

NOTICE OF ANNUAL GENERAL MEETING – 27TH AUGUST, 2010,
CHAIRMAN'S LETTER AND TRUSTEES' REPORT

1. Notice of Annual General Meeting

Notice is hereby given that the fourth Annual General Meeting of the Bembridge Harbour Trust will be held at the Bembridge Sailing Club at 6 pm on Friday, 27 August for the following purposes:

- (1) To receive the Trustees' Report and Accounts and the Independent Examiner's report for the year ended 30 June, 2010.
- (2) To re-elect Felix Hetherington, who retires by rotation as a Trustee.
- (3) To re-elect Arthur Robinson, who retires by rotation as a Trustee.
- (4) To appoint Moore Stephens South LLP as Independent Examiners.
- (5) To discuss the work of the Bembridge Harbour Trust to date and its future strategy.

By order of the Trustees,

Jill Attrill, Secretary.
C/o H.Attrill & Sons (IW) Ltd.,
The Duver,
St. Helens,
Isle of Wight PO33 1YB

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2. Chairman's letter.

From the Chairman, Donald Biddle, 23 July, 2010

Dear Members,

I am pleased once again to be able to send you our third Report and Accounts and notice of our Annual General Meeting which is set out on page 1.

Since our last report, there has been the long-awaited development: the Harbour and some of the surrounding properties have been put up for sale.

I wish I could report to you that our efforts to bid for the freeholds had been successful or indeed that we were making progress towards that end. They have not but I suppose there is a crumb of comfort, perhaps, in the fact that no other bidder has to date been successful either.

Unfortunately, we are really no further forward than we were this time last year despite months of discussion, debate and hard work by your Trustees. We have prepared three carefully-considered and substantial bids backed by letters of comfort from our bankers to meet the vendor's prospectus or revisions thereto, all of which have been rejected.

One difficulty has been that the vendor was initially only prepared to offer some leaseholds that were too short and anyway not on the entire range of properties required to run the Harbour effectively under one management. After discussion with the vendor's agent we were asked to make further bids for different packages and on different bases which we did, always taking professional advice to ensure our valuations were based on correct and fair market prices. Your Trustees and their advisers are clear that the only way to ensure the aims of our Charity – to secure the future of the Harbour - is for the Harbour, in its entirety, and the necessary land-based properties to be under single ownership.

We give more details about our efforts to acquire the harbour and the surrounding properties in the Trustees' Report which follows.

Our endeavours to hit this moving target have been extremely frustrating and time consuming for all of us but we are all determined to press on and hope one day to be able to report to you that we have been successful.

I would like to thank Chris and Jill Attrill for their kindness in providing an office for the Trust at their boatyard and for Jill's continuing support as the Trust's Secretary.

I look forward to seeing you all again at the Bembridge Sailing Club for our Annual General Meeting on Friday, 27 August at 6 pm.

Donald Biddle,
Chairman.

3. Trustees' Report for the year ended 30 June, 2010

Bembridge Harbour Trust is a registered charity number 1120225. It was registered in July, 2007. The Trust is also a Company limited by guarantee and is registered under company number 05671595.

The objectives of the Trust are:

To preserve and enhance Bembridge Harbour, its approaches and setting, for the benefit of the public including the users of the Harbour and the communities of Bembridge and St. Helens on the Isle of Wight.

To purchase the Harbour, when the opportunity arises, and own it in perpetuity on behalf of the local community and its many varied users.

Other aims following acquisition would be:

- to provide continued access for all members of the community and for visitors to the amenities that this Harbour offers;
- to protect the wildlife and its habitats in the Harbour;
- to protect the scenery of the Harbour and to be vigilant in seeing that over-exploitation or neglect does not occur;
- to preserve the Harbour's unique mixed character as a working Harbour and recreational amenity;
- to ensure that facilities for water-based sports, such as sailing and angling, are improved for all;
- to increase opportunities for bird watching and walking;
- to maintain the area as a well-kept and desirable residential and commercial Harbour. to restore and improve the fabric of the marinas and the facilities they offer so that the Harbour regains its position as a premier destination for visiting yachtsmen; and
- to restore and improve the fabric of the marinas and the facilities they offer. However prior to acquisition, the Trust's aim is to protect the Harbour from further deterioration through neglect and to ensure that those responsible for preserving the Harbour's amenities and maintenance, including dredging, navigation marks and sewage disposal, meet their statutory obligations.

Trustees are selected for their individual skills and interest they bring to the Trust. The Trustees have in their meetings given due regard to the Charity Commission's guidance on public benefit.

Trustees' Activities.

As reported in the Chairman's letter, the Trustees have been preoccupied with bidding for the harbour over the past six months.

Before giving a brief narrative about our three bids and the current position, it is important that Members know that the Trustees have been guided by four main principles or criteria in making any bid on your behalf. They are:

- The Trust is a charity. Every bid has to be carefully evaluated in the light of this so that there are no loose ends in the bid document itself and in particular that the Trust, in its desire to acquire the Harbour and its properties, does not over bid.
- The Trustees, all of whom have first-hand knowledge of the Harbour, are aware of significant costs that will have to be met by whoever is the successful bidder or by the existing companies. These costs must be factored into any bid. They are: the pressing need for dredging (as confirmed in Chris Attrill's January report on water levels in the Harbour) and the urgent requirement to repair and where necessary refurbish the pontoons, groynes, navigation aids and quay walls.
- The Trust has always had as its principal aim the wish by Members for the Trust to buy the Harbour and own it in perpetuity on behalf of the local community. Ownership to the Trustees means freehold or ownership on a very long lease. There are possible circumstances where a leasehold contract that ensured the Harbour was effectively owned and controlled by the Trust could be acceptable but this would be very much a second option. To run the Harbour effectively the Trust should control all surrounding properties necessary to run the Harbour. If necessary a friendly property syndicate is prepared to acquire the properties around the Harbour and lease these properties on a long lease to the Trust.
- And, finally, should our bid be accepted, scrupulous due diligence will be carried out using the latest, up-to-date accounts and forecasts of the Harbour companies.

Bidding for the Harbour and the surrounding properties:

The Trustees first learned that the harbour and certain properties would be offered for sale through an article in The Times on 19 December, 2009. The piece was no more than a publicity puff for the agents selling the Harbour, Chesterton Humberts of Southampton. The agents were quoted as saying they would expect offers in excess of £3m for the Harbour and certain properties and they quoted a turnover of £600,000 pa. No mention was made of any significant liabilities.

Early in the New Year, the Trustees received the offer document from the agents. In short, the directors of the Harbour companies, Bembridge Harbour Improvement Company (BHIC) and Maritime and Leisure Investments Ltd. (MLI) were offering a 150 year lease on the harbour and 50 year leases on two waterside properties, part of the Duver office and the Bembridge Marina Car Park with restrictions.

The Trustees carefully analysed the documents provided which were covered by a confidentiality agreement. It was clear that the Harbour and the properties offered

could not meet the third principle (note above) concerning secure freeholds and single ownership. However after much discussion the Trustees, support by their advisers, decided to make a bid of £500,000 to ensure that the Trust had “a seat at the table” should any other bids be submitted. In making this first bid and in subsequent bids, the Trust had in mind the basic costs of renovating and dredging the Harbour before any desired enhancements were made. Advisers placed the cost of these works above £750,000.

The Trust’s bid, supported by a bank letter, was submitted by the closing date of 26 February, 2010. It was made clear in the bid letter that the Trust’s prime interest was to acquire the freeholds (and long leaseholds, including Crown leases) of the Harbour and the required properties and so would be prepared to bid a higher price should BHIC’s directors change their minds.

The Trust’s bid was immediately rejected as too low by the agents but it appeared no other satisfactory bids were received at that time.

A short while later however, in early March, Chesterton Humberts asked the Trust to submit a new bid but this time for the freeholds and long leaseholds. The Trustees decided to make this second bid to cover the Harbour and all parts of the Harbour below high watermark, BHIC (the company) and its business, and all the properties around it owned by Mr. Barry Blatch or any of his companies which were necessary for running the Harbour including the Point, the freeholds of Mr. Nigel Bennett’s yard, the houseboat site and Bembridge Boatyard although the ownership of this latter property remains uncertain.

A second bid for these assets offering a substantial sum closer to the original valuation initially placed on the Harbour by the agents was submitted on 24 March, 2010. Again it was supported by valuations from independent accountants and property agents and with a bank letter of comfort.

Once again the bid was turned down as inadequate.

In the next communication from the agents, they made clear that the Bembridge Boatyard and the freeholds of the Bembridge Sailing Club, the Redwing Quay and the “RSPB” car park alongside Embankment Road and near the Bembridge Marina were not for sale and the Trustees were asked to bid again.

A third bid was submitted on 24 April, 2010 reflecting the lower of value of the assets for sale given those that had been withdrawn. This too was rejected as not high enough.

Since then there have been a number of contacts with the agents and more recently telephone calls, emails and then, on 18 June, a face-to-face meeting with Mr. Blatch, the ultimate owner of BHIC and the surrounding properties. This resulted in two further proposals of packages that might be for sale being made to the Trust while at the same time excluding other sections of the Harbour from the sale. The latest offer was the sale of the freehold to the Harbour with the vendors retaining significant parts of the businesses and assets on long-term lease from the Trust. These offers were quickly rejected by the Trustees as totally unworkable as a basis on which to

run the Harbour. They were packages that would have inevitably led to conflicts between the owners of different parts of the Harbour and they failed to achieve the Trust's objectives.

Mr. Blatch then broke off negotiations: this was despite the Trustees' offer to review the bid made on 24 April if he would submit up-to-date figures and forecasts including in particular the cost of dredging the Harbour and repairs to the pontoons. This he failed to do.

As this Report goes to Press, a number of important issues remain outstanding and, as these may have a negative effect on Harbour profits, a new owner will expect them to be resolved. Some of these are: questions arising as to the future of the renewal of the mineral extraction licences outside the Harbour; differences of opinion on the cost of dredging the inner Harbour; the responsibility for repairing and/or reinstating the Harbour groynes, principally the one at Bembridge Point; also the ownership of the Bembridge Boatyard by Mr. Blatch and/or one of his companies does not seem to have been settled.

In view of all the foregoing problems and the absence of up-to-date figures and forecasts, the Trustees do not feel able to make another bid at this stage. However, we will continue to watch the situation very closely and are always ready to reopen reasonable discussions at any time.

Other initiatives undertaken during the year have included:

Water levels in the Harbour:

Chris Attrill, one of our Trustees, with the help of local businesses around the Harbour and the sailing clubs, produced a report on water levels in the Harbour in January, 2010. His report showed in photographs and text that water levels had fallen in recent years and there was reason to believe this was accelerating. Mr. Attrill pointed out that almost all yachts grounded into the mud at low water. His report stressed the urgency for dredging to be carried out in the Harbour to ensure that the Harbour remained a "working Harbour" and that visiting yachtsmen were not discouraged from sailing into Bembridge. His report is on the Trust's web site: www.bembridgeharbourtrust.org

Harbour dues:

The inquiry took place in January and the report of the Inspector from the Department of Transport is awaited. Representations were made on behalf of the users of the Harbour who argued that dues levied were excessive in view of the lack of maintenance and investment in the Harbour by BHIB. The Trust was not formally represented though it did lodge Chris Attrill's water level report with the Inspector.

Duver Wall:

The hard work and determined persistence of Advisory Board member, Paul Sanderson, and Trustee Arthur Robinson as Chairmen of the St. Helens and Bembridge Working Group on the East Yar Strategy plan has finally paid off. The

Isle of Wight Council has accepted its responsibility to maintain the Duver Wall for the next 50 years. In the current economic environment, it would have been unreasonable to expect more than this. The Wall is a protective shield preventing the sea from damaging the local businesses and residents on the Duver and protecting the wildlife and habitats in the Mill Ponds. The Environmental Agency is planning to build a sea wall alongside the Embankment Road to protect the Brading Marshes from rising sea levels.

Planning applications:

The Trust remains ever vigilant on any developments in the Harbour that might endanger the Trust's objective of "preserving and enhancing" the Harbour and the surrounding waterfront. There have been no further moves to resurrect the idea of a hotel on the site of the Bembridge Marina Car Park which the Trust had opposed on a number of grounds, not least the loss of the car park although Mr. Blatch has said the matter was not closed as far as he was concerned. There is also the possibility of the development of the old railway shed on the Marshes.

There has been no progress on the provision of a proper sewage system for the houseboats though the Trust's concern about this has been raised on a number of occasions.

Harbour moorings:

The Harbour Company has laid fewer fore and aft trots this year. Some of the ground tackle remains a hazard to other craft as a number of the anchors sit proud of the mud. The Trust believes that the anchors must be buried in the mud. The poor take-up of boats renting these mooring does not in the Trust's view justify the nuisance to users of the Harbour.

Fishermen's Wharf:

Despite promises to refurbish Fishermen's Wharf nothing has been done except the removal of the temporary extension. The Wharf remains in a poor state of repair.

Fund raising and recruiting new Members:

In last year's Report, the Trustees indicated they would be carrying out a fund-raising drive and recruit more Founder Members. No appeal took place as the Trustees were reluctant to raise funds without knowing the outcome of the bids for the Harbour and the surrounding properties. It was likely that, in the event of a successful bid, the Trustees would have had to make a second appeal for funds which would not have gone down well with Members or other prospective supporters. The Trustees therefore decided to hold back until the outcome of the discussions with the vendor was seen. On the other hand, the Trustees would be most grateful if Members would try and encourage friends and supporters of the charity to join as new Founder Members.

Financial Review:

The Trust has incurred a deficit of £5,828 in the year and utilised unrestricted reserves for this purpose. Donations from members provided £9,875 during the year. The Trust is mindful of its ultimate purpose for which much larger levels of reserves and funding will be required. The Reserves policy is to hold sufficient funds to allow the Trust to continue its immediate work. Currently the unrestricted funds are held with banks and an investment company on a short-term basis.

Membership

The Members at present consist of 177 Founding Members who have each contributed a minimum of £500 to the Bembridge Harbour Trust.

Signed:

Donald Biddle, Trustee.

23 July, 2010.