46.8	46.7	**47.7**	46.8	46.7
Other payables	**14.6**	13.2	13.6	**13.8**	13.0	13.4
	62.3	60.0	60.3	**61.5**	59.8	60.1

Included in 'other payables' is £12.9m (2010: £12.9m) for a loan from Port of London Properties Ltd (see Note 21).

(c) Deferred income - dowries

Deferred income arises from the receipt of cash dowries received in respect of obligations to maintain assets acquired from other public bodies. These form part of the deferred income balance above. Movements during the year were as follows:

	2010/11	2009/10	2008/09
	£m	£m	£m
Balance at 1 April			
Current	**2.3**	2.4	2.5
Non-current	**46.5**	45.9	45.8
	48.8	48.3	48.3
Unwinding of discounting	**2.2**	2.2	2.2
	51.0	50.5	50.5
Release to income statement	**(2.0)**	(1.7)	(2.2)
Balance at 31 March	**49.0**	48.8	48.3

Balance at 31 March 2010 analysed as follows:			
Current	**2.4**	2.3	2.4
Non-current	**46.5**	46.5	45.9
	48.9	48.8	48.3

17 PROVISIONS

Group	At 1 April	Paid	Charged	Released	**At 31 March**
2010/11	£m	£m	£m	£m	**£m**
Personal injury claims	1.0	(0.1)	0.1	-	**1.0**
Third party contractual claims	1.0	(0.3)	0.2	(0.2)	**0.7**
Redundant property	1.5	(0.4)	0.4	-	**1.5**
Canal infrastructure works	3.2	(2.6)	-	(0.2)	**0.4**
Maintenance obligations	1.8	-	-	-	**1.8**
BW Reinsurance	3.1	(0.6)	1.6	(0.3)	**3.8**
Other provisions	1.3	(0.6)	3.1	(0.2)	**3.7**
	12.9	**(4.5)**	**5.4**	**(0.9)**	**12.9**

BW	At 1 April	Paid	Charged	Released	**At 31 March**
2010/11	£m	£m	£m	£m	**£m**
Personal injury claims	1.0	(0.1)	0.1	-	**1.0**
Third party contractual claims	1.0	(0.3)	0.2	(0.2)	**0.7**
Redundant property	1.5	(0.4)	0.4	-	**1.5**
Canal infrastructure works	3.2	(2.6)	-	(0.2)	**0.4**
Maintenance obligations	1.8	-	-	-	**1.8**
Other provisions	1.3	(0.5)	3.1	(0.2)	**3.7**
	9.8	**(3.9)**	**3.8**	**(0.6)**	**9.1**

BW holds all provisions as current liabilities, as they will be settled once the claim has been assessed. Unless stated below, it is anticipated that provisions will be settled within one year. Provisions are recognised when the conditions of IAS 37 have been met.

Personal injury claims
The provision relates to individuals who have suffered a personal injury whilst on or using BW property, and represents BW's best estimate of the legal fees and compensation that could be incurred.

Third party and contractual claims
The provision relates to contracts BW has entered into with third parties, and represents the additional costs to BW that could be incurred upon completion of the contract.

Maintenance obligations
The provision relates to contractual obligations BW has for the maintenance of assets it holds. Due to the long-term nature of waterway related assets, provisions are reviewed annually and settlement is likely to occur over many years.

Redundant property
The provision relates to properties which are surplus to requirements. The provision represents the future net commitments in order to discharge BW liability relating to the estimated cost to subletting within the remaining operating lease period.

Canal infrastructure works
The provision relates to specific infrastructure projects. The provision represents the future net commitments in order to discharge BW liability relating to them.

BW Reinsurance
The provision relates to specific property, motor and public liability claims potentially brought against the group held in BW Reinsurance Limited.

Other provisions
These are provisions which fall outside of the categories described above. Included within 2010/11 is £2.0m for restructuring redundancies and other costs to be carried out in 2011/2012. It is expected that most of these other provisions will be utilised within the next year.

18 OPERATING LEASES

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties, motor vehicles and items of machinery. These leases have an average duration of between 4 and 15 years. Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		BW	
Leasehold properties	**2010/11 £m**	2009/10 £m	**2010/11 £m**	2009/10 £m
Not later than one year	**1.8**	1.8	**1.8**	1.8
After one year but not more than five years	**6.5**	6.8	**6.3**	6.8
After five years	**82.2**	74.4	**73.4**	74.4
	90.5	83.0	**81.5**	83.0

	Group		BW	
Leasehold plant and equipment	**2010/11 £m**	2009/10 £m restated	**2010/11 £m**	2009/10 £m restated
Not later than one year	**1.7**	1.0	**1.7**	1.0
After one year but not more than five years	**3.3**	1.7	**3.1**	1.6
After five years		-		-
	5.0	2.7	**4.8**	2.6

Operating lease agreements where the Group is lessor

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Group		BW	
	2010/11 £m	2009/10 £m restated	**2010/11 £m**	2009/10 £m restated
Not later than one year	**25.3**	25.8	**25.9**	26.2
After one year but not more than five years	**82.1**	87.4	**84.0**	90.2
After five years	**853.9**	904.4	**884.2**	919.0
	961.3	1,017.6	**994.1**	1,035.4

The above table includes rents received on a contingent basis but these are not deemed to be individually significant.

19 PENSION AND OTHER POST-RETIREMENT BENEFITS

	BW	
	31 March 2011 £m	31 March 2010 £m
(a) Pension Liability	**59.0**	95.5
(b) Other post retirement benefits	**0.2**	0.3
Employee benefits	**59.2**	95.8

(a) Pension Liability

BW operates a single funded defined benefit pension scheme for all staff. Contributions to the Scheme are determined by the Board, after considering the advice of independent professionally qualified actuaries, as part of the formal triennial actuarial valuations of the Scheme. The last formal triennial valuation of the Scheme using the projected unit method was carried out as at 31 March 2010. The market value of the Scheme's assets (excluding members' additional voluntary contributions) at 31 March 2010 amounted to £274.9m and the value placed upon the benefits that had accrued to members, after allowing for the effect of future increases in their earnings, was £340.5m. The Scheme was therefore £65.6m in deficit and 81% funded on an on-going basis.

The employer contribution rate was reviewed by the Scheme actuary as part of the valuation, and additional contributions will be paid to eliminate the deficit of £65.6m as at 31 March 2010 over a period of 20 years from 1 April 2011. The amounts of employer contributions agreed for the three-year period from 1 April 2011 are 14% of members' pensionable earnings plus the additional contributions. The employee contribution rate remains at 7% of pensionable earnings from 1 April 2011.

Employer contributions to the scheme in 2011/12 are estimated at £11.0m.

The next full actuarial valuation will be carried out as at 31 March 2013 and the valuation report will be issued by the end of June 2014.

The valuation of the Scheme used for IAS19 disclosures has been based on the most recent actuarial valuation of BW's scheme at 31 March 2010 and updated to 31 March 2011 by Barnett Waddingham LLP, professionally qualified actuaries. The key assumptions used are as follows:

	Year ended 31 March	
	2011	2010
Discount rate	**5.50%**	5.50%
Expected return on scheme assets	**6.32%**	6.41%
Rate of increase in salaries	**3.40%**	3.50%
Rate of increase for pensions in payment and deferred pensions	**2.65%**	3.50%
Rate of RPI inflation	**3.40%**	3.50%
Rate of CPI inflation*	**2.65%**	n/a
Non-pensioner and pensioner mortality**	**105% male, 110% female of S1PXA, CMI_2009 [1.25%]**	120% males / 110% of females of PNXA00 medium cohort

* In the December 2010 the Government confirmed that from April 2011 the government will use the Consumer Price Index (CPI) as the measure of prices for the purposes of the revaluation orders that determine increases to public sector pensions in payment. The BW Pension Fund rules provide that pensions in payment are increased in line with the Government's revaluation orders, therefore CPI has been applied to the triennial actuarial valuation as at 31 March 2010 and the valuation as at 31 March 2011 in these accounts. The impact of the change from RPI to CPI is an approximate £41.8m reduction in the deficit.

** The mortality assumptions are taken from statistical tables that have been published by the actuarial profession.

Amounts recognised in the income statement

	2010/11 £m	2009/10 £m
Current service cost	**7.9**	6.2
Interest cost	**20.4**	19.3
Expected return on assets	**(17.6)**	(13.8)
Past service costs	**-**	0.4
Total recognised in the income statement	**10.7**	12.1

Amounts recognised in the balance sheet and the expected future rates of return on scheme assets were:

	31 March 2011		31 March 2010	
	%	£m	%	£m
Equities, property and hedge funds and active currency*	7.4	171.2	7.5	148.1
Index linked gilts	4.4	80.6	4.5	75.6
Corporate bonds	5.5	35.7	5.5	38.2
Cash	2.65	0.4	7.5	16.2
Total fair value of assets		287.9		278.1
Present value of scheme liabilities		(346.9)		(373.6)
Deficit in the scheme		(59.0)		(95.5)

* The Scheme divested its investment in active currency during 2009/10.

The expected return on equities, property and other growth assets has reduced to 7.4% per annum, which is around 3% above current gilt yields and reflects the slight fall in gilt yields over the year. The expected return on gilts and bonds reflects current gilt and corporate bond yields.

Changes in scheme liabilities

	2010/11	2009/10
	£m	£m
At 1 April	(373.6)	(299.2)
Current service cost	(7.9)	(6.2)
Current service costs funded by member contributions	(0.3)	(0.3)
Interest Cost	(20.4)	(19.3)
Past service cost	-	(0.4)
Benefits paid and expenses	15.2	12.2
Actuarial gain / (loss)	40.1	(60.4)
At 31 March	(346.9)	(373.6)

Changes in scheme assets

	2010/11	2009/10
	£m	£m
At 1 April	278.1	226.2
Expected return on scheme assets	17.6	13.8
Employer contributions	8.6	9.0
Member contributions	0.3	0.3
Benefits paid and expenses	(15.2)	(12.2)
Actuarial (loss) / gain	(1.5)	41.0
At 31 March	287.9	278.1

Amounts recognised in the Statement of Comprehensive Income and Expenditure (SOCIE)

	2010/11	2009/10
	£m	£m
Actuarial (loss) / gain on assets	(1.5)	41.0
Actuarial gain / (loss) on liabilities	40.1	(60.4)
Total loss recognised in SOCIE before adjustment for tax	38.6	(19.4)

Movement in deficit in the scheme during the year

	2010/11	2009/10
	£m	£m
Deficit in the scheme at 1 April	(95.5)	(73.0)
Expenses recognised in income statement	(10.7)	(12.1)
Contributions	8.6	9.0
Actuarial gain / (loss) recognised in SOCIE	38.6	(19.4)
Deficit in the scheme at 31 March before tax	(59.0)	(95.5)

History of experience gains and losses

	Year to 31 March				
	2011	2010	2009	2008	2007
	£m	£m	£m	£m	£m
Present value of defined benefit obligation	**(346.9)**	(373.6)	(299.2)	(300.6)	(316.6)
Fair value of scheme assets	**287.9**	278.1	226.2	266.8	262.4
Deficit	**(59.0)**	(95.5)	(73.0)	(33.8)	(54.2)
Experience adjustments on plan liabilities	**40.1**	(60.4)	16.3	29.3	8.0
Experience adjustments on plan assets	**(1.5)**	41.0	(54.1)	(10.1)	(3.1)

(b) Other post-retirement benefits

Under the terms of the 1962 Transport Act, employees transferring from the British Transport Commission to successor bodies were entitled to retain their reduced cost travel benefits. Successor bodies, including BW, were made responsible for procuring the benefits on their behalf.

Currently 173 (2010: 213) pensioners and widows retain entitlement to this benefit. A provision to cover the present value of the future cost of these benefits is included in the balance sheet.

The provision was re-assessed at 31 March 2011 by independent qualified actuaries using discount rates consistent with those required for pension liabilities under IAS19.

Movement in provision during the year

	2010/11	2009/10
	£m	£m
Deficit in the scheme at 1 April	**(0.24)**	(0.25)
Expenses recognised in income statement	**(0.01)**	(0.02)
Contributions	**0.02**	0.03
Actuarial gain recognised in SOCIE	**0.04**	-
Provision at 31 March	**(0.19)**	(0.24)

20 DEFERRED CAPITAL GRANT

	Group and BW	
	2010/11	2009/10
	£m	£m
Balance at 1 April		
Government grants	**4.8**	5.8
Other grants	**1.0**	1.0
	5.8	6.8
Grant received during the year		
Other grants	**-**	-
Released to income statement		
Government grants	**(1.0)**	(1.0)
	(1.0)	(1.0)
Balance at 31 March		
Government grants	**3.8**	4.8
Other grants	**1.0**	1.0
	4.8	5.8

21 FINANCIAL INSTRUMENTS

Details of BW's statutory and financial framework are set out on page 40 to 41. BW is a public corporation and is not exposed to a degree of financial risk as faced by other business entities due to relatively low levels of debt. The government sets the maximum amount of grant and access to loans from the National Loans Fund. The Treasury annually renews guarantees of bank overdraft facilities.

BW has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change by the risks facing BW in undertaking its activities. BW is not exposed to risks from currency fluctuations as business is conducted solely in sterling.

Liquidity risk

Liquidity risk is defined as the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price. In addition, liquidity and funding risks, related processes and policies are overseen by management. BW manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations. Management monitors the Group's net liquidity position through rolling forecasts on the basis of expected cash flows. The Group's cash and cash equivalents are held with major regulated financial institutions.

BW maintains short term liquidity by judicious management of its cash deposits. BW is not exposed to significant liquidity risk due to ongoing government funding and the ability to release cash as necessary from investment properties or borrow from the National Loans Fund.

Interest rate risk

The main risk arising from BW's financial instruments is interest rate risk. With the exception of National Loans Fund loans all financial instruments are subject to the prevailing UK floating rate of interest.

The financial assets held by the BW Group and the company are cash equivalents (Note 15) and Trade and other receivables (Note 14), and the fair value is not materially different to carrying amount.

All of BW's borrowings are from the National Loans Fund and are at fixed rates of interest until the repayment date. The fair value of debt to the National Loans Fund (see Note 22) at 31 March 2011 is £4.2m (2010: £4.8m), calculated using a discount factor of 3.5%.The carrying value of BW's Borrowings at 31 March 2011 is £5.2m (2010: £5.9m).

BW has interests in a number of property development joint ventures that are stand-alone businesses and are independently funded with external bank debt without recourse to BW. In each of the joint ventures an assessment is made whether the interest payments on borrowings should be hedged having regard to the quantum of the debt, the period over which the borrowings are planned to be outstanding and the sensitivity of the project to changes in interest rates. At 31 March 2011 Group share of total bank borrowings in joint ventures was £63.8m (2010: £78.8m). Of this total borrowings, 78% (2010: 78%) is either at fixed rates of interest or a fixed interest rate swap is in place and a further 4% (2010: 0%) has a capped interest rate.

The financial liabilities held by BW Group and the company are trade and other payables (Note 16), and the fair value of these liabilities is not materially different from carrying values.

Credit risk

The credit risk in cash and cash equivalents is limited because the treasury investment policy has been defined as being restricted to counterparties that are specific UK registered banks which have Standard & Poor's long term ratings of at least A with limits for deposit duration and amount for each bank. These policies are continually monitored and updated for the prevailing market conditions. The Group has no significant concentration of credit risk from its customers as exposure is spread over a large number of entities.

Capital Management

BW is not normally allowed long term borrowings other than from the National Loans Fund. Where borrowings are required for property and business development it is obtained through investment in joint venture vehicles and does not create any recourse to BW.

Group financial assets and liabilities

2009/10

	Note	Floating interest rate £m	Fixed interest rate < 1 year %	2 - 5 years %	> 5 years %	Non interest bearing £m	**Total £m**
Financial assets – loans and receivables							
Trade and other receivables	**14**	-	-	-	-	43.7	**43.7**
Cash and cash equivalents	**15**	68.2	-	-	-	-	**68.2**
Total financial assets		68.2	-	-	-	43.7	**111.9**
Financial liabilities at amortised cost							
NLF - fixed rate loan	**22**	-	0.7	2.0	3.2	-	**5.9**
POLP - loan (1% + BoE base rate)	**16**	12.9	-	-	-	-	**12.9**
Trade and other payables	**16**	-	-	-	-	117.5	**117.5**
Total financial liabilities		12.9	0.7	2.0	3.2	117.5	**136.3**

Group 2010/11

	Note	Floating interest rate £m	Fixed interest rate < 1 year %	2 - 5 years %	> 5 years %	Non interest bearing £m	Total
Financial assets – loans and receivables							
Trade and other receivables	**14**	-	-	-	-	63.2	**63.2**
Cash and cash equivalents	**15**	36.5	15.1	-	-	-	**51.6**
Total financial assets		36.5	15.1	-	-	63.2	**114.8**
Financial liabilities at amortised cost							
NLF - fixed rate loan	**22**	-	0.3	1.7	3.2	-	**5.2**
POLP - loan (1% + BoE base rate)	**16**	12.9	-	-	-	-	**12.9**
Trade and other payables	**16**	-	-	-	-	120.4	**120.4**
Total financial liabilities		12.9	0.3	1.7	3.2	120.4	**138.5**

BW financial assets and liabilities 2009/10

	Note	Floating interest rate £m	Fixed interest rate < 1 year %	2 - 5 years %	> 5 years %	Non interest bearing £m	Total
Financial assets – loans and receivables							
Trade and other receivables	**14**	-	-	-	-	41.4	**41.4**
Cash and cash equivalents	**15**	61.7	-	-	-	-	**61.7**
Total financial assets		61.7	-	-	-	41.4	**103.1**
Financial liabilities at amortised cost							
NLF - fixed rate loan	**22**	-	0.7	2.0	3.2	-	**5.9**
POLP - loan (1% + BoE base rate)	**16**	12.9	-	-	-	-	**12.9**
Trade and other payables	**16**	-	-	-	-	117.9	**117.9**
Total financial liabilities		12.9	0.7	2.0	3.2	117.9	**136.7**

BW 2010/11

	Note	Floating interest rate £m	Fixed interest rate < 1 year %	2 - 5 years %	> 5 years %	Non interest bearing £m	Total
Financial assets – loans and receivables							
Trade and other receivables	**14**	-	-	-	-	59.7	**59.7**
Cash and cash equivalents	**15**	35.5	10.0	-	-	-	**45.5**
Total financial assets		35.5	10.0	-	-	59.7	**105.2**
Financial liabilities at amortised cost							
NLF - fixed rate loan	**22**	-	0.3	1.7	3.2	-	**5.2**
POLP - loan (1% + BoE base rate)	**16**	12.9	-	-	-	-	**12.9**
Trade and other payables	**16**	-	-	-	-	122.8	**122.8**
Total financial liabilities		12.9	0.3	1.7	3.2	122.8	**140.9**

The Port of London Properties Ltd loan is repayable no later than 31 January 2014 and interest is calculated at 1% plus Bank of England (BoE) base rate. A 1% and 2% increase in BoE base rate would increase cost in the income statement by £0.1m and £0.3m respectively and reduce reserves by £0.1m and £0.3m.

22 DUE TO NATIONAL LOANS FUND

	Group and BW	
	2010/11	2009/10
Loans are repayable as follows:	**£m**	£m
In one year or less	**0.3**	0.7
Between one and two years	**1.7**	0.3
Between two and five years	**-**	1.7
In greater than five years	**3.2**	3.2
Total	**5.2**	5.9

Details of individual loans:

Maturity Date	Rate of Interest	Amount	Maturity Date	Rate of Interest	Amount
	%	**£m**		%	**£m**
2 Apr 2011	9.25	**0.3**	2 Apr 2021	8.50	**1.0**
2 Apr 2012	10.25	**0.6**	2 Apr 2022	7.75	**0.3**
2 Apr 2012	9.00	**0.4**	2 Apr 2023	5.88	**0.3**
2 Oct 2012	9.50	**0.7**	2 Apr 2024	5.00	**0.6**
2 Apr 2020	8.63	**1.0**			

The government makes capital contributions to BW to enable BW to repay those loans maturing before 2013 (£2.0m) as they mature, thus removing from BW the need to take out new loans to repay them.

Borrowing authorised by Defra	**2010/11**	2009/10
	£m	£m
Amount of debt due to National Loans Fund	**5.2**	5.9
Bank overdraft facility	**3.0**	3.0
Borrowing authorised by Defra	**8.2**	8.9

The bank overdraft facility is guaranteed by HM Treasury annually.

Analysis of changes in financing during the year

	2010/11	2009/10
Capital debt	**£m**	£m
At 1 April	**5.9**	6.9
New loans	**-**	-
Loans repaid	**(0.7)**	(1.0)
At 31 March	**5.2**	5.9

23 CAPITAL COMMITMENTS

Capital expenditure for which BW had contracted at 31 March 2011 was £1.2m (2010: £0.8m).
Capital commitments arising within joint ventures and subsidiaries. Capital expenditure which had been contracted at 31 March 2011 was £0.1m (2010: £nil).

24 CONTINGENT LIABILITIES

There are a number of contingent liabilities that arise in the normal course of business which if realised are not expected to result in a material liability to the Group. The most significant of these relates to ongoing litigation where any adverse outcome is not expected to exceed £0.5m. The information usually required by IAS 37 is not disclosed, because the directors believe that to do so would seriously prejudice the outcome of the litigation. The Group recognises provisions for liabilities when it is more likely than not a settlement will be required and the value of such a payment can be reliably estimated.

25 RELATED PARTY TRANSACTIONS

During the year the group and BW entered into transactions, in the ordinary course of business, with other related parties. There were no direct transactions with directors of BW. Transactions entered into, and trading balances outstanding at 31 March with other related parties, are as follows:

Group 2010/11	Services rendered to related party	Purchases from elated party	Amounts owed (to) by related party/
Related party	£m	£m	£m
Entities sponsored by Defra	**0.5**	**2.4**	**0.0**
Entities with directors in common	**1.2**	**1.0**	**(11.8)**
Joint ventures	**0.6**	**4.8**	**1.8**
Port of London Properties	**-**	**-**	**-**

Group 2009/10 (restated)	Services rendered to related party	Purchases from related party	Amounts owed (to) by related party/
Related party	£m	£m	£m
Entities sponsored by Defra	1.0	2.2	-
Entities with directors in common	0.5	0.6	(12.5)
Joint ventures	1.3	(1.6)	1.4

BW 2010/11	Services rendered to related party	Purchases from related party	Amounts owed (to)/ by related party
Related party	£m	£m	£m
Entities sponsored by Defra	**0.5**	**2.4**	**-**
Entities with directors in common	**1.2**	**1.0**	**(11.8)**
Joint ventures	**1.2**	**9.5**	**96.3**
Subsidiaries	**0.6**	**-**	**7.0**

BW 2009/10 (restated)	Services rendered to related party	Purchases from related party	Amounts owed (to)/ by related party
Related party	£m	£m	£m
Entities sponsored by Defra	1.0	2.2	-
Entities with directors in common	0.5	0.6	(12.5)
Joint ventures	2.6	(3.3)	92.4
Subsidiaries	0.6	-	5.7

Dividends received from joint ventures and subsidiaries were £0.9m (2010: £0.6m).

Amounts owed to/by related parties include provisions and impairments of £0.8m in the group (2010 £0.8m) and £49.9m in the company (2010 £49.8m).

Services rendered in the year includes bad debt provisions of £0.1m in the group (2010 £0.0m) and £0.1m in the company (2010 £0.1m).

BW policy is to appoint Directors and senior members of staff to the Board of all group undertakings and other key partners to ensure that BW's interests are properly represented.

Compensation of key management personnel

Key management personnel are considered to be the directors and their remuneration is disclosed within the Remuneration Report on pages 48 to 51.

26 RESTATEMENT OF COMPARATIVES

(a) Staff costs (Note 6)

The prior year employee numbers and costs have been restated to correct a calculation error.

The average number of persons (excluding Board Members) employed during the year was:

	Group and BW	
	2009/10	2009/10
	Number	Number
	As previously stated	As restated
Total employed	1,898	1,900
Full-time equivalent	1,851	1,895

(b) Investments (Note 12) and Trade and other payables (Note 16)

BW has a number of joint venture companies, primarily involved in the development and sale of property at or near the canalside. From time to time, BW will dispose of a property to a joint venture company for the purposes of development and future sale by the joint venture. In all cases to date, BW has held a 50% interest in the joint venture entity.

Passing the property to the joint venture effectively transfers 50% ownership of the property to the other 50% partner for which BW has received cash consideration, i.e. from the point of view of the BW group, the property has only been partially disposed. Given that BW is likely to have held the property for some time, there will normally be an element of profit generated by BW on the sale of the asset. From the group's point of view, it is clear that only 50% of this profit should be recognised at the point of sale, since 50% of the property has not actually been sold outside the group. The remaining 50% will be recognised at such time as the property is sold outside the group. In previous years this has been accounted for by creating a deferred income creditor in the BW Group balance sheet. In the current year these accounts have been restated to eliminate this unrealised profit as a consolidation entry, setting it against the share of BW's investment in the net assets of the joint venture.

Investments – Joint Ventures (Note 12)
Group
The Group's share of assets and liabilities of joint ventures, which are included in the consolidated financial statements, are as follows:

	2009/10 Number As previously stated	**2009/10** **Number** **As restated**
	£m	**£m**
Non-current assets	80.3	**76.0**
Current assets	107.8	**107.8**
Share of gross assets	188.1	**183.8**
Current liabilities	(10.3)	**(10.3)**
Non-current liabilities	(95.9)	**(95.9)**
Share of gross liabilities	(106.2)	**(106.2)**
Share of net assets	81.9	**77.6**

Trade and other payables (Note 16)

	Group 2009/10	**Group** **2009/10**
	Number	**Number**
	As previously stated	**As restated**
	£m	**£m**
Other payables	8.0	**3.7**

(c) Related party transactions (Note 25)

The 2009/10 related party transactions disclosure has been reformatted to better follow the accounting standard as well as being restated to exclude intragroup related party transactions and outstanding balances which are eliminated in the preparation of the group accounts.

Group 2009/10 As previously stated	Services rendered to related party	Purchases from related party	Amounts owed (to)/ by related party
Related party	£m	£m	£m
Entities sponsored by Defra	1.0	2.2	-
Entities with directors in common	0.5	0.6	0.4
Joint ventures	0.9	-	117.6
Port of London Properties	-	-	(12.9)

BW 2009/10 As previously stated	Services rendered to related party	Purchases from related party	Amounts owed (to)/ by related party
Related party	£m	£m	£m
Entities sponsored by Defra	1.0	2.2	-
Entities with directors in common	0.5	0.6	0.4
Joint ventures and subsidiaries	0.9	-	117.6
Port of London Properties	-	-	(12.9)

Group 2009/10 As restated	**Services rendered to related party**	**Purchases from related party**	**Amounts owed (to)/ by related party**
Related party	£m	£m	£m
Entities sponsored by Defra	1.0	2.2	-
Entities with directors in common	0.5	0.6	(12.5)
Joint ventures	1.3	(1.6)	1.4

BW 2009/10 As restated	**Services rendered to related party**	**Purchases from related party**	**Amounts owed (to)/ by related party**
Related party	£m	£m	£m
Entities sponsored by Defra	1.0	2.2	-
Entities with directors in common	0.5	0.6	(12.5)
Joint ventures	2.6	(3.3)	92.4
Subsidiaries	0.6	-	5.7

BW SCOTLAND ACCOUNTS

Income statement for the year to 31 March 2011	2010/11 £m	2009/10 £m Restated*
Direct Income	6.0	6.2
Scottish Government Grant	11.5	11.8
Total Revenue	17.5	18.0
Major infrastructure works	(2.1)	(2.1)
Staff costs	(6.3)	(6.5)
Depreciation	(0.5)	(0.2)
Other operating charges	(9.3)	(9.9)
Total Expenditure	(18.2)	(18.7)
Operating deficit	(0.7)	(0.7)
Share of operating profits and losses of BW National joint ventures	0.7	0.7
Profit on sale of investment properties	0.4	0.3
Revaluation of investment properties	0.1	0.8
Surplus for the financial year before tax (transferred to BW Group reserves)	0.5	1.1

* The allocation of costs in 2009/10 between England & Wales and Scotland has been restated to remove the £0.7m share of profits and losses of BW National joint ventures which were incorrectly duplicated and understated the other operating charges in Scotland (see also Note 2 to these accounts).

Balance Sheet as at 31 March 2011	2010/11 £m	2009/10 £m
Non-current assets		
Tangible assets	17.4	17.5
Investments in joint ventures	-	-
Share of BW National joint ventures	10.0	10.0
	27.4	27.5
Current assets		
Debtors	1.2	1.0
Cash at bank and in hand	2.1	1.5
	3.3	2.5
Current Liabilities		
Creditors: Amounts falling due within one year	(3.5)	(2.6)
Non-current liabilities		
Deferred capital grant	(0.7)	(0.7)
Net assets	26.5	26.7
Financed by		
Investment property revaluation reserve	5.6	5.7
Realised capital reserve	9.5	8.7
Funding from BW*	11.4	12.3
	26.5	26.7

* Funding from BW includes accumulated profit and loss reserves generated in Scotland.

Further analysis of the BW Scotland income statement is disclosed in Note 2 to these accounts.

Notes to BW Scotland Accounts

Tangible fixed assets (net book value)	2010/11 £m	2009/10 £m
Freehold land, buildings and operational structures	4.4	4.5
Freehold land, buildings and investment structures	10.9	10.8
Capital plant and equipment	2.1	2.2
	17.4	17.5

Investments in joint ventures

In April 2008 agreement was reached between BW, the Scottish Government and Defra to invest additional commercial capital in Scottish projects. The method of delivery included allocating a £10m notional share of the joint ventures carried on nationally by BW in England, Wales and Scotland. Under this agreement BW Scotland receives a fixed return of 7% per annum on its notional £10m investment.

BRITISH WATERWAYS ACCOUNTS DIRECTION

GIVEN BY THE SECRETARY OF STATE FOR THE DEPARTMENT FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS IN RESPECT OF THE ANNUAL ACCOUNTS

The Secretary of State for Environment, Food and Rural Affairs in exercise of the powers conferred by section 24 of the Transport Act 1962 and of all other powers enabling him in that respect, and with the approval of the Treasury and Scottish Ministers, hereby makes the following direction.

1. The annual accounts, which the British Waterways Board (hereinafter referred to as British Waterways) has a duty to prepare in respect of each accounting year ending on 31 March (or such other accounting date as the Secretary of State with the approval of the Treasury and Scottish Ministers may direct) shall comprise:

(a) in respect of British Waterways and its subsidiaries
 (i) a Board Members' report;
 (ii) a Group statement of comprehensive income for the period;
 (iii) a Group statement of changes in equity for the period;
 (iv) a Group balance sheet; and
 (v) a Group cash flow statement for the period.

(b) in respect of British Waterways (public corporation)
 (i) statement of comprehensive income for the period;
 (ii) a statement of changes in equity for the period;
 (ii) a balance sheet; and
 (iii) a cash flow statement for the period.

Including in each case such notes as may be necessary for the purposes referred to in paragraph 2 below.

2. The annual accounts referred to above shall give a true and fair view of the profit or loss, state of affairs and cash flows of British Waterways and its subsidiaries. Subject to the foregoing requirements, without limiting the information given, and save as described in Schedule 1 to this direction, the annual accounts shall also, where applicable, comply with:

(a) International Financial Reporting Standards as adopted by the European Union;
(b) the accounting and disclosure requirements of companies legislation currently in force;
(c) the accounts disclosure requirements of the Financial Services Authority listing rules section 9.8; and
(d) any additional disclosure or accounting requirements that the Treasury may issue from time to time in respect of public corporations' accounts.

3. The balance sheet shall be prepared under the historical cost convention modified by the revaluation of investment properties.

4. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 to this Direction. The annual accounts shall include the information set out in Schedule 2 to this direction.

5. The Direction shall be reproduced as an annex to the annual accounts.

6. The Direction issued in April 2008 is hereby revoked.

Dated 31 March 2010
Signed by authority of the Secretary of State

SARAH NASON
A Senior Civil Servant in the Department for Environment, Food and Rural Affairs

Schedule 1

In the income statement, the profits and losses on non-operational property activities shall be transferred to capital reserves.

Schedule 2

(I) The board members' report shall
 (a) contain the information which the Companies Act 2006 requires to be disclosed in the directors' report, where appropriate;
 (b) state that the accounts have been prepared in a form directed by the Secretary of State with the approval of the Treasury and Scottish Ministers in accordance with Section 24 of the Transport Act 1962: and
 (c) include a brief history and statutory background of British Waterways.

(II) The annual accounts, or the notes thereto, shall disclose: the turnover and other operating income, operating costs, each analysed as follows:
 (i) British Waterways' subsidiary companies
 (ii) British Waterways' share of joint ventures and associates

(III) The annual accounts shall also disclose details of:
 (a) rents receivable for the year showing separately rents from investment property and rents from other property;
 (b) interests during the year in other transport undertakings and other trade investments;
 (c) government grant received during the year reconciled to income from grant as shown in the profit and loss account;
 (d) indebtedness to the Secretary of State (National Loans Fund) at the year end including details of maturity dates, interest rates and information about the use of British Waterways' borrowing powers.
 (e) the chairman's and board members' emoluments for the year provided written consent has been obtained to disclosure under the Data Protection Act 1998 and if consent to disclosure is withheld then a statement to that effect against the name of the individual (this consent is not required where a requirement to disclose is a condition in the employment contract).

FIVE YEAR SUMMARIES

	Group				
	2010/11	2009/10	2008/09	2007/08	2006/07
INCOME STATEMENT	**£m**	£m	£m	£m	£m
Direct income from:		Restated			
Property	**55.6**	52.8	61.7	55.3	55.0
Leisure uses	**27.1**	27.4	24.9	22.4	20.5
Water sales	**4.6**	4.3	5.0	4.2	4.1
Retail sales	**4.8**	5.1	5.6	5.6	-
Funding from third parties towards restoration	**0.9**	2.9	18.1	17.2	5.3
Funding from third parties towards waterway maintenance and repair	**17.7**	17.7	24.2	31.9	12.1
Other income	**6.9**	6.7	9.5	14.6	19.8
Direct income	**117.6**	116.9	149.0	151.2	116.8
Government grant	**58.9**	70.2	74.3	67.9	72.1
Total revenue	**176.5**	187.1	223.3	219.1	188.9
Operating (deficit) / surplus	**(3.7)**	(5.3)	5.6	(1.5)	(0.4)
Share of profits and losses from joint ventures	**(1.8)**	(18.3)	(33.3)	(2.4)	7.3
Profit on sale of investment properties	**10.4**	4.0	4.7	13.1	8.3
Gain / (loss) on revaluation of investment properties	**4.4**	7.8	(66.4)	17.2	44.1
Profit on sale of asset held for sale	**0.6**	1.3	-	6.3	-
Net finance cost	**(4.6)**	(7.8)	(3.4)	(0.2)	(0.4)
(Deficit) / surplus before taxation	**5.3**	(18.3)	(92.8)	32.5	58.9
Taxation	**11.6**	2.9	19.9	3.8	(11.5)
(Deficit) / surplus after taxation	**16.9**	(15.4)	(72.9)	36.3	47.4

BALANCE SHEET					
Assets employed					
Non-current assets	**558.0**	553.5	564.7	672.5	646.4
Non-current assets held for sale	**3.5**	3.1	10.8	-	-
Current assets	**115.4**	113.1	117.4	124.0	104.5
Total assets	**676.9**	669.7	692.9	796.5	750.9
Current liabilities	**(84.2)**	(80.4)	(94.1)	(107.9)	(92.4)
Non-current liabilities					
Other Payables	**(62.3)**	(60.0)	(60.3)	(66.4)	(52.4)
Deferred tax liabilities	**(67.1)**	(72.3)	(73.7)	(95.6)	(106.6)
Employee retirement benefits	**(59.2)**	(95.8)	(73.3)	(34.1)	(54.4)
Deferred capital grant	**(4.8)**	(5.8)	(6.8)	(7.8)	(8.4)
Debt	**(4.9)**	(5.2)	(6.0)	(6.9)	(9.9)
Total non-current liabilities	**(198.3)**	(239.1)	(220.1)	(210.8)	(231.7)
Total liabilities	**(282.5)**	(319.5)	(314.2)	(318.7)	(324.1)
Net assets	**394.4**	350.2	378.7	477.8	426.8
FINANCED BY					
Equity (retained earnings and other reserves)	**394.4**	350.2	378.7	477.8	426.8

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