

British Waterways Marinas Limited

Financial statements

For the year ended 31 March 2007

Grant Thornton 

Company No. 4930453

Officers and professional advisers

Company registration number	4930453
Registered office	Willow Grange Church Road Watford Herts WD17 4QA
Directors	J Froomberg D Newton C Warren J A Sharman (appointed 23 April 2007) I White (resigned 30 January 2007) A Thake (resigned 23 April 2007)
Secretary	C Howells
Bankers	National Westminster Bank plc PO Box 12258 1 Princes Street London EC2R 8PA
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors No 1 Whitehall Riverside Whitehall Road Leeds LS1 4BN

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Chairman's statement

Our third year of trade has been very encouraging and the business has reaped the benefits of investments made in the early years of trade. Our pre tax profit of £452k represents a return of 10.2% on the average capital invested in our business throughout the year. In totality the returns generated for our holding company by way of profits, rents and service level agreement charges were £1.1m for the year. Throughout this year, we operated 16 marinas and we expect to add two new sites to our portfolio during the summer of 2007.

In the year to 31st March 2007 we saw revenues grow by £439k (7.7%) and profit by £251k (124%) against the same period last year.

Our main business areas continue to be:

Revenue

	2007	2006
	£	£
Moorings	2,972,429	2,499,379
Retail	1,170,354	1,219,207
New Boat Sales	548,340	809,071
Boat Management Fees	347,350	320,987
Brokerage Fees	381,003	296,268
Repairs, Lifting and Hardstanding	251,407	244,184
Other Income	447,215	289,829
	<u>6,118,098</u>	<u>5,678,925</u>

Part of this growth was due to our acquisition in June 2006 of the 200 berth marina at Glasson, where we anticipate making further investments in the next four years. Like for like we saw revenues advance by 0.5% and profit by 89%. This growth was mainly as a result of improvements in our moorings business, where we achieved a revenue increase of 18.9%. However the new boat sales and chandlery markets proved challenging and our revenue from these activities decreased by 17.5%. We did see strong growth in our brokerage business of 28.6% which we believe demonstrates an underlying strong interest in boats and the waterways.

Our results remain in line with our original business plan at our formation in January 2004, and we are optimistic that the business will continue to grow for the foreseeable future. Our focus remains on providing good quality facilities and value for money for our customers, while also providing a safe and pleasant environment at all our sites for our customers, employees and the general public. To this end we have strengthened our engineering team during the year to reinforce our efforts in health and safety at all our marinas.

Our plan is to bring additional marinas to our group, to be delivered through development opportunities and acquisition of appropriate new sites.

During the period, we invested £855k to increase facilities available across our existing portfolio, as well as our additional investment for the acquisition at Glasson. As part of this investment we created 66 new moorings at two of our existing marinas.

At 31 March 2007 the business has a total of 2437 moorings available for customers, with occupancy

Chairman's statement (continued)

across all sites at 92% compared with 88% at 31 March 2006. We have this year re-classed 139 moorings across our portfolio as unavailable for customers where we have rafted craft up or reserved berths for our brokerage activity.

With the addition of, and development at, the two new sites and the addition of a further 52 berths at 3 of our current portfolio, we expect to manage in the region of 2800 moorings by the end of 2007/8.

During the financial year BWML piloted a new "Platinum" mooring product at Sawley Marina. This product is aimed at customers who require an increased level of service and facility with their mooring and this has proved to be successful with 28 moorings created and released to market. We anticipate rolling this product out to other marinas in our portfolio. At the time of writing some 17 of these moorings were taken up by our customers.

As we drive towards the highest standards in customer service, our intention remains that we should obtain RYA Customer Charter recognition at all of our sites. In the year we have been awarded and received the charter at 5 of our sites, and we have been further recommended by our customers and await the certification at 7 sites. We are continuing to work with our customers and the RYA at the remainder of our sites.

As a wholly owned subsidiary of British Waterways we will continue to monitor our mutual relationship which is subject to regular review from the Fair Trade Committee of the Board of British Waterways, established to ensure there is no cross-subsidy between ourselves and our holding company or any other unlawful competitive advantage arising from that relationship. We seek to ensure that at all times we operate in accordance with generally accepted best business practice, particularly in the field of Fair Trading with regard to both competitors and customers.

BWML now employs some 79 staff throughout the group. The efforts of our staff have been a major factor in the continued growth of the business. The hard work and commitment shown is greatly appreciated by myself and the board of BWML.

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2007.

Principal activities and business review

The principal activity of the company during the year was that of marina operations.

The key performance indicators of return on average capital employed of 10.2% (2006 6.5%) and the moorings occupancy at 92% (2006 88%) were at target for the year.

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

Results and dividends

The profit for the year, after taxation, amounted to £326,454. The directors have not recommended a dividend.

Financial risk management objectives and policies

The company uses various financial instruments that include cash and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk.

Liquidity risk

The company manages financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest surplus cash safely and profitably. BWML funding where necessary is via share capital issue to its holding company British Waterways (BW). Such investments by BW are made in accordance with its corporate hurdle rate and business objectives.

Interest rate risk

The company does not require bank or other borrowings and as a result the directors do not consider the company's exposure to interest rate risk to be material.

Credit risk

In order to manage credit risk, the directors have instituted a process at each of its marina sites of review of all debtors by the marina manager on a two weekly basis. Individual customer accounts are also subject to review and action where necessary by the credit controller on a regular basis with reference to debt ageing and collection history.

Directors

The directors who served the company during the year and up to the date of this report are listed on page 1.

No director held any interests in shares of the company during the year. James Froomberg is also an executive director of the parent company British Waterways Board.

Report of the directors

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial

statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

PricewaterhouseCoopers LLP resigned as auditors on 29 August 2006 and Grant Thornton UK LLP were appointed in their place.

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

D Newton
Director
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Report of the independent auditor to the members of British Waterways Marinas Limited

We have audited the financial statements of British Waterways Marinas Limited for the year ended 31 March 2007 on pages 11 to 19. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's statement that is cross referred from the Business Review section of the Report of the Directors.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Report of the independent auditor to the members of British Waterways Marinas Limited (continued)

Basis of opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LEEDS

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Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flow statement

The company is a wholly owned subsidiary of British Waterways Board, a public corporation, and is included in the consolidated financial statements of British Waterways Board which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996).

Related parties transactions

Although the company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the British Waterways Board group, it has elected to do so in note 14 of these financial statements.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised and classified as an asset on the Balance Sheet. Amortisation is not provided in respect of goodwill as the useful economic life is deemed to be indefinite. The board members consider that the departure from the statutory accounting rules is necessary to provide a true and fair view and the comply with Financial Reporting Standard No. 10.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Long Leases	The unexpired lease term
Pontoons	25 years
Vessels	25 years
Other plant including cranes and hoists	10 years
Operational vehicles, computer and office equipment	5 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company participates in the pension scheme of its parent company, British Waterways Board. The scheme is a centrally administered funded defined benefit scheme.

It is not possible for the scheme to identify the company's share of the underlying assets and liabilities of the scheme and hence, in accordance with FRS 17, contributions to the scheme are accounted for as though it was a defined contribution scheme.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Profit and loss account

	Note	2007 £	2006 £
Turnover	1	6,118,098	5,678,925
Other operating charges	2	(5,684,692)	(5,497,955)
Operating profit	3	433,406	180,970
Interest receivable		19,048	20,795
Profit on ordinary activities before taxation		452,454	201,765
Tax on profit on ordinary activities	6	(126,000)	(74,919)
Profit for the financial year	16	326,454	126,846

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2007 £	2006 £
Fixed assets			
Intangible assets	7	784,999	–
Tangible assets	8	4,611,354	2,787,214
		<u>5,396,353</u>	<u>2,787,214</u>
Current assets			
Stocks	9	647,596	937,232
Debtors	10	1,270,603	1,289,909
Cash at bank and in hand		521,495	432,497
		<u>2,439,694</u>	<u>2,659,638</u>
Creditors: amounts falling due within one year	11	(2,641,684)	(2,054,943)
Net current (liabilities)/assets		<u>(201,990)</u>	<u>604,695</u>
Total assets less current liabilities		<u>5,194,363</u>	<u>3,391,909</u>
Provisions for liabilities			
Deferred taxation	12	(101,291)	(75,291)
		<u>5,093,072</u>	<u>3,316,618</u>
Capital and reserves			
Called-up equity share capital	15	1,466	1,321
Share premium account	16	4,659,534	3,209,679
Profit and loss account	16	432,072	105,618
Shareholders' funds	16	<u>5,093,072</u>	<u>3,316,618</u>

These financial statements were approved by the directors on
 and are signed on their behalf by:

D Newton
 Director

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	2007 £	2006 £
United Kingdom	<u>6,118,098</u>	<u>5,678,925</u>

2 Other operating charges

	2007 £	2006 £
Administrative expenses	<u>5,684,692</u>	<u>5,497,955</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2007 £	2006 £
Depreciation of owned fixed assets	146,659	88,092
Auditor's remuneration:		
Audit fees	11,750	12,250
Operating lease costs:		
Plant and equipment	5,857	27,776
Other	<u>577,652</u>	<u>561,637</u>

4 **Particulars of employees**

The average number of staff employed by the company during the financial year amounted to:

	2007	2006
	No	No
Full time	60	56
Part time	19	13
	<u>79</u>	<u>69</u>

The aggregate payroll costs of the above were:

	2007	2006
	£	£
Wages and salaries	1,627,486	1,434,028
Social security costs	125,360	108,443
Other pension costs	127,099	125,694
	<u>1,879,945</u>	<u>1,668,165</u>

British Waterways Marinas employees participate in the British Waterways Defined Benefit Pension Scheme.

It is not possible for the scheme to identify the Company's share of the underlying assets and liabilities of the scheme and hence, in accordance with FRS17, contributions to the scheme are accounted for as though it was a defined contribution scheme.

The British Waterways Defined Benefit Pension Scheme is subject to triennial independent valuation. The last such valuation was at 31st March 2004, which revealed a scheme deficit of £42.0m.

A plan has been put in place for the funding of this deficit and the impacts of this plan on the company are:

Employer contributions were set at the rate of 13.5% of pensionable pay for the year to 31 March 2007 and this rate will be ongoing.

Deficit contributions will be made by the company. These have been set at £14k per annum from 2005/6 until 2014/15. All payments after 31 March 2007 will be increased by cumulative price inflation plus 1.5% p.a.

The pension cost charge represents contributions payable by the company to the fund and amounted to £127,099. This charge includes an accrual for the payment of the estimated proportion of the group pension scheme deficit relating to BWML employees.

5 Directors

Remuneration in respect of directors was as follows:

	2007	2006
	£	£
Emoluments receivable	<u>156,131</u>	<u>146,591</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2007	2006
	No	No
Defined benefit schemes	<u>2</u>	<u>2</u>

6 Taxation on ordinary activities

(a) Analysis of charge in the year

	2007	2006
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	104,000	26,142
Over/under provision in prior year	(4,000)	(25,501)
Total current tax	<u>100,000</u>	<u>641</u>
Deferred tax:		
Origination and reversal of timing differences	26,000	109,249
Adjustment in respect of previous years:		
Deferred tax	-	(34,971)
Total deferred tax (note 12)	<u>26,000</u>	<u>74,278</u>
Tax on profit on ordinary activities	<u>126,000</u>	<u>74,919</u>

6 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 - 30%).

	2007	2006
	£	£
Profit on ordinary activities before taxation	452,454	201,765
Profit/(loss) on ordinary activities by rate of tax	135,736	60,530
Expenses not deductible for tax purposes	15,264	4,919
Capital allowances for period in excess of depreciation	(47,000)	(39,307)
Adjustments to tax charge in respect of previous periods	(4,000)	(25,501)
Total current tax (note 6(a))	100,000	641

7 Intangible fixed assets

	Goodwill
	£
Cost	
Additions	784,999
At 31 March 2007	784,999
Amortisation	
At 1 April 2006 and 31 March 2007	—
Net book value	
At 31 March 2007	784,999
At 31 March 2006	—

8 Tangible fixed assets

	Leasehold land and buildings £	Craft, plant & equipment £	Total £
Cost			
At 1 April 2006	1,211,515	1,718,948	2,930,463
Additions	1,299,719	671,080	1,970,799
At 31 March 2007	<u>2,511,234</u>	<u>2,390,028</u>	<u>4,901,262</u>
Depreciation			
At 1 April 2006	19,855	123,394	143,249
Charge for the year	40,815	105,844	146,659
At 31 March 2007	<u>60,670</u>	<u>229,238</u>	<u>289,908</u>
Net book value			
At 31 March 2007	<u>2,450,564</u>	<u>2,160,790</u>	<u>4,611,354</u>
At 31 March 2006	<u>1,191,660</u>	<u>1,595,554</u>	<u>2,787,214</u>

9 Stocks

	2007 £	2006 £
Finished goods	<u>647,596</u>	<u>937,232</u>

10 Debtors

	2007 £	2006 £
Trade debtors	939,078	904,672
Amounts owed by group undertakings	–	199,376
Prepayments and accrued income	331,525	185,861
	<u>1,270,603</u>	<u>1,289,909</u>

11 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	244,246	505,583
Amounts owed to group undertakings	258,798	–
Corporation tax	102,824	26,142
Other taxation and social security	–	1,523
Other creditors	303,628	138,013
Accruals and deferred income	1,732,188	1,383,682
	<u>2,641,684</u>	<u>2,054,943</u>

12 Deferred taxation

The movement in the deferred taxation provision during the year was:

	2007 £	2006 £
Provision brought forward	75,291	1,013
Profit and loss account movement arising during the year	26,000	74,278
Provision carried forward	<u>101,291</u>	<u>75,291</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2007 £	2006 £
Excess of taxation allowances over depreciation on fixed assets	<u>101,291</u>	<u>75,291</u>

13 Commitments under operating leases

At 31 March 2007 the company had annual commitments under non-cancellable operating leases as set out below.

	2007		2006	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	-	-	1,672
Within 2 to 5 years	-	16,112	-	11,881
After more than 5 years	567,396	-	697,702	2,520
	<u>567,396</u>	<u>16,112</u>	<u>697,702</u>	<u>16,073</u>

14 Related party transactions

For the year ended 31 March 2007, the business paid rent totalling £545,512 (2006 : £561,637) and service level agreement charges totalling £104,000 (2006 : £81,000) to British Waterways Board (parent undertaking). The business also received commission on sales of craft licences totalling £8,212 (2006 : £12,036).

15 Share capital

Authorised share capital:

	2007 £	2006 £
2,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

Allotted, called up and fully paid:

	2007		2006	
	No	£	No	£
Ordinary shares of £1 each	<u>1,466</u>	<u>1,466</u>	<u>1,321</u>	<u>1,321</u>

The company made an allotment of 145 ordinary £1 shares during the year. The difference between the total nominal value of £145 and the total consideration of £1,450,000 has been credited to the share premium account.

16 Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Share premium account £	Profit and loss account £	Total share- holders' funds £
At 1 April 2005	1,290	2,899,710	(21,228)	2,879,772
Profit for the year	–	–	126,846	126,846
Other movements				
New equity share capital subscribed	<u>31</u>	<u>309,969</u>	–	<u>310,000</u>
At 31 March 2006 and 1 April 2006	1,321	3,209,679	105,618	3,316,618
Profit for the year	–	–	326,454	326,454
Other movements				
New equity share capital subscribed	<u>145</u>	<u>1,449,855</u>	–	<u>1,450,000</u>
At 31 March 2007	<u>1,466</u>	<u>4,659,534</u>	<u>432,072</u>	<u>5,093,072</u>

17 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £138,953 (2006 - £186,934).

18 Ultimate parent company

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