Annual Report & Accounts 2013/2014

Scottish Canals

British Waterways Annual Report & Accounts 2013/2014

Accounts presented to the Scottish Parliament pursuant to section 24 (3) of the Transport Act 1962 as amended by The British Waterways Board (Transfer of Functions) Order 2012, article 2(2) and paragraph 15 of Schedule 2 and article 5(1) and paragraph 3 of Schedule 4.

Annual report presented to the Scottish Parliament pursuant to section 27 (8c) of the Transport Act 1962 as amended by The British Waterways Board (Transfer of Functions) Order 2012, paragraph 17(5) of Schedule 2.

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Directors' Report

Directors
The following directors have held office since 1 April 2013:

Non-executive directors

Dr Jon Hargreaves CBE	(Chairman)
Duncan Sutherland	
Tanya Castell	
Geoff Aitkenhead	
Martin Latimer	

Executive directors

Steve Dunlop	(Chief Executive Officer)
David Lamont	
Katie Hughes	
Debs Hurst	(resigned 27 June 2013)
Richard Millar	(appointed 1 October 2013)
Claire Lithgow	(appointed 1 October 2013)

The non-executive directors and Chief Executive Officer comprise the Board of Scottish Canals.

Jon Hargreaves stepped down as the Chairman of Scottish Canals on 31 March 2014. Jon initially joined the Board of British Waterways Board in April 2008 and became the first Chairman of Scottish Canals in July 2012. He has played a pivotal role in the organisation's transition from cross-border to wholly Scottish public body and his contribution and commitment to Scottish Canals helped lay the foundations for the new organisation.

Andrew Thin was appointed as Scottish Canals' new Chairman, effective from 1 April 2014.

Statement of Directors' Responsibilities
The directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit and Risk Committee, the Board considers the report and accounts, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for stakeholders to assess the organisation's performance, business model and strategy.

Company law requires the directors to prepare financial statements for each financial year. The accounts are prepared in accordance with International Financial Reporting Standards as determined by the Direction by the Scottish Ministers. Under company law the directors must not approve financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the organisation and of the surplus or deficit of the organisation 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the organisation's transactions and disclose with reasonable accuracy at any time the financial position of the organisation and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for taking reasonable steps to safeguard the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employees
Scottish Canals places considerable value on engagement with 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 a process of regular team meetings allowing the two-way flow of information between management and employees and employee newsletters.

Scottish Canals has common terms and conditions of employment and single table bargaining with employee representatives through a National Forum for all employees. 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.

Scottish Canals, as a public sector body, complies with Scottish Government pay guidelines issued by the Pay Policy Unit.

Scottish Canals is committed to continually improving its performance in relation to Health, Safety & Wellbeing, supported by our strategy and action plan to put our policy into practice on a day-to-day basis. The policy is reviewed annually by the Board. Through an extensive safety awareness campaign, safety briefings and ongoing training, awareness of health and safety is being encouraged and increased among employees. We also recognise the importance of our health and safety commitments, not only to our employees, but also to our contractors, volunteers and visitors.

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

Statement of disclosure to auditors
So far as the directors are aware, there is no relevant audit information of which the organisation's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the organisation's auditors are aware of that information.

On behalf of the Board

N Christie
Secretary to the Board
26 June 2014

Strategic Report

Principal activities and review of the business
The principal activities of the organisation continued to be the provision of canal moorings and licences, rental income, retail services and regeneration.

Scottish Canals, the operating name of the British Waterways Board, has operated as a standalone public body in Scotland since July 2012. The British Waterways Board was established by the Transport Act 1962 and is responsible to Transport Scotland, an agency of the Scottish Government.

Scottish Canals cares for five canals in Scotland: the Forth & Clyde, Union and Monkland Canals in the Lowlands, the Crinan Canal in Argyll, and the Caledonian Canal in the Highlands. Scottish Canals receives grant-in-aid funding from the Scottish Government and delivers a valuable contribution to the Scottish Government's strategic objectives essential to enhancing the quality of life in Scotland.

Scottish Canals works with a broad range of public, private and third sector partners to raise awareness of the contribution the waterways make to Scotland's economic and social prosperity as well as to stimulate economic regeneration in key locations throughout the network and to generate income for reinvestment in the waterways for the benefit of the millions who visit and care for the waterways every year.

Principal risks and uncertainties
The principal risks and uncertainties are set out within the Corporate Governance Statement.

The Directors consider the effective management of Health, Safety and Wellbeing of our employees, contractors and customers to be the principal risk to Scottish Canals. There is a robust regime in place to mitigate the potential impact of this risk.

The Directors consider the effective management of short-term working capital requirements to be the principal financial risk. They believe there are sufficient measures in place to manage this risk.

Analysis of development and performance
On 31 March 2014, Scottish Canals completed its first full financial year since becoming a stand-alone public body and, as well as being successful, the past 12 months also marked a major change for the organisation.

In this financial year, Scottish Canals launched a new vision under the banner of 'Safeguarding our heritage, building our future', which set out the organisation's ambitions to improve the lives of the people who live, work and do business along Scotland's canals. With a focus on growth, it set out Scottish Canals' plans to stimulate demand for a range of water and land-based activities, both on and along the canals, develop innovative products and services which people choose to buy and generate income which can be reinvested into preserving these 250 year-old assets for future generations to enjoy.

This year saw the vision become embedded into all aspects of the organisation, from HR and communications to project delivery and evaluation. It also formed the basis of Scottish Canals' first Corporate Plan, which was developed throughout the year and will be launched in 2014. This will set out the direction of travel for the organisation over the next three years, aligning spend with activity and desired outcomes.

As well as establishing Scottish Canals' corporate identity, the past 12 months have also seen the completion of a number of high-profile long-term projects, the most notable being the Kelpies. These two colossal 30-metre high horses head sculptures form part of the £43 million Helix project which has transformed 350-hectares of land between Falkirk and Grangemouth into a lagoon, wetland, event space, new canal extension and 27 kilometres of paths. The completion of the Kelpies marks a major milestone in The Helix, a successful partnership between Falkirk Council, The Big Lottery Fund and Scottish Canals which began seven years ago. Third party financial contributions to this project are recognised as Donated Assets on the balance sheet. When The Helix is officially opened in 2015, Scottish Canals will have invested £7.6 million in the project, which is expected to attract 350,000 visitors per year and inject £1.5 million annually into the local economy.

Another highlight of 2013-14 was the £4.2 million of shovel ready funding from the Scottish Government, which was invested in a number of high-profile projects that will not only act as a catalyst for regeneration but create jobs that benefit local people. These include The Helix, Living on Water residential moorings, the refurbishment of Bowling Harbour and the construction of Pinkston Watersports in North Glasgow.

By establishing successful partnerships with local communities as well as public, private and third sector organisations, Scottish Canals has levered in additional funding and support to ensure that these – and other projects – contribute to Scotland's economic, social and environmental prosperity.

With 22 million visits per year from cyclists, walkers, kayakers and, of course, boaters – many of whom travel to Scotland's canals from Northern Europe and beyond – introducing commercial activity that both meets and stimulates this demand has been another key focus for Scottish Canals in 2013-14.

In 2013-14, Scottish Canals expanded its holiday cottage and barge portfolio and launched new canal-related products and services, including an iconic Scottish Canals' tweed. This year also saw the introduction of additional residential moorings in Edinburgh, Inverness and Glasgow to get more residential boaters living on the water. By generating income that can be reinvested back into the canal network, Scottish Canals continues to protect the scheduled ancient monuments entrusted to its care.

Key performance indicators
There is a suite of key performance indicators across all areas of the business that help us measure and manage our performance in the delivery of our individual, operational, commercial and corporate goals. Scottish Canals believe that key performance indicators are a useful tool to drive improvements in the key measures that are important to the organisation and also to help identify process issues that need to be addressed. Throughout the course of the year, the Board and executive management team focused on revenue, operating expenditure and the break even position as the primary financial KPIs. As the organisation continues to grow and evolve, we are committed to publishing those KPIs which are directly relevant to our stakeholders on our corporate website whilst using the internal measures to drive continuous improvement and Best Value in our processes, performance and operational delivery.

Results
The results for the year are set out on pages 19 to 56.

Scottish Canals is delighted to report a total comprehensive income for the year ended 31 March 2014 of £7,000. This is in line with the expectation to return a break even position detailed within the annual budget and as agreed by the Board and Scottish Government prior to the start of the financial year.

Future developments
Scottish Canals has continued to review its processes and procedures throughout the past year to ensure that it is operating robust business systems, is achieving excellent value for money and is focused on delivery. The organisation has sound project management and a detailed analysis of inputs, outputs and longer term outcomes which are tracked via independent research. These are measured through a comprehensive set of KPIs which will continue to evolve and be reviewed by the Scottish Canals' Board on a regular basis.

Through partnership working and, as clearly demonstrated through the commitment to the communities through which the canals flow, our aims and ambitions for the future will be underpinned by our three strategic principles – building stronger communities, attracting new customers and income and working with empowered and motivated people.

In all, 2013-14 has been a productive year that not only showcased the breadth and scale of Scottish Canals' activity coupled with the innovation, enthusiasm and skills of the team, but also demonstrated sound business management. This has ensured the organisation is well-placed to deliver its ambitious objectives in the future, as set out within the 2014-17 Corporate Plan.

Policy and practice on payment of creditors
Scottish Canals aims to pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the Scottish Public Finance Manual and in doing so seeks wherever possible and appropriate to meet the Scottish Government's target for the payment of invoices within 10 working days of their receipt. Creditor days amounted to 45.

N Christie
Secretary to the Board
26 June 2014

Corporate Governance Statement

The Board has a collective responsibility for maintaining a sound system of corporate governance and internal control that supports the achievement of Scottish Canals' policies, aims and objectives whilst safeguarding public funds and assets.

As Accountable Officer and Chief Executive Officer, I am personally responsible for the duties specifically assigned to me including:

- ensuring the propriety and regularity of Scottish Canals' finances and that there are sound and effective arrangements for internal control and risk management;

- ensuring that the resources of Scottish Canals are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value;

- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the Scottish Public Finance Manual (SPFM);

- signing the annual accounts and associated governance statements;

- ensuring that the Executive Directors have completed satisfactory assurance statements.

In addition I have a statutory duty to obtain written authority from the Chair of the Board before taking any action which he considers would be inconsistent with the proper performance of the Accountable Officer functions.

Governance Framework
Throughout the financial year Scottish Canals operated under an organisational structure with clearly defined lines of authority and accountability.

The Board comprises five non-executive members, including the Chair and the Vice Chair, and the Chief Executive Officer. It held nine Board meetings during the financial year to review Scottish Canals' operational and financial performance compared to plan, business strategy and risk management. In addition it undertook a high level of scrutiny of Health and Safety issues. The Board has agreed a policy of requiring matters to be reported to the Board unless within the powers delegated by the Board.

Scottish Canals maintains an ongoing dialogue at all levels within Scottish Government. The Board meets the Minister annually to review key business results and future plans. The Chair and Chief Executive Officer meet with officials from the Scottish Government to discuss a range of business issues twice per year and members of the Executive team meet Scottish Government officials quarterly.

Reporting to the Board are the Executive Directors who have responsibility for the management of Scottish Canals, and the Board Committees detailed below which scrutinise certain areas of activity in greater depth and make recommendations to the Board. The work of the Remuneration Committee is considered in the Directors' Remuneration Report on pages 13 to 15.

Audit and Risk Committee
The Audit and Risk Committee, chaired by Tanya Castell, a non-executive member with financial services background and extensive risk and regulatory expertise, comprises two other non-executive members: Geoff Aitkenhead and Martin Latimer. The Committee reviews the financial reports of Scottish Canals and considers the results of the Auditor's opinion and review of the financial controls. It meets with management and with internal and external auditors to review the effectiveness of internal controls and business risk management. The Committee adheres to the requirements of the Audit Committee Handbook.

Property and Commercial Committee
The Property and Commercial Committee, chaired by Duncan Sutherland, a non-executive member with a property development and regeneration background, comprises two other non-executive members: Martin Latimer and Tanya Castell. The Committee provides a non-executive strategic oversight of the property and commercial business of Scottish Canals including advice, recommendations and reports to the Board on acquisition, disposal, development and management strategies.

Board and Committees
Attendance by members at the Board and the three Board committees for the financial year to 31 March 2014 is shown in the table below.

Name	Board		Audit & Risk Committee		Remuneration Committee		Property & Commercial Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Jon Hargreaves	9	9	-	-	4	4	-	-
Geoff Aitkenhead	9	5	4	4	4	2	-	-
Tanya Castell	9	9	4	4	4	4	7	7
Steve Dunlop*	9	9	-	-	-	-	-	-
Martin Latimer	9	9	4	4	4	4	7	7
Duncan Sutherland	9	6	-	-	4	1	7	7

*Chief Executive Officer

Board and Committee Performance
Formal annual evaluation processes are in place for all non-executive Board members including the Chair. Induction and ongoing training is provided for non-executive Board members.

Compliance
Throughout the financial year and up to the date of approval of the Annual Report and Accounts, Scottish Canals complied with the Framework Document, the accountability and governance framework, including delegated financial authority limits, issued by Scottish Ministers in June 2013 to contribute to the Scottish Government's primary purpose of increasing sustainable economic growth. In addition, Scottish Canals complied with the Scottish Public Finance Manual (SPFM) which sets out the relevant statutory, parliamentary and administrative requirements, unless amended by the Framework Document, and the relevant sections of the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 (as amended in September 2012).

Code of Conduct
Scottish Canals has in place a Code of Conduct for Board Members, as approved by the Scottish Ministers. In compliance with the Ethical Standards in Public Life, etc. (Scotland) Act 2000, Scottish Canals' Code of Conduct for Board Members is published on our website, together with the Board Members' Register of Interests.

Risk and Internal Control

Internal Control Framework
Scottish Canals complied with the continuing policies, processes and procedures of The British Waterways Board which have been in place for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts. As agreed by the Board, a twenty four month programme to review every continuing policy, procedure, process document, guidance note, and standing order

from The British Waterways Board to create a suite of documents for operational management for all areas of the business suitable for the size of Scottish Canals is underway and progress is reported to the Audit and Risk Committee at each quarterly meeting.

Approach to Risk Management

The SPFM requires all public bodies to maintain a risk management system which complies with its guidelines. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve Scottish Canals' aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. As part of Scottish Canals' commitment to continuous improvement, the Audit and Risk Committee and Executive Directors together with our newly appointed internal auditors, BDO, reviewed the risk management arrangements within Scottish Canals as part of the 2013-14 Internal Audit Plan. Following this review the Board approved a risk management policy, strategy and assurance framework including risk appetite statements in accordance with good practice.

The risk management system includes processes for the identification, assessment and mitigation of risk. Reporting and review of risk is undertaken at corporate, departmental and project level. Each risk has a designated owner and actions are taken to manage the risk accordingly. As new or changed risks emerge they are identified, reviewed for alignment with the business planning process, reported to the Executive team and added to either the corporate, departmental or project risk register, as appropriate, together with an action plan to address the risk. Consequently, all corporate level risks are actively managed, reviewed and updated and reported to the Audit and Risk Committee on a quarterly basis. All major risks are reported to the Board.

Internal Audit

Scottish Canals employs the services of independent auditors, BDO, to report on the adequacy and effectiveness of Scottish Canals' system of internal control together with recommendations for improvement. The work of the internal auditors is informed by an analysis of the risk to which Scottish Canals is exposed. An Internal Audit Plan is agreed with the Executive team and the Audit and Risk Committee. In addition to a review of Scottish Canals' risk management arrangements detailed above, during the financial year BDO undertook Internal Audits in the following areas in accordance with the Internal Audit Plan 2013-14: Review of Policies and Procedures - Continuous development of procedure manuals for staff instruction and guidance; IT General Controls; Accounts Payable; and Programme Management - Project approval, monitoring and control processes. Internal audit identified that not all laptops and mobile devices were encrypted. Management have now addressed this risk. The recommendations and progress on management action undertaken has been regularly reviewed by the Audit and Risk Committee during the year.

Following the receipt of each internal audit report and the consolidated findings, management have acted swiftly to address any weaknesses identified. With a clearly demonstrated commitment to mitigate any weaknesses found and to build a robust control environment, we believe that the organisation becomes both stronger and more effective in the delivery of its key outputs.

External Audit

The Auditor General for Scotland is responsible to the Scottish Parliament for securing the audit of the financial statements of Scottish Canals. Audit Scotland was appointed by the Auditor General for Scotland as the external auditors for Scottish Canals for the year ended 31 March 2014 in accordance with Section 24(2) of the Transport Act 1962.

Public Services Reform (Scotland) Act 2010

In accordance with the Public Services Reform (Scotland) Act 2010, Scottish Canals will publish the information on expenditure and certain other matters as required on the Scottish Canals website (www.scottishcanals.co.uk) following the publication of the Annual Report and Accounts 2013-14 in July 2014.

Conclusion
As Accountable Officer I can confirm that I am fully content with the effectiveness of Scottish Canals' existing arrangements to ensure appropriate standards of corporate governance and effective risk management.

Steve Dunlop
Accountable Officer (Chief Executive Officer)
26 June 2014

Directors’ Remuneration Report
Not audited

The terms of Board members’ appointments are determined by Scottish Ministers and for the non-executive members they are for a fixed term of three years. These contracts are terminable by the members upon serving three months written notice. The emoluments of Board members are determined by the Scottish Ministers.

The Executive Directors report to the Board but are not Board members. They have the responsibility for the management of the organisation and the development of the business strategy and policies, subject to approval and general oversight by the Board.

Remuneration Committee
The Board of Scottish Canals has established a Remuneration Committee, chaired by the Chairman, and comprising all the non-executive members. The Committee is responsible for determining and reviewing the terms of employment and remuneration of the Chief Executive Officer and the Executive Directors in line with the Scottish public sector pay policy and approves the ongoing appropriateness of the remuneration policy and practices of Scottish Canals with access to external independent advice as it sees fit.

Remuneration Policy
The Remuneration Committee’s remit is to ensure that the remuneration policy and packages offered by Scottish Canals are sufficient, taking into account Scottish Canals’ financial position and the wider remuneration context across the organisation as it aims to attract, retain and motivate a high quality team of Executive Directors who are capable of delivering the strategic goals of the organisation.

Pay and Benefits
Basic salaries are normally reviewed annually (on 1 July) and increases are determined by reference to comparative information, taking in to account the Executive Director’s contribution to the organisation during the preceding year. A discretionary feature of the remuneration package is performance related pay which may be awarded annually by reference to corporate and personal performance during the year. Such payments are normally awarded on 1 July of the year following that in respect of which they were awarded. No payments were made for the financial year ending 31 March 2014, in accordance with the Scottish Government policy on public sector pay in Scotland. Executive Directors are entitled to a company car, or an allowance in lieu of this, and medical insurance.

Pensions
Executive Directors who satisfied the eligibility criterion participate in the Waterways Pension Fund which provides a pension on a defined benefit basis based on gross salary less an amount equal to the Lower Earnings Limit for National Insurance. This scheme is now closed to new members. Those who did not meet the criterion for this scheme are eligible to join a defined contribution scheme – this flexible retirement plan is provided by Standard Life.

External Appointments for Executive Directors
The Board recognises that Executive Directors may be invited to become Non-executive Directors of other companies unconnected with Scottish Canals’ activities and that such appointments can broaden their knowledge and experience to the benefit of Scottish Canals. Providing that it does not impact on their executive duties, Directors are generally allowed to have one such appointment and retain any resulting fees. In addition, Executive Directors may also serve as a Non-executive Director of joint venture companies. In these circumstances, fees are not generally payable to Executive Directors as activities of this nature are part of their normal Scottish Canals responsibilities.

Summary of Directors' Remuneration (Audited)

The information provided below in respect of Scottish Canals Board members complies with the provision of section 412 of the Companies Act 2006, as required by the Accounts Direction of Scottish Ministers.

	Date of expiry of current term	**Contracted time (days) commitment during the year**	**Gross salary £**	**Taxable benefits £**	**Value of pensions input amount during year £**	**2014 Total £**	**2013 Total (as restated) £**
Jon Hargreaves	31/03/14	up to 42	17,530	-	-	17,530	17,530
Duncan Sutherland	25/09/15	up to 20	3,120	-	-	3,120	7,304
Tanya Castell	01/07/15	up to 20	5,740	-	-	5,740	4,832
Geoff Aitkenhead	01/07/15	up to 20	2,088	-	-	2,088	2,904
Martin Latimer	01/07/15	up to 20	5,582	-	-	5,582	5,590
Steve Dunlop*			133,825	10,073	47,474	191,372	184,430
Katie Hughes			85,850	9,301	19,605	114,756	96,179
David Lamont			82,820	7,434	19,208	109,462	92,464
Debs Hurst**			23,739	225	-	23,964	87,073
Claire Lithgow***			40,905	2,881	5,727	49,513	-
Richard Millar****			34,250	3,596	10,944	48,790	-
			435,449	**33,510**	**102,958**	**571,917**	**498,306**

Note: Katie Hughes and David Lamont were appointed Executive Directors on 02/07/12 and therefore the 2012/13 figures are for a nine month period only.
*Steve Dunlop is a member of the Board and the Chief Executive Officer
**Debs Hurst left the organisation on 27/06/13
***Claire Lithgow joined the organisation and was appointed an Executive Director on 01/10/13
****Richard Millar was appointed an Executive Director on 01/10/13

Non-executive Directors, excluding the Chair, are remunerated at a daily rate of £240 and their contracts of engagement run from July to June, out-with the financial year (April to March).

Accrued Pension

			Accrued total pension(pa) as at		Value of pensions input amount during period:	
	Normal Retirement Age	**Normal Retirement Date**	**31/03/13 £**	**31/03/14 £**	**Year to 31/03/13 £**	**Year to 31/03/14 £**
Steve Dunlop	61.5	06/02/23	12,346	15,440	41,199	47,474
Debs Hurst[1]	63	22/04/25	12,557	12,410	18,351	-
David Lamont	63	03/10/26	2,689	3,979	19,144	19,208
Katie Hughes	63	11/06/36	3,469	4,806	19,507	19,605
Richard Millar[2]	63	18/11/35	13,687	14,645	-	10,944

1. D Hurst became a preserved member of the Fund on 22 June 2013. The pension amount as at 31 March 2014 is the accrued pension on the date the member ceased pension accrual.
2. R Millar was appointed as an Executive Director on 1 October 2013. The accrued pension as at 31 March 2013 reflects his accrued pension immediately prior to appointment.

The value of pensions input amounts shown above relates to final salary benefits in the Waterways Pension Fund, a defined benefit scheme, only.

Pension payments made in respect of defined contributions schemes are as follows

	2013/14 £	**2012/13 £**
Claire Lithgow	5,727	-

N Christie
Secretary to the Board
26 June 2014

Independent Auditor's Report to the Board Members of Scottish Canals, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of Scottish Canals for the year ended 31 March 2014 under the Transport Act 1962. The financial statements comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Equity for the Year 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.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Board Members and auditor

As explained more fully in the Statement of Directors' Responsibilities in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and are also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

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 organisation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Directors; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Transport Act 1962 and directions made thereunder by the Scottish Ministers of the state of affairs of the organisation as at 31 March 2014 and of the deficit of the organisation for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Transport Act 1962 and directions made thereunder by the Scottish Ministers.

Opinion on regularity
In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

My application of materiality
We determined materiality to be £182,000 which has been set at 1% of gross operating expenditure. Our judgement is that overall performance materiality should be set at £109,000 which is 60% of planning materiality.

We have reported the total impact of all errors over £1,000 as well as the details of individual errors which we consider significant by value or nature.

My assessment of risks of material misstatement and an overview of the scope of my audit

Risks of material misstatement	**Overview of the scope of audit work to address these risks**
Accounting treatment of Helix project assets, expenditure and funding.	• Agreement of basis of accounting for Property, Plant and Equipment under IAS16 and for Government Grants under IAS20. • Review of classification, valuation, accuracy and completeness of transactions prepared by officers.
Accuracy and completeness of governance statement disclosures.	• Reviewed the governance statement presented for audit and challenged disclosures in light of internal audit findings and financial outturn for the year.
Completeness of provisions and contingent liabilities	• Review of management judgements of actual and potential liabilities • Review of board papers for events subsequent to reporting period.
Regularity of transactions, contracts and partnership agreements.	• Consideration of the break-even requirement of Section 41(2) of the Transport Act 1968. • Review of Scottish Government approval for termination payments paid in year. • Review of sample of expense claims.
Accuracy of group boundary assessment and consolidation adjustments.	• Review of management's group boundary assessment. • Review of financial results of group entities and consideration of basis for not producing consolidated financial statements.
Accuracy of actuarial and property valuations.	• Consideration of expertise and competence of actuary and valuer. • Review of assumptions used in actuarial and property valuations.

Reclassification of general moorings as investment assets.	• Consideration of whether general moorings satisfy the conditions of IAS40 - Investment Property. • Review of valuation by valuer. • Review of annual moorings income used as basis of valuation.
Risk of fraud in revenue recognition.	• Analytical review and modelling of income streams. • Substantive verification of retail and other operating income.

Opinion on other prescribed matters
In my opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Transport Act 1962 and directions made thereunder by the Scottish Ministers; and
- the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception
Under the International Standards on Auditing (UK and Ireland), I am required to report to you if, in my opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, my knowledge acquired in the course of performing my audit; or
- is otherwise misleading.

In particular, I am required to consider whether I have identified any inconsistencies between my knowledge acquired during the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and, whether the report appropriately discloses those matters that I communicated to the Audit and Risk Committee which I consider should have been disclosed.

I am also required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Corporate Governance Statement does not comply with the nine provisions of the UK Corporate Governance Code specified for auditor review by the Listing Rules.

I have nothing to report in respect of these matters.

Brian Howarth
Audit Scotland
4th Floor, South Suite, The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

27 June 2014

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR TO 31 MARCH 2014

	Note	2014 £000	2013 £000 as restated
Revenue	2	7,583	6,800
Government grant	3	8,800	8,880
Total revenue		16,383	15,680
Operating expenditure	4	(18,107)	(16,027)
Pension deficit – service cost		(190)	-
Operating deficit		(1,914)	(347)
Share of profits on investments		272	-
Gain on revaluation of investment properties		1,073	500
(Deficit)/surplus before finance and taxation charges		(569)	153
Finance income	6	386	400
Pension surplus/(deficit) – interest income/(cost)		30	(226)
(Deficit)/surplus before taxation		(153)	327
Taxation credit	7	-	400
(Deficit)/surplus for continuing operations after taxation		(153)	727
Loss on transfer of operations to Canal & River Trust		-	(439,804)
Deficit for the year		(153)	(439,077)
Transfer to capital reserves		-	(500)
Deficit transferred from reserves		(153)	(439,577)
Statement of other comprehensive income			
Deficit for the year		(153)	(439,077)
Pension re-measurements		160	(8,450)
Deferred tax associated with loss on pension liability		-	(3,820)
DEFRA contribution to defined benefit pension plan		-	25,000
Total comprehensive income/(deficit) for the year		7	(426,347)

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014

	Note	2014 £000	2013 £000 as restated
Non-current assets			
Property, plant and equipment	**9**	**38,122**	13,476
Investment property	**10**	**15,934**	13,100
Intangible assets	**11**	**-**	-
Investments	**12**	**2,832**	2,400
Trade and other receivables	**14**	**2,180**	5,800
Deferred tax assets	**7**	**99**	100
Total non-current assets		**59,167**	34,876
Current assets			
Inventories	**13**	**86**	149
Trade and other receivables	**14**	**7,888**	8,049
Cash and cash equivalents		**3,629**	1,750
Total current assets		**11,603**	9,948
Non-current assets held for sale	**10**	**-**	-
Total assets		**70,770**	44,824
Current liabilities			
Trade and other payables	**15**	**9,543**	7,108
Provisions for liabilities	**16**	**67**	100
Total current liabilities		**9,610**	7,208
Non-current liabilities			
Deferred tax liabilities	**7**	**99**	100
Deferred capital grant	**19**	**12,304**	6,915
Total non-current liabilities		**12,403**	7,015
Total liabilities		**22,013**	14,223
Net assets		**48,757**	30,601
Capital and reserves			
Reserves		**1,549**	1,549
Donated assets reserve		**18,149**	-
Retained earnings		**29,059**	29,052
Total equity		**48,757**	30,601

Approved and authorised for issue by the Board.

Andrew Thin (Chairman)
26 June 2014

Steve Dunlop (Chief Executive Officer)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2014

	2014 £000	2014 £000	2013 £000	2013 £000 as restated
(Deficit)/surplus before taxation		**(153)**		327
Items not involving the flow of cash:				
Net finance income	**(416)**		(174)	
Share of profits	**(272)**		-	
Gain on revaluation of investment property	**(1,073)**		(500)	
Depreciation	**367**		400	
Difference between pension charge and cash contributions	**190**		(300)	
Profit on sale of property, plant and equipment and non-current assets held for sale	**(11)**		-	
		(1,215)		(574)
Operating deficit before movements in working capital		**(1,368)**		(247)
Movements in working capital				
Decrease/(increase) in inventories	**63**		(100)	
Decrease/(increase) in receivables	**78**		(3,100)	
Release of government grant	**24**		-	
Increase in payables	**1,685**		4,500	
(Decrease)/increase in provisions	**(33)**		100	
		1,817		1,400
Cash generated from operations		**449**		1,153
Interest received	**431**		400	
Net cash flows from operating activities (discontinued operations)	-		1,600	
		431		2,000
Net cash flows from operating activities		**880**		3,153
Cash flows from investing activities				
Payments to acquire property, plant and equipment	**(6,280)**		(3,235)	
Payments to acquire investment property	**(1,622)**		(300)	
Proceeds from disposal of property, plant and equipment	**38**		-	
Net investments in associates and joint ventures	**(160)**		(2,400)	
Net cash flows from investing activities (discontinued operations)	**-**		(1,100)	
Net cash flows from investing activities		**(8,024)**		(7,035)
Cash flows from financing activities				
Deferred consideration from CRT	**3,658**		1,815	
Government grant received	**5,365**		2,520	
Transfer of cash balances to CRT	**-**		(47,200)	
Net cash flows from financing activities		**9,023**		(42,865)
Net increase/(decrease) in cash and cash equivalents		**1,879**		(46,747)
Cash and cash equivalents at 1 April		**1,750**		48,497
Cash and cash equivalents at 31 March		**3,629**		1,750

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR

	Retained earnings				Reserves			
	Realised capital reserve	Investment property revaluation reserve	Revenue reserve	**Total retained earnings**	Unrealised capital reserve	Capital contribution	Donated assets reserve	**Total**
	£000	£000	£000	**£000**	£000	£000	£000	**£000**
Balance at 1 April 2012	251,211	228,949	(45,461)	**434,699**	4,100	18,149	-	**456,948**
Surplus for the year after tax			727		-	-	-	**727**
Deferred tax associated with loss on pension liability			(3,820)		-	-	-	**(3,820)**
DEFRA contribution to defined benefit pension plan			25,000		-	-	-	**25,000**
Pension re-measurements			(8,450)		-	-	-	**(8,450)**
Loss arising on transfer of England and Wales operations to Canal & River Trust	(242,800)	(222,800)	46,496		(4,100)	(16,600)	-	**(439,804)**
Total comprehensive surplus/(deficit) for the year as restated	(242,800)	(222,800)	59,953	**(405,647)**	(4,100)	(16,600)	-	**(426,347)**
Net transfer between reserves:								
Property revaluation movement	-	600	(600)	**-**	-	-	-	**-**
Profit on sale of property	500	-	(500)	**-**	-	-	-	**-**
Realisation of prior years' property revaluation	900	(900)	-	**-**	-	-	-	**-**
Balance at 31 March 2013 as restated	9,811	5,849	13,392	**29,052**	-	1,549	-	**30,601**

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 in 2011/12 were from DEFRA to enable British Waterways to repay National Loans Fund loans.

Balance at 1 April 2013	9,811	5,849	13,392	**29,052**	-	1,549	**-**	**30,601**
Deficit for the year after tax	-	-	(153)	**(153)**	-	-	-	**(153)**
Pension re-measurements	-	-	160	**160**	-	-	-	**160**
Donated assets received in year	-	-	-	**-**	-	-	18,149	**18,149**
Net transfer between reserves:								
Property revaluation movement	-	1,073	(1,073)	**-**	-	-	-	**-**
Balance at 31 March 2014	**9,811**	**6,922**	**12,326**	**29,059**	**-**	**1,549**	**18,149**	**48,757**

NOTES RELATING TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of preparation and accounting convention
The financial statements have been prepared under the historic cost convention as modified by the revaluation of investment properties.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU). Under Section 24(1) (b) of the Transport Act 1962, Scottish Canals is required to prepare an annual Statement of Accounts in such form and containing such particulars as the Scottish Ministers, from time to time direct. A copy of the Accounts Direction, at present in force, is set out on pages 57 to 58.

On 14 October 2010 the UK Government announced its intention to form a new charity to care for the waterways under British Waterways' control in England & Wales. Following a public consultation on the plans, legislation was enacted to transfer the assets and liabilities and operations in respect of England & Wales to the Canal & River Trust on 2 July 2012. The Scottish Government decided that canals would remain in the public sector in Scotland. British Waterways therefore continued to operate in Scotland trading as Scottish Canals and will continue to receive grant-in-aid funding from the Scottish Government. Details of this transaction in the prior year are provided in note 8 to these accounts.

In the prior year, the Accounts Direction required the movement from retained profits to capital reserves to be presented at the foot of the Income Statement. Non-operational items were transferred to capital reserves to include the value of profits arising from the sale of property and other property rights, with the realisation of property revaluation gains, net of corporation tax and unrealised revaluation gains net of deferred tax. There is no requirement within the Accounts Direction in the current year to transfer non-operational items to capital reserves.

The following issued IFRSs and interpretations as modified by the Accounts Direction were in issue but have not been adopted by the organisation in these financial statements:

- IFRS 9 Financial Instruments (effective for annual accounting periods beginning on or after 1 January 2015)
- Amendment to IAS 19 Employment Benefits (revised November 2013) (effective for annual accounting periods beginning on or after 1 July 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities (effective for annual accounting periods beginning on or after 1 January 2014)
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities (effective for annual accounting periods beginning on or after 1 January 2014)
- Amendments to IAS 36: Disclosures for non-financial assets (effective for annual accounting periods beginning on or after 1 January 2014)
- IFRIC 21 Levies (effective for annual accounting periods beginning on or after 1 January 2014)

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

The Directors consider no consolidation is required on the basis of materiality.

Interests in joint ventures and associates
The organisation 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). IFRS 11 requires a joint venturer to recognise an investment and to account for that investment using the equity method. The notes to the accounts disclose the names of joint ventures, the nature of the business and details of the shares held by Scottish Canals. The organisation'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.

Investment in subsidiaries, associates and joint ventures
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 organisation 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 organisation. Intangible assets are amortised over the expected life of the assets and the amortisation is charged to operating expenditure in the income statement.

Impairment
The carrying values of Scottish Canals' 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 Scottish Canals.

Expenditure on repairs and renewals is charged to the income statement as it arises.

b) Property, 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
Public artworks	100 years
Waterways, reservoirs and towpaths	Between 15 and 120 years
Leasehold land and buildings	Over the term of the lease
Maintenance craft and floating plant	Between 10 and 25 years
Other plant and machinery	Between 5 and 10 years
Vehicles	5 years

Non-current assets classified as held for sale

Assets held for sale include assets that the organisation 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.

Prior year adjustment

In prior years only expenditure on additions, improvements and renewals relating to land, buildings and structures were capitalised. This did not include appropriate expenditure on the waterways, reservoirs and towpaths and on public artworks. During 2014 we completed construction of the Helix project which included expenditure, incurred by the partners to the project, on waterways and public artworks over a number of years. We revised the basis of accounting for these items after discussion with our auditor. It was also identified that expenditure on a number of shovel ready projects should also have been capitalised and so the accounting treatment of these schemes was revised. As a result of these changes the treatment of the related income was also revised to ensure this complied with the requirements of IAS20 – Accounting for Government Grants and Disclosure of Government Assistance.

Fixed assets were incorrectly stated in the financial statements for the year to 31 March 2013 and the year to 31 March 2012. The total value of the restatement is £6,668,000. The comparative figures have been restated to rectify this by reducing expenditure by £2,988,000, reducing grant income by £2,520,000, reducing funding from third parties by £300,000, increasing deferred income by £300,000 and increasing deferred grants by £6,215,000. The net effect on prior year retained earnings is an increase amounting to £153,000.

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. No depreciation is charged on investment properties. Investment properties are valued by independent, professionally certified valuers.

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 Scottish Canals 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
Organisation as a lessee

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

Organisation 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 organisation 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.

Grant of long lease over investment property

Scottish Canals 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 organisation 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 organisation 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 organisation. Revenue is measured by reference to the fair value of consideration received or receivable by the organisation 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.

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the organisation 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 judgement. This may involve estimating the fair value of consideration before it is received. When an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount or the amount in respect of which recovery has ceased to be probable is recognised as an expense.

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 organisation 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 organisation.

   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 are recognised on a point of sale 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 sale basis or an accruals basis depending on revenue class.

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 Scottish Canals' land, for example underground pipes. These agreements are for fixed time periods and 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 organisation's right to receive payment is established.

Government grants

Government grants of a revenue nature are credited to the income statement when the conditions for the receipt of the grant have been complied with and there is a reasonable assurance that the grant will be received. Grants received are split between capital and revenue, with capital amounts deferred and released to the income statement over the expected useful lives of the assets concerned.

Return on capital employed
The British Waterways Board (Transfer of Functions) Order 2012, to transfer the assets, liabilities and operations in respect of England & Wales to the Canal & River Trust became effective on 2 July 2012. Before this point, DEFRA levied a return on capital employed dividend on British Waterways in accordance with HM Treasury Consolidated Budgeting Guidance. The charge represented the notional cost to the taxpayer of having resources tied-up in public sector assets. The rate of return used up to 2 July 2012 was 7.1% (2010/11:7.1%) to represent the weighted average cost of capital in line with guidance from HM Treasury. British Waterways was targeted to break-even on revenue account therefore it did not earn sufficient profit to cover the cost of the return on capital employed dividend. The HM Treasury guidance required DEFRA to pay a subsidy to British Waterways so that it could make the payment. The Scottish Government does not impose a return on capital employed on Scottish Canals. As a result no further charges or subsidies are reflected after 2 July 2012.

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 organisation’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 organisation 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 directly in equity or 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 equity or other comprehensive income accordingly.

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

Employee benefits

a) Defined benefit pension scheme

Scottish Canals participates in the British Waterways Pension Fund, a funded defined benefit scheme that was open to all staff that commenced employment with British Waterways before 1 April 2011. Following the British Waterways Board (Transfer of Functions) Order 2012, British Waterways ceased to be the Principal Employer, but Scottish Canals remains a participating employer in the fund. Scottish Canals will continue to contribute the service contribution rate and those members of Scottish Canals' staff who wish to remain members of the Fund and accrue pension benefits under the scheme will continue to contribute a percentage of pensionable salary as determined by the Fund Actuary from time to time following actuarial valuation of the Fund. Scottish Canals has been relieved indefinitely from any obligation to make deficit repair contributions for the Scottish Canals share of the deficit on the British Waterways Pension Fund shown in an Actuary’s interim valuation of the British Waterways Pension Fund as at Completion. Scottish Canals shall be liable to make a fair share and proportionate contribution, as determined by the Scheme Actuary from time to time, towards any deficit that exceeds the valuation deficit as at Completion, between one triennial valuation and the next, commencing from the valuation carried out as at 31 March 2013.

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 organisation’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 along with differences which arise from experience or assumption changes in the period in which they occur. Further information on the defined benefit pension arrangements is set out in Note 18 to the accounts.

b) Defined contribution pension plan

Scottish Canals participates in a defined contribution pension plan for employees that commenced employment after 31 March 2011. Scottish Canals pays contributions to Standard Life who administers the pension insurance plan. Scottish Canals has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

c) 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.

The International Accounting Standards Board (IASB) made a number of changes to *IAS 19 Employee Benefits* that came into force for accounting periods on or after 1 January 2013. From 2013/14, there have been changes to how the various components of cost for defined benefit schemes are classified. Net interest on the net defined benefit liability is the change during the period in the liability that arises from the passage of time. It comprises the interest income on scheme assets and the interest cost on the defined benefit obligation. The interest is determined by multiplying the fair value of the scheme assets and net defined benefit liability by the discount rate. This net item replaces from 2013/14 the separate expected return and interest cost components.

Remeasurements of the net defined benefit liability is a new description of retirement benefit costs from 2013/14 and is recognised in other comprehensive income and expenditure. It comprises actuarial gains and losses and the return on scheme assets is interest, dividends and other income derived from the scheme assets, together with realised and unrealised gains or losses on the scheme assets, excluding amounts included in net interest and the costs of managing the scheme assets. Prior to 2013/14, this item was included in financing and investment income and expenditure in the surplus or deficit on continuing operations.

As a results of the change under this standard, Scottish Canals is required to restate the accounts for year ended 31 March 2013. The comparative figures have been restated to increase the deficit for the year, and decrease the actuarial loss, by £1,130,000, with a nil impact on the Statement of Financial Position.

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
Scottish Canals, as a public body, has neither share capital or share premium within its equity. The equity of the organisation 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
British Waterways 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. All dowries were transferred to the Canal & River Trust under the British Waterways Board (Transfer of Functions) Order 2012 effective on 2 July 2012.

Financial instruments
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 receivable

   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 present value of estimated future cashflows 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 British Waterways entered 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

British Waterways' borrowings were from the National Loans Fund; these were at a fixed rate of interest until the repayment date. British Waterways also has borrowings from Port of London Properties. These were recognised initially at fair value net of transaction costs and subsequently at amortised cost under the effective interest method. All borrowings were transferred to the Canal & River Trust under the British Waterways Board (Transfer of Functions) Order 2012 which became effective on 2 July 2012.

Provisions

A provision is recognised in the balance sheet when the organisation 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 estimated value of the expenditure expected to be required to settle the obligation at the end of the relevant period.

Critical accounting estimates

The preparation of financial statements requires the organisation 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 below:

a) Investment property valuations

The organisation 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 valuations are reviewed in the light of current market conditions each year. 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 historical external valuation data.

d) Post-retirement benefits

The determination of the pension cost and defined benefit obligation of the organisation'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 18 for further details.

Judgements made in the process of applying accounting policies

The organisation's significant accounting policies are stated above. 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

Scottish Canals often receives payments for right of access to its water space 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 Scottish Canals will provide services is a lease premium accounted over the period of the lease. Judgement is exercised in reviewing such contracts to ensure that the correct accounting is applied.

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 IFRS 5 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. Judgement is required in assessing the evidence of owner-occupation.

c) Disposal of long leaseholds

Scottish Canals 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 organisation 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 Scottish Canals' 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 REVENUE

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

Operating revenue	2014 £000	2013 £000 as restated
Sale of goods		
Water sales	**1,433**	1,300
Retail sales	**1,539**	1,500
Rendering services		
Property rents	**702**	800
Wayleaves and easements	**108**	400
Moorings	**430**	400
Boat licences	**447**	600
Funding from third parties towards waterway maintenance and repair	**2,029**	1,200
Other income from services	**895**	600
	7,583	6,800

3 GRANTS RECEIVABLE FROM CENTRAL GOVERNMENT

Grant receivable	2014 £000	2013 £000 as restated
Grant receivable from the Scottish Government comprises:		
Grant in aid	**10,000**	10,000
Shovel ready projects	**4,165**	1,400
Deferral of Capital Grant in aid	**(1,200)**	(1,120)
Deferral of Capital shovel ready projects	**(4,165)**	(1,400)
	8,800	8,880

4 EXPENDITURE

(a) Operating expenditure in the year is analysed as follows:	2014 £000	2013 £000 as restated
Major infrastructure works	**1,802**	1,547
Core waterway	**9,187**	9,000
Regeneration	**2,512**	1,700
Restoration	**-**	180
Other operating charges	**4,606**	3,600
Operating expenditure	**18,107**	16,027

Operating expenditure includes:	2014 £000	2013 £000 as restated
Depreciation of property, plant and equipment	**367**	400
Profit on sale of operational non-current assets	**11**	-
Operating lease expenses	**727**	500
Directors' remuneration	**572**	498
Fees payable to the organisation's auditor for the audit of the financial statements	**32**	20

5 STAFF COSTS

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

	2014 Number	2013 Number
Total employed	**276**	247
Full-time equivalent	**241**	218

Scottish Canals employs seasonal staff during the period April – October each year.
(b) Total employment costs

	2014 £000	2013 £000
Wages and salaries	**6,789**	6,300
Social security costs	**508**	500
Defined benefit pension contributions	**430**	200
Defined contribution pension contributions	**54**	17
Total employment costs	**7,781**	7,017

Included within total employment costs is £224,000 (2013: £183,000) accrued for annual leave entitlement at 31 March 2014.

6 FINANCE INCOME

Finance income	2014 £000	2013 £000
Bank interest receivable	**10**	-
Other interest receivable	**376**	400
Total finance income	**386**	400

7 TAXATION

Tax	2014 £000	2013 £000
Current tax	**-**	-
Deferred tax	**-**	(400)
	-	(400)

Corporation tax is calculated at 23% (2013: 24%) of the assessable profits for the year.

The total credit for the year can be reconciled to the surplus per the income statement as follows:

	2014 £000	2013 £000 as restated
(Deficit)/surplus for the financial year before tax	**(153)**	327
Tax at the UK corporate tax rate of 23% (2013: 24%)	**(35)**	79
Tax effect of expenses that are not deductible in determining taxable profits	**43**	9
Deferred tax over provided in previous years	**-**	(400)
Non-taxable income	**-**	(38)
Investment property differences between accounts and tax basis	**(247)**	(119)
Effect of tax rate change in deferred tax balances	**28**	-
Losses and timing differences not recognised	**176**	69
Tax effect of prior year adjustment	**35**	-
Total tax credit	**-**	(400)

Deferred Tax

The following are the major deferred tax liabilities/(assets) recognised by the organisation and movements thereon in the current year. Deferred tax at 31 March 2014 is calculated at 20% (2013: 23%). The main rate of UK corporation tax was reduced to 24% with effect from 1 April 2012, with a further reduction to 23% taking effect on 1 April 2013. Further rate reductions to 21% from 1 April 2014 and 20% from 1 April 2015 were substantially enacted on 2 July 2013, therefore the deferred tax provision and asset at the balance sheet date have been calculated based on a rate of 20%.

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	Accelerated tax depreciation £000	Revaluation of land and buildings £000	Retirement benefit obligations £000	Tax losses £000	Other short term differences £000	**Total £000**
At 31 March 2013	100	-	-	(100)	-	**-**
Charge to income	(1)	-	-	3	(2)	**-**
At 31 March 2014	**99**	**-**	**-**	**(97)**	**(2)**	**-**

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:

	2014 £000	2013 £000
Deferred tax liabilities	**99**	100
Deferred tax assets	**(99)**	(100)
	-	-

At the balance sheet date, the organisation has unrecognised tax losses carried forward of £1,107,000 (2013: £731,000).

8 RESULTS FROM DISCONTINUED OPERATIONS

On 14 October 2010 the government announced its intention to form a new charity to care for the waterways under British Waterway's control in England & Wales. The British Waterways Board (Transfer of Functions) Order 2012, to transfer the assets, liabilities and operations in respect of England & Wales to the Canal & River Trust became effective on 2 July 2012 and the transfer took place leaving the Scottish Canals' assets and liabilities in the British Waterways Board entity now reporting wholly to the Scottish Government.

A Memorandum of Understanding for Financial Separation was agreed between the Scottish Government and DEFRA on 26 September 2011. The agreement is expressed as a separation of the Scottish assets and liabilities from the England & Wales net assets and refers to the British Waterways Scotland balance sheet prepared under the Transparency agreement of 2008. The Memorandum of Understanding identifies the changes to that agreement for the purpose of separation.

The agreement has defined that the British Waterways Scotland assets comprise all the property, equipment, vessels, waterways, structures and fixtures that are physically and geographically located in Scotland together with the British Waterways Scotland commercial capital bank account. Other Scottish assets included on the British Waterways Scotland balance sheet comprise all debtors, prepayments, and deferred expenditure that relate to the Scottish activities and assets. Similarly the British Waterways Scotland balance sheet included liabilities for all creditors, accruals, deferred income and provisions that relate to the Scottish activities and assets.

Under the Transparency agreement the Scottish balance sheet had included a notional asset of £10,000,000 (yielding a fixed return of 7% pa) representing a stake in the British Waterways national joint ventures. In addition, the British Waterways Scotland balance sheet and accounts had not included any liability for its share of the British Waterways Pension Fund valuation deficit, which at 31 March 2010 was £65,000,000, nor had the British Waterways Scotland balance sheet included any corporation tax, PAYE, National Insurance or VAT items, which had been held centrally within British Waterways.

Cash receipts and payments relating to capital sales and purchases and capitalised additions to non-operational capital assets were funded through the British Waterways Scotland commercial capital bank account. Prior to the transfer, all cash payments and receipts on revenue account were funded through the British Waterways trading bank account, which was centralised and an integral part of the Shared Services Centre function in Leeds.

As at 31 March 2011, the British Waterways Scotland balance showed a net asset position of £26,500,000 prepared under the Transparency agreement terms summarised above.

The agreed terms were that the notional asset of £10m above would be removed and further assets and liabilities would be added and removed from the British Waterways Scotland balance sheet such that the net assets as shown in the completion accounts (prepared at the date of transfer) equalled £30,000,000 (the Agreed Net Assets) but as adjusted for various items noted in the Memorandum. Based on values at 31 March 2012, British Waterways Scotland received a commitment from the Canal & River Trust to pay £10,975,000 to Scottish Canals in six equal instalments commencing six months after completion and at six monthly intervals thereafter until the third anniversary of completion. Interest shall accrue at the rate of 5% per annum (calculated on a semi-annual basis) on the balancing amount or any part thereof that is not paid to Scottish Canals from completion until the date when paid.

Scottish Canals was relieved indefinitely from any obligation to make deficit repair contributions for the Scottish Canals' share of the deficit on the British Waterways Pension Fund shown in an Actuary's interim valuation of the British Waterways Pension Fund as at Completion. Scottish Canals shall be liable to make a fair share and proportionate contribution, as determined by the Scheme Actuary from time to time, towards any deficit that exceeds the valuation deficit as at Completion, between one triennial valuation and the next, commencing from the valuation carried out as at 31 March 2013.

	1 April – 1 July 2012 £000
Revenue	27,300
Government grant	5,900
Government return on capital employed subsidy	7,700
Total revenue	40,900
Expenditure	(33,200)
Government return on capital employed charge	(7,700)
	(40,900)
Operating surplus	-
Share of operating profits and losses of joint ventures	100
Profit on sale of investment properties	200
Revaluation of investment properties	100
Surplus before finance and taxation charges	400
Finance income	1,200
Finance charges	(600)
Surplus before taxation	1,000
Taxation	(400)
Surplus of discontinued operation after taxation	600

Effect of disposal on the financial position of the organisation

	2013 £000
Property, plant and equipment	(68,700)
Investment property	(454,600)
Intangible assets	(2,500)
Investments in joint ventures	(32,100)
Non-current trade and other receivables	(49,100)
Deferred tax asset	(15,700)
Total non-current assets	(622,700)
Inventories	(1,600)
Trade and other receivables	(38,700)
Current tax assets	(600)
Cash and cash equivalents	(54,300)
Non current assets held for re-sale	(2,400)
Current trade and other payables	67,000
Provisions for liabilities	9,500
Non-current other payables	60,600
Deferred tax liabilities	70,100
Employee retirement benefits	65,500
Deferred capital grant	3,300
Net assets and liabilities	(444,300)
Consideration received	11,000
Net cash outflow	(433,300)

9 PROPERTY, PLANT AND EQUIPMENT

	Operational freehold land, buildings and structures	Operational long leasehold land and buildings	Craft, vehicles, plant and equipment	Public artworks	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2012 – as restated	41,274	400	71,995	-	3,680	117,349
Additions – as restated	100	-	200	-	3,088	3,388
Discontinued operations - movement	(300)	600	500	-	-	800
Discontinued operations - disposal	(34,900)	(1,000)	(66,700)	-	-	(102,600)
At 31 March 2013 as restated	6,174	-	5,995	-	6,768	18,937
Depreciation						
At 1 April 2012 as restated	14,112	100	41,949	-	-	56,161
Discontinued operations - movements	300	500	-	-	-	800
Discontinued operations - disposal	(12,700)	(600)	(38,600)	-	-	(51,900)
Charge for year	100	-	300	-	-	400
At 31 March 2013 as restated	1,812	-	3,649	-	-	5,461
Net book value						
At 31 March 2013 as restated	4,362	-	2,346	-	6,768	13,476

	Operational freehold land, buildings and structures	Operational long leasehold land and buildings	Craft, vehicles, plant and equipment	Public artworks	Assets under construction	**Total**
	£000	£000	£000	£000	£000	**£000**
Cost						
At 1 April 2013 as restated	6,174	-	5,995	-	6,768	**18,937**
Additions	15,261	-	146	4,938	4,948	**25,293**
Transfer	4,403	-	(2,020)	1,109	(4,693)	**(1,201)**
Disposal	-	-	(62)	-	-	**(62)**
At 31 March 2014	**25,838**	**-**	**4,059**	**6,047**	**7,023**	**42,967**
Depreciation						
At 1 April 2013 as restated	1,812	-	3,649	-	-	**5,461**
Transfer	-	-	(948)	-	-	**(948)**
On disposal	-	-	(35)	-	-	**(35)**
Charge for year	127	-	240	-	-	**367**
At 31 March 2014	**1,939**	**-**	**2,906**	**-**	**-**	**4,845**
Net book value						
At 31 March 2014	**23,899**	**-**	**1,153**	**6,047**	**7,023**	**38,122**

10 INVESTMENT PROPERTY

	Freehold land, buildings and structures £000	Long leasehold land and buildings £000	**Total £000**
Valuation			
At 1 April 2012	457,500	15,800	**473,300**
Additions	300	-	**300**
Discontinued operations - movements	2,900	1,400	**4,300**
Discontinued operations - disposal	(448,100)	(17,200)	**(465,300)**
Revaluation	500	-	**500**
At 31 March 2013	13,100	-	**13,100**
At 1 April 2013	13,100	-	**13,100**
Transfer from property, plant and equipment	253	-	**253**
Additions	1,508	-	**1,508**
Revaluation	1,073	-	**1,073**
At 31 March 2014	**15,934**	-	**15,934**

In the income statement, the organisation has recognised £1,132,000 (2013: £1,200,000) of rental and moorings income from investment properties.

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

	2014 £000	2013 £000
Historic cost	**9,012**	7,251
Revaluation surpluses	**6,922**	5,849
	15,934	13,100

Investment properties were valued as at 31 March 2014 and as at 31 March 2013 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 British Waterways. In the year ended 31 March 2014 all professional valuations for investment properties were performed by DTZ.

Non-current assets held for sale

	2014 £000	2013 £000
At 1 April	**-**	5,500
Discontinued operations - movements	**-**	(3,100)
Discontinued operations - disposals	**-**	(2,400)
At 31 March	**-**	-

Non-current assets held for sale are all properties previously held for investment, valued at the lower of carrying amount and fair value less costs to sell. All non-current assets held for sale were in England and Wales and have transferred to the Canal & River Trust under the British Waterways Board (Transfer of Functions) Order 2012 which became effective on 2 July 2012. These assets were authorised and available for immediate sale in their present condition and their sale is highly probable (i.e. the sale is expected to occur within 12 months). The expected sales were at a price that is reasonable in relation to their current fair value.

11 INTANGIBLES

	2014	2013
	£000	£000
Cost		
At 1 April	**-**	3,100
Discontinued operations	**-**	(3,100)
At 31 March	**-**	-
Amortisation		
At 1 April	**-**	600
Discontinued operations	**-**	(600)
At 31 March	**-**	-
Net book value		
At 31 March	**-**	-

Intangible assets of £1,000,000 in 2012, £600,000 in 2011, £700,000 in 2008 and £800,000 in 2007 arose on the acquisition of inland waterway marina businesses. The Marina assets transferred to the Canal & River Trust under the British Waterways Board (Transfer of Functions) Order 2012 which became effective on 2 July 2012.

12 INVESTMENTS

SUBSIDIARIES

Investments in subsidiaries:	**2014** **£000**	2013 £000
Shares at cost less amounts written off		
At 1 April	**-**	11,500
Additions	**-**	400
Discontinued operations	**-**	(11,900)
At 31 March	**-**	-

British Waterway's subsidiary undertakings have transferred to the Canal & River Trust under the British Waterways Board (Transfer of Functions) Order 2012 which became effective on 2 July 2012.

The organisation has 1 ordinary share of £1, a 100% shareholding, in BWB (General Partner) Limited, an investment company registered in Scotland. The profit for the year ended 31 March 2014 was £32,013 (2013: £3,254). At 31 March 2014, BWB (General Partner) Limited had net assets of £35,268 (2013: £3,255).

ASSOCIATES

	2014	2013
Investments in associates:	**£000**	£000
Partnership interest at cost		
At 1 April	**2,400**	38,100
Additions	**160**	2,400
Share of profits	**272**	-
Discontinued operations – movements in year	**-**	(1,300)
Discontinued operations	**-**	(36,800)
At 31 March	**2,832**	2,400

The organisation has a 49% interest in Bigg Regeneration Limited Partnership, a property rental entity registered in Scotland. The profit for the period ended 31 December 2013 amounted to £160,458. At 31 December 2013 the entity had partners' interests of £5,289,942.

BWB (General Partner) Limited has 50 Ordinary B shares, a 50% shareholding, in Bigg Regeneration (General Partner) Limited, the general partner of Bigg Regeneration Limited Partnership. Bigg Regeneration (General Partner) Limited is registered in Scotland. The loss for the period ended 31 December 2013 amounted to £6. At 31 December 2013 Bigg Regeneration (General Partner) Limited had net assets of £94.

The organisation has 49 Ordinary B shares, a 49% shareholding, in Edinburgh Quay Limited, a property development company registered in Scotland. The loss for the year ended 31 December 2013 amounted to £38,811 (2012: profit £43,148). At 31 December 2013, Edinburgh Quay Limited had net assets of £613,566 (2012: £935,435).

13 INVENTORIES

	2014	2013
	£000	£000
Consumables	**19**	-
Finished goods and goods for resale	**67**	149
	86	149

14 TRADE AND OTHER RECEIVABLES

(a) Current

	2014	2013
	£000	£000
Trade receivables	**1,327**	1,500
Less: provision for impairment of trade receivables	**(71)**	(100)
Prepayments and accrued income	**2,449**	2,049
Deferred consideration agreements	**3,734**	3,700
Value added tax	**449**	900
	7,888	8,049

(b) Non-current

	2014	2013
	£000	£000
Deferred consideration agreements	**2,180**	5,800
	2,180	5,800

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

	31-60 days	**61-90 days**	**Over 90 days**
	£000	**£000**	**£000**
Trade receivables	**281**	**80**	**330**

Credit risk in respect of receivables is limited, due to the organisation’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 the reporting date is £13,697,000 (2013: £15,500,000) being the sum of cash and cash equivalents and trade and other receivables. The fair values are not materially different to carrying values.

15 TRADE AND OTHER PAYABLES

(a) Current

	2014	2013
	£000	£000
		as restated
Trade payables	**4,463**	4,800
Taxation and social security	**162**	200
Accruals	**2,523**	1,000
Deferred income	**2,311**	900
Other payables	**84**	208
	9,543	7,108

(b) Deferred income - dowries

Deferred income arose from the receipt of cash dowries received in respect of obligations to maintain assets acquired from other public bodies. These liabilities transferred to the Canal & River Trust under the British Waterways Board (Transfer of Functions) Order 2012 which became effective on 2 July 2012.

	2014	2013
	£000	£000
Balance at 1 April		
Current	**-**	2,900
Non-current	**-**	45,800
	-	48,700
Discontinued operations	**-**	(48,700)
Balance at 31 March	**-**	-

16 PROVISIONS

	At 1 April 2013 £000	Released £000	**At 31 March 2014 £000**
Personal injury & third party claims	100	(33)	**67**
	100	(33)	**67**

Scottish Canals recognises all provisions as current, as they will be settled once the claim has been assessed. It is anticipated that provisions will be settled within one year. Provisions are recognised when the conditions of IAS 37 have been met.

Provisions relate to individuals who have suffered a personal injury whilst on or using Scottish Canals property, and represents the organisation's best estimate of the legal fees and compensation that could be incurred.

17 OPERATING LEASES

Operating lease agreements where the organisation is lessee

The organisation has entered into commercial leases on certain properties, motor vehicles and items of machinery. Future minimum rentals payable under non-cancellable operating leases are as follows:

Leasehold properties

	2014	2013
	£000	£000
		as restated
Not later than one year	**35**	35
After one year but not more than five years	**140**	140
After five years	**99**	134
	274	309

Leasehold plant and equipment

	2014	2013
	£000	£000
Not later than one year	**429**	300
After one year but not more than five years	**957**	600
After five years	**5,992**	6,200
	7,378	7,100

Operating lease agreements where the organisation is lessor

The organisation leases out a section of the canals and track bed of the Forth & Clyde and Union under an operating lease. The future aggregate minimum rentals receivable under the non-cancellable operating lease are as follows:

	2014	2013
	£000	£000
Not later than one year	**107**	100
After one year but not more than five years	**428**	500
After five years	**5,992**	6,100
	6,527	6,700

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

18 PENSION AND OTHER POST - RETIREMENT BENEFITS

Employee Retirement Benefits

Defined Benefit

Scottish Canals participates in a defined benefit pension arrangement called the Waterways Pension Fund (the Fund).

The Fund is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Fund is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, Scottish Canals must agree with the trustees of the Fund the contributions to be paid to address any shortfall against the Statutory Funding Objective and contributions to pay for future accrual of benefits. The Statutory Funding Objective does not currently impact on the recognition of the Fund in these accounts.

The Fund is managed by a Trustee Company, Waterways Pension Trustees Limited. The Chairman of the Trustee Company is an independent Trustee Director. The remaining directors of the Trustee Company have been appointed in part by the participating employers and in part from elections by members of the Fund. The Trustee Directors have responsibility for obtaining valuations of the Fund, administering benefit payments and investing the Fund's assets. The Trustee Director delegates some of these functions to its professional advisers where appropriate.

The Fund exposes the organisation to a number of risks:

- Investment risk. The Fund holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide the real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- Inflation risk. A significant proportion of the benefits under the Fund are linked to inflation. Although the Fund's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Mortality risk. In the event that members live longer than assumed, a deficit will emerge in the Fund.

There were no plan amendments, curtailments or settlements during the year.

Explanation of amounts in the financial statements

Amounts recognised in the Balance Sheet	**31 March 2014 £000**	**31 March 2013 £000**
Fair value of assets	4,010	3,320
Present value of funded obligations	(3,650)	(2,730)
Surplus	**360**	**590**
Impact of asset ceiling	(360)	(590)
Net defined benefit liability	**-**	**-**

Reconciliation of net defined benefit liability	31 March 2014 £000	as restated 31 March 2013 £000
Net defined benefit liability at start of period	-	82,000
Current service cost (inc administration costs)	620	2,470
Past service costs	-	110
Settlement / curtailment cost	-	(65,300)
Net interest (income)/expense	(30)	920
Re-measurements	(160)	8,450
Organisation contributions	(430)	(3,650)
DEFRA contribution	-	(25,000)
Net defined benefit liability at end of year	**-**	**-**

Amounts recognised in Profit & Loss	31 March 2014 £000	as restated 31 March 2013 £000
Current service cost (inc administration costs)	620	2,470
Interest on liabilities	140	5,630
Interest on assets	(170)	(4,710)
Past service cost	-	110
Settlement / curtailment cost	-	(65,300)
Total	**590**	**(61,800)**

Re-measurements over the year	31 March 2014 £000	as restated 31 March 2013 £000
Loss on fund assets in excess of interest	80	4,100
Experience losses on liabilities	10	-
Losses from demographic assumption changes	-	-
(Gains)/losses from financial assumption changes	(20)	3,760
Changes in effect of asset ceiling	(230)	590
Total remeasurements	**(160)**	**8,450**

Reconciliation of assets and liabilities

The change in the assets over the year was:

	31 March 2014 £000	as restated 31 March 2013 £000
Fair value of assets at the start of the period	**3,320**	**308,300**
Interest on assets	170	4,710
Organisation contributions	430	3,650
DEFRA contribution	-	25,000
Contributions by Fund participants	220	120
Benefits paid (inc administration costs)	(50)	(5,260)
Change due to settlements / curtailments	-	(329,100)
Return on plan assets less interest	(80)	(4,100)
Fair value of assets at the year end	**4,010**	**3,320**

The change in the liabilities over the period was:

	31 March 2014 £000	as restated 31 March 2013 £000
Liabilities at the start of the period	**2,730**	**390,300**
Current service cost (inc administration expenses)	620	2,470
Contributions by Fund participants	220	120
Past service cost	-	110
Interest cost	140	5,630
Benefits paid (inc administration costs)	(50)	(5,260)
Change due to settlements / curtailments	-	(394,400)
Experience (gain) / loss on liabilities	10	-
Changes to demographic assumptions	-	-
Changes to financial assumptions	(20)	3,760
Liabilities at the end of the year	**3,650**	**2,730**

Assets

The major categories of assets as a percentage of total assets are as follows:

Asset category	**31 March 2014**
Equities	44.0%
Property	10.0%
Diversified growth	5.6%
Infrastructure	3.0%
Bonds	21.7%
Index-linked gilts	14.8%
Cash and net current assets	0.9%
Total	**100.0%**

The assets do not include any investment in shares of the organisation.

Actuarial Assumptions

The principal assumptions used to calculate the Fund's liabilities include:

Assumption	31 March 2014	31 March 2013
Discount rate	4.60% pa	4.60% pa
CPI inflation	2.60% pa	2.60% pa
Pension increase (CPI max 2.5% pa)	2.10% pa	2.50% pa
CARE revaluation (CPI max 2.5% pa)	2.50% pa	2.50% pa
Retirement age	"Minimum pension age"	"Minimum pension age"
Cash commutation	18% of pension	18% of pension
Mortality	105% of S1PMA (males) 110% of S1PFA (females) CMI 2013 model Long term rate of improvements 1.25% pa	105% of S1PMA (males) 110% of S1PFA (females) CMI 2009 model Long term rate of improvements 1.25% pa

Sensitivity of the liabilities

Adjustments to assumptions	Approximate effect on liabilities £000
Discount rate	
Plus 0.50%	(350)
Minus 0.50%	390
Inflation	
Plus 0.50%	220
Minus 0.50%	(200)
Life expectancy	
Plus 1 year	180
Minus 1 year	(170)

The above sensitivities are approximate and show the likely effect of an assumption being adjusted whilst all other assumptions remain the same. The sensitivities shown are for the Fund's active membership as a whole, rather than the members employed by the organisation.

Effect of the Fund on organisation's future cashflows

The organisation is required to agree a Schedule of Contributions with the Trustee of the Fund following a valuation which must be carried out at least once every three years. The valuation of the Fund as at 31 March 2013 is currently on-going.

In the event that the next valuation reveals a larger deficit than expected the organisation may be required to increase contributions above those set out in the existing Schedule of Contributions, and above those expected to be agreed under the 2013 valuation Schedule of Contributions. Conversely, if the position is better than expected then contributions may be reduced.

The organisation expects to pay contributions of approximately £440,000 in the year to 31 March 2015.

The weighted average duration of the defined benefit obligation for the entire Fund (based on the IAS19 assumptions at 31 March 2014) is around 17 years.

The organisation was party to a Deed of Accession to enable The Scottish Waterways Trust to participate in the Waterways Pension fund, signed in October 2012. This applied to the then current employees (4) who were able to participate in this scheme. The Fund is now closed to new members. The organisation has also provided a Deed of Guarantee in respect of the pension members of The

Scottish Waterways Trust to guarantee the liabilities to the Fund of the members of The Scottish Waterways Trust.

Defined Contribution
For employees who commenced employment after 31 March 2011, the organisation operates a defined contribution pension plan.

The defined contribution plan is a pension plan under which the organisation pays fixed contributions to Standard Life. The organisation has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The amount of employer contributions is disclosed in note 5.

There were no material amounts owing or prepaid at 31 March 2014.

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 British Waterways trading as Scottish Canals, were made responsible for procuring the benefits on their behalf.

The provision to cover the present value of the future cost of these benefits was transferred to the Canal & River Trust on 2 July 2012.

19 DEFERRED CAPITAL GRANT

	2014 £000	2013 £000 as restated
Balance at 1 April		
Government grant	**6,215**	6,680
Other	**700**	1,200
	6,915	7,880
Grant received during the year		
Government grant	**5,365**	2,520
Other	**47**	-
Released to income statement		
Other	**(23)**	-
Discontinued operations		
Movements in year	**-**	(185)
Disposals	**-**	(3,300)
Balance at 31 March	**12,304**	6,915
Comprise:		
Government grants	**11,580**	6,215
Other grants	**724**	700
	12,304	6,915

20 FINANCIAL INSTRUMENTS

Details of Scottish Canals' statutory and financial framework are set out on pages 30 and 31. Scottish Canals, as a public body, is not exposed to the degree of financial risk faced by other business entities due to restrictions on borrowing.

Scottish Canals has limited powers to invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change by the risks facing Scottish Canals in undertaking its activities. Scottish Canals 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 organisation could not be able to settle or meet its obligations on time or at a reasonable price. Liquidity and funding risks, related processes and policies are overseen by management. Scottish Canals manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations. Management monitors the organisation's net liquidity position through rolling forecasts on the basis of expected cash flows. The organisation's cash and cash equivalents are held with major regulated financial institutions.

Scottish Canals maintains short term liquidity by judicious management of its cash deposits. Scottish Canals is not exposed to significant liquidity risk due to ongoing government funding and the ability to release cash as necessary from investment properties.

Interest rate risk

The main risk arising from Scottish Canals' financial instruments is interest rate risk.

The vast majority of the financial assets held by Scottish Canals are cash equivalents and Trade and other receivables (note 14), and the fair value is not materially different to carrying amount. Scottish Canals disposed of the Whisky Bond property in 2011. The agreed sale price is payable seven years after the sale date with the agreed sale price rising by RPI each year. This asset has been stated at fair value, with changes in value year on year being accounted for through the Income Statement.

The financial liabilities held by Scottish Canals are trade and other payables (note 15), 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 organisation has no significant concentration of credit risk from its customers as exposure is spread over a large number of entities.

Capital Management

Scottish Canals is not permitted to receive long term borrowings.

Financial assets and liabilities

2013			Fixed interest rate				
		Floating interest rate	< 1 year	2 - 5 years	> 5 years	Non interest bearing	Total
	Note	£000	£000	£000	£000	£000	£000
Financial assets – loans and receivables							
Trade and other receivables	14	-	3,700	5,500	-	4,349	13,549
Asset at fair value	14	300	-	-	-	-	300
Cash and cash equivalents		1,750	-	-	-	-	1,750
Total financial assets		2,050	3,700	5,500	-	4,349	15,599
Financial liabilities at amortised cost							
Trade and other payables	15	-	-	-	-	7,108	7,108
Total financial liabilities		-	-	-	-	7,108	7,108

2014		Floating interest rate	Fixed interest rate < 1 year	2 - 5 years	> 5 years	Non interest bearing	**Total**
	Note	£000	£000	£000	£000	£000	**£000**
Financial assets – loans and receivables							
Trade and other receivables	**14**	-	3,658	1,829	-	4,230	**9,717**
Asset at fair value	**14**	351	-	-	-	-	**351**
Cash and cash equivalents		3,629	-	-	-	-	**3,629**
Total financial assets		**3,980**	**3,658**	**1,829**	**-**	**4,230**	**13,697**
Financial liabilities at amortised cost							
Trade and other payables	**15**	-	-	-	-	9,543	**9,543**
Total financial liabilities		**-**	**-**	**-**	**-**	**9,543**	**9,543**

21 RELATED PARTY TRANSACTIONS

The organisation has a 49% interest in Bigg Regeneration Limited Partnership. During the year, the organisation received a share of profits from Bigg Regeneration Limited Partnership of £272,401 and was advanced £22,462 from Bigg Regeneration Limited Partnership. At the year end, the organisation owed Bigg Regeneration Limited Partnership £22,462.

The organisation has a 49% interest in Edinburgh Quay Limited. During the year, the organisation received dividends of £nil (2013: £150,000) from Edinburgh Quay Limited.

The Director of Finance and the Head of Legal services are Board members of Millennium Link Trust. During the year, the organisation incurred rental charges of £107,000 (2013: £107,000) to Millennium Link Trust and sold goods and services totalling £107,000 (2013: £107,000) to Millennium Link Trust.

BRITISH WATERWAYS BOARD (operating as Scottish Canals)

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 24 of the Transport Act 1962 hereby give the following direction.

2. The statement of accounts for the financial year ended 31 March 2014 shall be prepared by The British Waterways Board, operating as Scottish Canals and shall comprise:

   (a) Board Members' report;

   (b) and for each of the organisation (British Waterways and its subsidiaries) and for the Company (British Waterways Board) a:

   - Statement of Comprehensive Income for the period;
   - Statement of Financial Position;
   - Statement of Changes in Equity for the period;
   - Statement of Cash Flows;
   - Notes to the accounts.

3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, cash flows for the financial year, and of the state of affairs as at the end of the financial year. The annual accounts shall also, where applicable, comply with:

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

4. The Statement of Financial Position shall be prepared under the historical cost convention modified by revaluation of investment properties.

5. The annual accounts shall include the information set out in schedule 1 to this Direction.

6. This Direction shall be reproduced as an appendix to the statement of accounts.

John Nicholls

JOHN NICHOLLS

On behalf of the Scottish Ministers Dated 7 February 2014

Schedule 1

The Board Members' Report

The Board Members' Report shall contain the information which the Companies Act 2006 requires to be disclosed in the directors' report and shall include a brief history of British Waterways;

The Annual Accounts

The Annual Accounts will disclose:

- the turnover and other operating income and costs analysed between British Waterways' subsidiary companies and British Waterways' share of joint ventures and associates;
- rents receivable for the year analysed as rents from investment property and rents from other property;
- interests during the year in other transport undertakings and other trade investments;
- government grants received during the year reconciled to income from grant shown in the Statement of Comprehensive Income;
- information about British Waterways' borrowing powers including (if relevant) details of any loans at the year end, including details of maturity dates and interest rates;
- a Directors' Remuneration Report.