

WAVERLEY STEAM NAVIGATION CO. LTD.

Directors' Report and Accounts
For the year ended 31st October 2008

Company Number - 50789

Charity Number - 5832



HENDERSON & COMPANY
CHARTERED ACCOUNTANTS
73 UNION STREET
GREENOCK

WAVERLEY STEAM NAVIGATION CO. LTD.

Directors

M. Allen
F.G. Hogg
Dr. N. James
A. Lewis
Dr. J. McKendrick
I. McLeod
D.I. McMillan
Capt. J.M. Paterson
I. Ramsay
G. Reid
P.M. Reid

Secretary

D. Docherty

Registered Office

Waverley Terminal,
Lancefield Quay,
Glasgow
G3 8HA

Auditors

Henderson & Company,
Chartered Accountants,
73 Union Street,
Greenock
PA16 8BG

Bankers

Royal Bank of Scotland plc
23 Sauchiehall Street
Glasgow

Solicitors

Neill Clerk & Murray
Royal Bank Buildings
Gourock
PA19 1PA

WAVERLEY STEAM NAVIGATION CO. LTD.
(A Registered Charity)

DIRECTORS' REPORT

The Directors submit their Report and Accounts of the company and group for the year ended 31st October 2008.

Charitable Status

The charity, a limited company governed by its Memorandum & Articles of Association, was granted charitable status under Section 505 of the Income and Corporation Taxes Act 1988, effective from 23rd March 1988.

Objectives

The objective of the Company is the continued preservation of the PS. "Waverley" and MV. "Balmoral" in a manner which accurately reflects their unique status. Both vessels were built in the late 1940's and it is central to the directors' vision that they should be preserved in a way which allows passengers :

- to appreciate fully the features of their design which distinguish them from vessels built more recently;
- to be educated in the heritage of coastal day excursion ships;
- to enjoy traditional day long coastal excursions which were common when PS. "Waverley" and MV. "Balmoral" were built but are now uniquely offered by these vessels;
- enjoy facilities appropriate to a twenty first century tourist attraction, for example in terms of catering and in provision for the disabled;
- to sail in safety with the benefit of modern equipment and fully trained and experienced officers and crew.

Restrictions on the Company's Activities

The Company shall not undertake any permanent trading activities not relating directly to the furtherance of its charitable objectives. The charity's wholly owned trading subsidiary, Waverley Excursions Limited, carries out non-charitable trading activities for the charity.

Review of the Business and Future Developments

The basis of the operation changed this year, whereby Waverley Excursions Ltd now operates the ships under contract to Waverley Steam Navigation Co. Ltd. The company's results for the current year reflect the new basis of operation and, as a consequence, are not directly comparable to last year's figures. As the change in the basis of operation was an internal restructuring within the group the consolidated results for the current year are comparable with the previous year.

During the season PS. "Waverley" carried 94,892 (2007 – 150,368) passengers and MV. "Balmoral" carried 49,714 (2007 – 64,692) passengers.

The consolidated statement of financial activities incorporating the income and expenditure account brings out a deficit for the year on unrestricted funds of £633,094. During the year winter refit and repair costs on PS. "Waverley" totalled £445,734 (2007 - £341,223) and £155,077 (2007 - £150,638) on MV. "Balmoral". These costs include Waverley's paddle wheel repair which was incurred during the year. The insurance recovery relating to these costs is currently being progressed with our insurers but as the claim has not yet been finalised no account of any recovery is included within the current year's results.

Restricted funds which comprise funding received towards capital projects less associated annual depreciation charges were reduced by £384,844 this year. This reduction relates entirely to annual depreciation charges as all grant income received during the year was fully expended before the year end.

The period under review was one of the most challenging ever faced by the group, as a result of four events which severely affected the revenue-earning potential of the operation. The first was a serious breakdown of PS "Waverley", which occurred immediately after her Spring sailings in the Western Isles and caused a substantial/.

substantial delay in her subsequent re-entry into service. The second was the 2008 summer weather, the worst in over fifty years, which affected the sailings of both ships, and caused particular disruption to MV "Balmoral"'s schedules during the main Bristol Channel season. These two elements combined to destroy some 30% of planned sailings over the season. In addition to this, the loss of senior seagoing personnel resulted in extremely high pilotage costs for the 2008 season, and fuel prices escalated rapidly to reach an all-time high, with PS "Waverley"'s fuel bill amounting to some £4,000 per day.

Under such circumstances, it was inevitable that the operation of both PS "Waverley" and MV "Balmoral" would make a substantial loss over the year.

On a more positive note, success was achieved in obtaining the possibility of Gift Aid being applied to fares, and hard work by the Company's Financial Director and by staff both ashore and afloat meant that Gift Aid income of over £180,000 was realised. As part of the process, it was necessary to alter the arrangements under which the ships are operated. For many years, Waverley Excursions Limited (WEL) has chartered the vessels from this company (WSN) and operated them in its own right. Since the beginning of the 2008 season, the charter arrangement has been terminated. WEL now operates the ships on behalf of WSN, although it continues to carry out the catering and retail activities in its own right. To regulate these arrangements, it was necessary to draw up a detailed Ship Management Agreement between WSN and WEL. This means that WSN now reviews the performance of WEL on a bi-annual basis, approving plans for each season in early Spring and carrying out a detailed Review of all areas of the operation in the Autumn. In addition to this, a Joint Meeting of both Boards of Directors took place in October 2008, as a result of which an Action Plan was approved designed to maximise revenue and control cost. Progress in achieving the agreed goals has been monitored by a Chairmans' Committee which consists of the Chairman, Vice-Chairman and Financial Director of WSN and WEL, and Iain MacLeod, who was Chairman of WSN until 1 January 2009. The purpose of this Committee is to drive forward the developments needed to ensure that the losses of recent years are eliminated and reversed insofar as is possible. One notable development has been the appointment of a new Senior Marketing Executive.

The Directors record their gratitude to the Council of Management of the Paddle Steamer Preservation Society, whose considerable financial support has been necessary over the winter of 2008/9 in order to prepare both ships for further service. A public Appeal was launched in February 2009, which drew a generous response. Tributes are also due to the army of volunteers who assist both during winter refits and during the sailing season. Their contribution this year has been particularly important. A great deal of effort has gone into planning the 2009 season in such a way as to reduce the risk of further losses and reverse the loss-making trend of recent seasons, and strenuous efforts are already underway to find ways of viably extending the operating season in 2010 and beyond by consolidating existing markets and developing new ones. In this, we are delighted to welcome a prominent financier who is giving us the benefit of his ideas and experience.

The board of directors remains satisfied that the safety of passengers, crew and vessels is accorded the highest priority by all concerned with the management and operation of PS "Waverley" and MV. "Balmoral".

Finally, thanks are due in large measure to Iain MacLeod, who has chaired the Company with wisdom and commitment for a decade, and also to the directors and staff of WEL, both ashore and afloat, who have worked through very difficult months over the past year with extraordinary dedication and team spirit.

Reserve Policy

The directors have established the level of reserves the charity ought to have. Reserves are held to cover possible emergency repairs to the vessels and to maintain the vessels in the condition to which they were restored following recent refurbishment works. The directors considers that the ideal level of reserves at 31 October 2008 is £660,000 rising to £750,000 at 31 October 2009. Owing to the heavy losses incurred in 2008, the actual reserves freely available at 31 October 2008 were £228,504 in deficit, which is £888,504 short of the target figure. In calculating reserves the directors have excluded from total funds tangible assets of £5,656,282. As noted above, the directors are actively seeking to improve profitability to recover this shortfall.

Investment/.

Investment Policy

In accordance with the Memorandum of Association the directors have the power to invest monies of the Company not immediately required for its purpose in such investments and securities as they see fit.

Statement on Risk

The directors, working with its subsidiary company Waverley Excursions Ltd, have produced a plan setting out the major opportunities available to the charity and the risks to which it is exposed. Progress is monitored against this plan on a regular basis and a comprehensive review is carried out on an annual basis.

The plan focused the directors on the need to maintain the vessels in the condition prevailing after their most recent refurbishment work. The charity requires to manage its finances prudently and to identify new sources of revenue and capital funding in order to be able to fund the ongoing repair and preservation work required to keep the vessels operational.

Fixed Assets

Movements in Fixed Assets are detailed in Note 10 to the accounts.

Related Parties

The Paddle Steamer Preservation Society, a charity registered in England, is a related party by virtue of its 28.57% shareholding in the company. Donations towards specific preservation projects undertaken by the company are received from the Paddle Steamer Preservation Society as decided by the trustees of that charity.

On 6 June 2009, in recognition of its continuing support to the company, the shareholders of the company agreed to allot a further 39 shares to the Paddle Steamer Preservation Society, which will increase its shareholding to 62.96%. The Society does not intend to exercise any operational or management control over the company and will continue to be represented on the board by its two nominees.

Directors and their Interests

The qualification of a director shall be that he or she shall be and remain a fully paid up member of the Paddle Steamer Preservation Society.

The Paddle Steamer Preservation Society will have the right to appoint two members of its Council of Management as Directors of the Company, one of whom must be nominated by the Scottish Branch and be resident in Scotland. At no time shall more than two members of the Council of Management of The Paddle Steamer Preservation Society, excluding any members of the Council nominated by the company, be Directors of the Company.

All company decisions are made by the Board of Directors.

The Directors who served during the year and to the date of this report were :-

P.M. Reid
Dr. J. McKendrick
D.I. McMillan
Dr. N. James
I. McLeod
Capt. J.M. Paterson
G. Reid
M. Allen
I Ramsay
F.G. Hogg (appointed 20.09.08)
A Lewis (appointed 01.02.08)

The following Directors are to retire from the Board in accordance with the Articles of Association, and being eligible, offer themselves for re-election:- Dr. N James and I Ramsay. The appointments of F.G. Hogg and A Lewis will also be confirmed at the Annual General Meeting.

Director/.

Director Induction and Training

In addition to the formal qualification relating to membership of the Paddle Steamer Preservation Society, one of the criteria for consideration of potential directors is a developed awareness of the heritage and tradition which the company seeks to maintain through the operation of its vessels. This awareness will have been developed through regular sailing on board the vessels, as either a passenger or as an employee of a subsidiary company and/or through membership in an active capacity of the Paddle Steamer Preservation Society. New directors are encouraged to develop this awareness further by continuing to sail aboard the vessels wherever they may be operating and by familiarising themselves in that way, and through formal meetings and discussions and informal contacts, with the circumstances which impinge on the achievement of the company's objectives. New directors are also advised of their responsibilities under charity and company law, the content of the Memorandum and Articles of Association and the company's decision making processes. Directors are further encouraged to take advantage of any appropriate training or development opportunities which will assist them to discharge their responsibilities as members of the board.

Statement of Directors Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the surplus or deficit for that year. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.


Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution proposing the re-appointment of Henderson & Company as auditors to the Company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



D. Docherty
Secretary

Waverley Terminal,
36 Lancefield Quay,
Glasgow
G3 8HA

6th June 2009

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
WAVERLEY STEAM NAVIGATION CO. LIMITED**

We have audited the financial statements of Waverley Steam Navigation Co. Limited for the year ended 31st October 2008 on pages 7 to 23. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

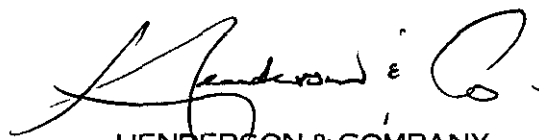
Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company and group's affairs as at 31st October 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. The information given in the directors report is consistent with the financial statements.


HENDERSON & COMPANY
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS

73 Union Street
Greenock
PA16 8BG

23rd July 2009

WAVERLEY STEAM NAVIGATION CO. LTD.
PARENT COMPANY INCOME AND EXPENDITURE ACCOUNT (INCLUDING STATEMENT OF
FINANCIAL ACTIVITIES) FOR THE YEAR ENDED 31ST OCTOBER 2008

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2008	Total Funds 2007
		£	£	£	£
Donations and Similar Income	2	7,723	-	7,723	81,412
Grants Received	3	-	192,681	192,681	-
Incoming Resources from operating activities in furtherance of charitable objectives :	6				
Sailing Revenue		1,776,887	-	1,776,887	-
Charter Fees		132,800	-	132,800	121,900
Catering & Shop Rental		70,124	-	70,124	-
Bank & Loan Interest Received		41,950	-	41,950	9,161
Net Income for the Year		2,029,484	192,681	2,222,165	212,473
Resources Expended					
Management and Administration	5	6,000	-	6,000	1,295
Other Costs		2,569,673	192,681	2,762,354	9,714
Bank Interest Paid		-	-	-	33
Depreciation Charges		14,065	384,844	398,909	398,909
Net Expenditure for the Year		2,589,738	577,525	3,167,263	409,951
Net Expenditure in excess of Income in Year	8	(560,254)	(384,844)	(945,098)	(197,478)
Balance Brought Forward		1,259,460	5,897,625	7,157,085	7,354,563
Balance Carried Forward		699,206	5,512,781	6,211,987	7,157,085

Continuing Operations

None of the Company's operations were acquired or discontinued during the years ended 31st October 2008 and 2007.

Total Recognised Gains and Losses

The Company has no recognised gains or losses other than as shown above for the years ended 31st October 2008 and 2007.

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT (INCLUDING STATEMENT OF
FINANCIAL ACTIVITIES) FOR THE YEAR ENDED 31ST OCTOBER 2008

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2008	Total Funds 2007
		£	£	£	£
Donations and Similar Income	2	11,438	-	11,438	84,763
Grants Received	3	26,000	192,681	218,681	26,000
Trading Operations:	6				
Sailing Revenue		1,884,432	-	1,884,432	2,250,134
Bar and Catering Revenue		504,987	-	504,987	677,038
Shop Sales		92,747	-	92,747	122,855
Other Income		13,944	-	13,944	7,809
Bank Interest Received		16,687	-	16,687	18,364
Net Income for the Year		2,550,235	192,681	2,742,916	3,186,963
Less: Bar and Catering Expenses		205,636	-	205,636	283,314
Shop Expenses		51,382	-	51,382	59,519
		2,293,217	192,681	2,485,898	2,844,130
Resources Expended					
Direct Charitable Expenditure	4	2,596,500	192,681	2,789,181	2,540,395
Management and Administration	5	314,366	-	314,366	314,865
Bank Interest Paid		-	-	-	33
Depreciation Charges		15,445	384,844	400,289	400,198
		2,926,311	577,525	3,503,836	3,255,491
Expenditure in Excess of Income in Year Before Tax	8	(633,094)	(384,844)	(1,017,938)	(411,361)
Taxation	9	-	-	-	33
Expenditure in Excess of Income in Year After Tax		(633,094)	(384,844)	(1,017,938)	(411,394)
Balance Brought Forward		548,049	5,897,625	6,445,674	6,857,068
Balance Carried Forward		(85,045)	5,512,781	5,427,736	6,445,674

Continuing Operations

None of the Group's operations were acquired or discontinued during the years ended 31st October 2008 and 2007.

Total Recognised Gains and Losses

The Group has no recognised gains or losses other than as shown above for the years ended 31st October 2008 and 2007.

**WAVERLEY STEAM NAVIGATION CO. LTD.
PARENT COMPANY BALANCE SHEET
AS AT 31ST OCTOBER 2008**

	2008	2007	Note
	£	£	
FIXED ASSETS			
Tangible Assets	5,654,337	6,053,246	10
Investment in Subsidiary	100	100	12
	<hr/> 5,654,437	<hr/> 6,053,346	
CURRENT ASSETS			
Debtors	1,076,041	757,295	13
Cash at Bank	13,156	359,696	
	<hr/> 1,089,197	<hr/> 1,116,991	
CREDITORS:			
Amounts falling due within one year	531,605	11,775	14
	<hr/> 557,592	<hr/> 1,105,216	
NET CURRENT ASSETS			
	<hr/> 6,212,029	<hr/> 7,158,562	
CREDITORS:			
Amounts falling due after more than one year	-	1,435	14
	<hr/> 6,212,029	<hr/> 7,157,127	
Represented by:			
CAPITAL AND RESERVES			
Called Up Share Capital	42	42	16
Unrestricted Reserves	699,206	1,259,460	
Restricted Reserves	5,512,781	5,897,625	18
	<hr/> 6,212,029	<hr/> 7,157,127	19
Shareholders' Funds			

These financial statements were approved by the Board of Directors on 6th June 2009 and were signed on its behalf by:



Dr. N. James

Director

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
CONSOLIDATED BALANCE SHEET
AS AT 31ST OCTOBER 2008

	2008	2007	Note
	£	£	
FIXED ASSETS			
Tangible Assets	5,656,282	6,055,715	10
CURRENT ASSETS			
Stocks	30,543	24,194	13
Debtors	506,375	172,911	
Cash at Bank and on Hand	16,726	629,035	
	553,644	826,140	
CREDITORS:			
Amounts falling due within one year	775,453	425,540	14
NET CURRENT (LIABILITIES)/ASSETS	(221,809)	400,600	
TOTAL ASSETS LESS CURRENT LIABILITIES	5,434,473	6,456,315	
CREDITORS:			
Amounts falling due after more than one year			
Other Creditors	-	1,435	14
Deferred Income	6,695	9,164	15
	6,695	10,599	
	5,427,778	6,445,716	
CAPITAL AND RESERVES			
Called Up Share Capital	42	42	16
Unrestricted Reserves	(85,045)	548,049	
Restricted Reserves	5,512,781	5,897,625	18
Shareholders' Funds	5,427,778	6,445,716	19

These financial statements were approved by the Board of Directors on 6th June 2009 and were signed on its behalf by:



Dr. N. James

Director

WAVERLEY STEAM NAVIGATION CO. LTD.
PARENT COMPANY CASHFLOW STATEMENT FOR THE YEAR ENDED
31ST OCTOBER 2008

	2008	2007	Note
	£	£	
Net Cash (Outflow)/Inflow from Ordinary Activities	(388,490)	91,364	21
Returns on Investment and Servicing of Finance			
Interest Received	41,950	9,161	
Financing			
Repayment of Loans	-	(7,500)	
(Decrease)/Increase in Cash in the year	<u>(346,540)</u>	<u>93,025</u>	

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED
31ST OCTOBER 2008

	2008	2007	Note
	£	£	
Net Cash Outflow from Ordinary Activities	(628,140)	(3,632)	21
Returns on Investment and Servicing of Finance			
Interest Received	16,687	18,364	
Interest Paid	-	(33)	
	16,687	18,331	
Taxation	-	(33)	
Capital Expenditure and Financial Investment			
Purchase of Tangible Fixed Assets	(856)	(853)	
Net Cash (Outflow)/Inflow before Use of Liquid Resources and Financing	(612,309)	13,813	
Financing			
Repayment of Loans	-	(7,500)	
(Decrease)/Increase in Cash in the year	(612,309)	6,313	

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS AS AT 31ST OCTOBER 2008

1. ACCOUNTING POLICIES

(a) Accounting Convention

The accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and Accounting and Reporting by Charities Statement of Recommended Practice (SORP) issued in March 2005. The accounts have been prepared on the basis that the group will continue to operate as a going concern. As noted in the review of the business in the directors' report, as a result of exceptionally bad weather conditions, high fuel costs and an untimely breakdown to PS. "Waverley" the group experienced extremely difficult trading conditions in 2008, which resulted in heavy trading losses being incurred and in there being a shortfall of cash to fund the group's activities until the resumption of active trading for the 2009 season. The Paddle Steamer Preservation Society, through a mixture of short term loans and grants, agreed to provide the funding necessary to maintain operations over the winter period. In addition, a public appeal was launched in early 2009 to provide further funds to support the refit costs of the vessels and to ensure their readiness to re-enter service.

If the going concern basis were not appropriate, the group's assets would have to be written down to their realisable value and certain liabilities due in future years would fall due immediately.

The directors have worked with the directors of Waverley Excursions Ltd to develop a sailing programme for 2009 to optimise trading performance at an acceptable level of risk, to enhance marketing activities to increase passenger numbers and to seek out additional sources of revenue and funding, all of which are intended to restore profitability. In addition, the Paddle Steamer Preservation Society has indicated that it will continue to support the operational preservation of PS. "Waverley" in 2009 and beyond. Accordingly, the directors consider it appropriate to prepare the accounts on the going concern basis.

(b) Consolidation

The company accounts provide information about the parent company and not about the group.

The group accounts consolidate the accounts of the Parent Company and all subsidiaries for the year ended 31 October 2008. The accounts of Waverley Excursions Guernsey Limited, which are included within the consolidated accounts, have been audited by Brehon Ltd, a firm of Chartered Accountants with an office in Guernsey.

(c) Donations, Legacies and Similar Incoming Resources

Donations, legacies and similar incoming resources are included in the year in which they are receivable, which is when the charity becomes entitled to the resource.

(d) Grants Receivable

Grants receivable by the parent company are recognised in the statement of financial activities when the company has received and has entitlement to the resources and therefore grants receivable for capital projects are not deferred over the life of the asset. Grants received for specific capital projects will be allocated to specific funds which will then be reduced over the useful economic life of the asset in line with depreciation policies. This is in line with the SORP which provides the most appropriate interpretation of SSAP 4 for charities.

Grants received by subsidiaries from brewery companies are credited to a Deferred Income Account and are released to revenue under the conditions of the grants in annual instalments. Grants relating to expenditure on tangible fixed assets are credited to profit over a period approximating the lives of the qualifying assets. Other grants are credited to the Profit and Loss Account in the year in which they are received.

(e) Depreciation

Depreciation is provided at rates calculated to write off the cost, less residual value, of each asset over its expected useful life as follows:

Plant and Equipment for Vessels	10%	straight line
Vessels	10% & 4%	straight line
Computer Equipment	20%	straight line
Office Equipment	15%	straight line

P.S. Waverley rebuild expenditure capitalised is being written off over a twenty-five year period.

The other vessel will continue to be written off over a ten year period.

(f) Stocks

Stocks are stated at the lower of cost and net realisable value.

(g) Pension Costs

Pension payments are made to the Merchant Navy Officers Pension Scheme. This scheme is a multi-employer defined benefit scheme but as the company is unable to identify its share of underlying assets and liabilities in the scheme on a consistent and reasonable basis, the company accounts for the contributions to scheme as though it was a defined contribution scheme, and the charge for the year represents the contributions made to the scheme by the company. Contributions made to a money purchase pension scheme are charged to the Profit and Loss Account when they are made.

(h) Deferred Taxation

Deferred taxation is provided using the full provision method in respect of all timing differences that have originated but not reversed at the balance sheet date to the extent that it is regarded as more likely than not that the tax will be payable or recoverable in the foreseeable future.

(i) Leasing and Hire Purchase

Assets obtained under hire purchase and finance lease contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. The interest element of payments is charged to the Income and Expenditure Account over the period of the agreements.

Rentals paid under operating leases are charged against income as incurred annually over the lease term.

(j) Funds

Unrestricted funds are donations and other incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

Designated funds are unrestricted funds earmarked by the directors for particular purposes.

Restricted funds are to be used for specific purposes laid down by the donor. Expenditure which meets those criteria is charged to the fund, together with a fair allocation of management and support costs.

(k) Expenditure

Resources expended are recognised in the period in which they are incurred.

2. DONATIONS AND SIMILAR INCOME

Company

	Unrestricted Funds	Restricted Funds	Total Funds 2008	Total Funds 2007
	£	£	£	£
Other Donations	7,723	-	7,723	10,495
Bristol City Council	-	-	-	10,000
Bequest	-	-	-	60,917
	<u>7,723</u>	<u>-</u>	<u>7,723</u>	<u>81,412</u>

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2008	Total Funds 2007
	£	£	£	£
Other Donations	11,438	-	11,438	13,846
Bristol City Council	-	-	-	10,000
Bequest	-	-	-	60,917
	<u>11,438</u>	<u>-</u>	<u>11,438</u>	<u>84,763</u>

3. GRANTS RECEIVED

Company

	Unrestricted Funds	Restricted Funds	Total Funds 2008	Total Funds 2007
	£	£	£	£
P.S.P.S.	-	132,260	132,260	-
Balmoral Restoration Fund	-	60,421	60,421	-
	<u>-</u>	<u>192,681</u>	<u>192,681</u>	<u>-</u>

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2008	Total Funds 2007
	£	£	£	£
P.S.P.S.	-	132,260	132,260	-
Balmoral Restoration Fund	-	60,421	60,421	-
Glasgow City Council	26,000	-	26,000	26,000
	<u>26,000</u>	<u>192,681</u>	<u>218,681</u>	<u>26,000</u>

4. DIRECT CHARITABLE EXPENDITURE

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2008	Total Funds 2007
	£	£	£	£
Wages	820,411	-	820,411	828,819
Ship Repair and Operating Expenses	1,278,450	192,681	1,471,131	1,174,359
Sales and Marketing Expenses	473,378	-	473,378	519,994
Other Costs	24,261	-	24,261	17,223
	<u>2,596,500</u>	<u>192,681</u>	<u>2,789,181</u>	<u>2,540,395</u>

5. MANAGEMENT AND ADMINISTRATION

Company

The costs incurred in the year totalling £6,000 comprise of legal fees (2007 - £1,295).

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2008	Total Funds 2007
	£	£	£	£
Wages	216,762	-	216,762	214,135
Office Costs	89,789	-	89,789	87,315
Audit and Accountancy Fees	7,815	-	7,815	13,415
	<u>314,366</u>	<u>-</u>	<u>314,366</u>	<u>314,865</u>

6. INCOME FROM TRADING OPERATIONS - Group

All income from trading operations arises in the United Kingdom and represents the value of goods sold and services provided during the year stated net of VAT.

7. STAFF COSTS

	2008	2007
	£	£
Wages and Salaries	937,870	944,508
Social Security Costs	20,269	17,151
External Crew Hire Costs	45,039	45,894
Pension Costs	33,995	35,401
	<u>1,037,173</u>	<u>1,042,954</u>

No employee received emoluments in excess of £60,000.

	2008	2007
Average Number of Employees		
Sailing	30	27
Office Staff and Management	8	8
	<u>38</u>	<u>35</u>

Retirement/.

Retirement benefits are accruing under a defined benefit scheme for four employees and under a money purchase scheme for one employee.

	2008	2007
Directors Remuneration (including Pension Contributions of £10,792 for four Directors (2007 - £11,752 for four Directors)	162,901	183,111

A director of Waverley Steam Navigation Co Ltd received remuneration of £44,290 (2007 - £43,752) together with payments to a defined benefit pension scheme of £4,720 (2007 - £4,859) from Waverley Excursions Ltd and another director of Waverley Steam Navigation Co Ltd received remuneration of £34,410 (2007 - £33,587) together with payments to a defined benefit pension scheme of £1,524 (2007 - £1,485) from Waverley Excursions (Guernsey) Ltd. No other director of the parent company received any remuneration in respect of their services. A director of Waverley Excursions Limited received remuneration of £32,989 (2007 - £51,678) together with payments to a defined benefit pension scheme of £1,548 (2007 - £2,408) from Waverley Excursions (Guernsey) Limited. One director of Waverley Excursions Limited received remuneration of £40,420 (2007 - £42,342) together with payments to a money purchase pension scheme of £3,000 (2007 - £3,000) from that company.

Travel and other expenses totalling £5,271 (2007 - £5,338) were incurred on behalf of 4 directors of the parent company during the year by Waverley Excursions Limited.

At 31 October 2008 the company had a deficit in contributions to the Merchant Navy Officers Pension Fund totalling £10,110 (2007 - £11,795) and the group had a deficit in contributions totalling £121,770 (2007 - £142,065). This sum is repayable in annual instalments over the next six years.

8. EXPENDITURE IN EXCESS OF INCOME

Company:

	2008	2007
	£	£
Expenditure in excess of income is stated after charging:-		
Auditors Remuneration:	-	1,295
Depreciation - Owned Assets	398,909	398,909

Group:

	2008	2007
	£	£
Expenditure in excess of income is stated after charging:-		
Auditors Remuneration – (including £815 payable to the auditors of Waverley Excursions Guernsey Ltd)	7,815	13,415
Depreciation - Owned Assets	400,289	400,198
Operating Lease Payments – Property	12,000	12,000

9/.

9. TAXATION

(a) Company

No taxation is payable by the company due to its charitable status.

(b) Group

	2008	2007
	£	£
Corporation Tax Payable (in Guernsey)	-	33

Factors affecting Tax Charge for the Year

The Corporation Tax assessed for the year is different from the standard small companies rate of Corporation Tax in the United Kingdom of 21% (2007 – 20%). The differences are explained below:

	2008	2007
	£	£
Net group expenditure in excess of income before taxation	(1,017,938)	(411,361)
Less: Parent company's expenditure in excess of income	(945,098)	(197,478)
Net Loss of subsidiary companies before taxation	(72,840)	(213,883)
Loss on ordinary activities multiplied by the standard small companies rate of Corporation Tax in the United Kingdom of 21% (2007 – 20%)	(15,296)	(42,777)
Effects of - Expenses non deductible for tax purposes	3,881	2,047
- Capital allowances in excess of depreciation	(101)	(167)
- Losses utilised in year	(559)	-
- Losses created in year	12,075	40,930
Current Corporation Tax charge for year	-	33

10. TANGIBLE FIXED ASSETS

(a) Group

	Equip- ment For Vessels	Computer Equip- ment	Office Equip- ment	Plant And Equip- ment	Vessels	Total
	£	£	£	£	£	£
Cost						
As at 1st November 2007	57,996	17,006	4,639	1,550	8,673,344	8,754,535
Additions during year	-	856	-	-	-	856
Disposals during year	-	-	-	-	-	-
As at 31st October 2008	57,996	17,862	4,639	1,550	8,673,344	8,755,391
Depreciation						
As at 1st November 2007	57,731	15,477	3,964	1,550	2,620,098	2,698,820
On Disposals	-	-	-	-	-	-
Provided during year	265	646	469	-	398,909	400,289
As at 31st October 2008	57,996	16,123	4,433	1,550	3,019,007	3,099,109
Net Book Value						
As at 31st October 2008	-	1,739	206	-	5,654,337	5,656,282
As at 31st October 2007	265	1,529	675	-	6,053,246	6,055,715

(b)/.

(b) Company

	Vessels
	£
Cost	
As at 1st November 2007	8,673,344
Additions during year	-
Disposals during year	-
	<hr/>
As at 31st October 2008	8,673,344
	<hr/>
Depreciation	
As at 1st November 2007	2,620,098
On Disposals	-
Provided during year	398,909
	<hr/>
As at 31st October 2008	3,019,007
	<hr/>
Net Book Value	
As at 31st October 2008	5,654,337
	<hr/>
As at 31st October 2007	6,053,246
	<hr/>

On 18th February 1998 the Trustees of the National Heritage Memorial Fund took a 25 year mortgage on the vessel P.S. "Waverley" as security for the conditions of the grant accepted by the Company for the Heritage Rebuild project. The Trustees of the National Heritage Memorial Fund also have a mortgage on the vessel M.V. "Balmoral" as security for funding received by the company towards M.V. "Balmoral's" regeneration project.

11. REPLACEMENT COSTS OF VESSELS

In the opinion of the Directors, the replacement cost of P.S. "Waverley" would be in the region of £12,000,000 and of M.V. "Balmoral" in the region of £8,000,000.

12. INVESTMENTS**(a) Group**

Subsidiary Undertakings at 31 October 2008

Name of Company	Incorporated and Registered in	Nature of Business	Proportion Owned
Waverley Excursions Ltd	Scotland	Ship Operator	100%
Timecrest Ltd	Scotland	Employee Management	100%
Waverley Excursions Guernsey Ltd	Guernsey	Employment Company	100%

Waverley Steam Navigation Co Ltd owns 100% of the issued share capital of Waverley Excursions Ltd. Both Timecrest Ltd and Waverley Excursions Guernsey Ltd are wholly owned subsidiary companies of Waverley Excursions Ltd.

(b) Company**INVESTMENT IN SUBSIDIARY**

	2008	2007
	£	£
Shares in Waverley Excursions Limited at Cost	100	100

13/.

13. DEBTORS

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade Debtors	155,623	139,931	-	-
Other Debtors	350,752	32,980	293,155	2,115
Amount owed by Subsidiary Undertaking	-	-	782,886	755,180
	<u>506,375</u>	<u>172,911</u>	<u>1,076,041</u>	<u>757,295</u>

The company is owed £782,886 by Waverley Excursions Ltd at 31 October 2008. Of this balance £150,000 is repayable within one year and the remaining balance is repayable in more than one year.

14. CREDITORS

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Amounts falling due within one year:-				
P.S.P.S. Loan	50,000	-	50,000	-
Trade Creditors	575,019	305,578	-	-
Amount Owed to Subsidiary Undertaking	-	-	465,375	-
Social Security and other Taxes	51,764	44,408	-	-
Other Creditors	98,670	75,554	16,230	11,775
	<u>775,453</u>	<u>425,540</u>	<u>531,605</u>	<u>11,775</u>
Amounts falling due after more than one year:-				
Interest Free Loan	-	1,435	-	1,435

15. DEFERRED INCOME

Group	£
Balance brought forward at 1 November 2007	9,164
Less: Released to Income and Expenditure Account in current year	<u>2,469</u>
Balance carried forward at 31 October 2008	<u>6,695</u>

16. SHARE CAPITAL

	2008	2007
Authorised		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Allotted, Called Up and Fully Paid		
42 Ordinary Shares of £1 each	<u>42</u>	<u>42</u>

17. CAPITAL AND OTHER COMMITMENTS

	2008	2007
Contracted for but not provided for in the accounts	Nil	Nil
Authorised by the Directors but not contracted for	Nil	Nil

18/.

18. RESTRICTED FUNDS

Company and Group

	2008	2007
	£	£
Balance brought forward at 1 November 2007	5,897,625	6,272,469
Add: Monies received from Bristol City Council	-	10,000
P.S.P.S.	132,260	-
Balmoral Restoration Fund	60,421	-
	<u>6,090,306</u>	<u>6,282,469</u>
Less: Depreciation charge in year	(384,844)	(384,844)
Specific restoration work carried out in year	(192,681)	-
	<u>5,512,781</u>	<u>5,897,625</u>

The balance of restricted funds comprise of external funding towards PS. Waverley's heritage rebuild projects and MV. Balmoral's regeneration project less associated annual depreciation charges.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

(a) Group

	2008	2007
	£	£
Opening Shareholders' Funds	6,445,716	6,857,110
Deficit for the Financial Year	(1,017,938)	(411,394)
	<u>5,427,778</u>	<u>6,445,716</u>

(b) Company

	2008	2007
	£	£
Opening Shareholders' Funds	7,157,127	7,354,605
Deficit for the Financial Year	(945,098)	(197,478)
	<u>6,212,029</u>	<u>7,157,127</u>

If upon winding up or dissolution of the Company there remains after satisfaction of all debts and liabilities any property whatsoever the same shall not be paid or distributed among the shareholders of the company but shall be given or transferred to some other Charitable Institution having objects similar to the objects of the company.

20. OTHER FINANCIAL COMMITMENTS

At 31st October 2008 the group had annual commitments under operating leases as set out below:

	2008	2007
	£	£
Property Leases which expire:		
Within 1 year	-	-
In years 2 – 5	12,000	12,000
In over 5 years	-	-

21. RECONCILIATION OF EXPENDITURE IN EXCESS OF INCOME BEFORE TAX TO NET CASH INFLOW FROM ORDINARY ACTIVITIES

a) Group

	2008	2007
	£	£
Expenditure in Excess of Income Before Tax	(1,017,938)	(411,361)
Interest Received	(16,687)	(18,364)
Interest Paid	-	33
Depreciation Charges	400,289	400,198
Increase in Stock	(6,349)	(429)
(Increase)/Decrease in Debtors	(333,464)	42,186
Increase/(Decrease) in Creditors	346,009	(15,895)
	<u>(628,140)</u>	<u>(3,632)</u>

b) Company

	2008	2007
	£	£
Expenditure in Excess of Income	(945,098)	(197,478)
Interest Received	(41,950)	(9,161)
Depreciation Charges	398,909	398,909
Increase in Creditors	518,395	2,980
Increase in Debtors	(318,746)	(103,886)
	<u>(388,490)</u>	<u>91,364</u>

22. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

a) Group

	2008	2007
	£	£
(Decrease)/Increase in Cash	(612,309)	6,313
Cash Inflow from Debt Repayment	-	7,500
	<u>(612,309)</u>	<u>13,813</u>
Movement in Net Funds in Year	620,100	606,287
Net Funds at Start of Year		
	<u>7,791</u>	<u>620,100</u>

b) Company

	2008	2007
	£	£
(Decrease)/Increase in Cash	(346,540)	93,025
Cash Inflow from Debt Repayment	-	7,500
	<u>(346,540)</u>	<u>100,525</u>
Movement in Net Funds in Year	350,761	250,236
Net Funds at Start of Year		
	<u>4,221</u>	<u>350,761</u>

23. ANALYSIS OF NET FUNDS

a) Group

	At 1st November 2007	Cashflow	Non-Cash Charges	At 31 st October 2008
	£	£	£	£
Cash at Bank	629,035	(612,309)	-	16,726
Loans Due < 1 year	(7,500)	-	(1,435)	(8,935)
Loans Due > 1 year	(1,435)	-	1,435	-
	620,100	(612,309)	-	7,791

b) Company

	£	£	£	£
Cash at Bank	359,696	(346,540)	-	13,156
Loans Due < 1 year	(7,500)	-	(1,435)	(8,935)
Loans Due > 1 year	(1,435)	-	1,435	-
	350,761	(346,540)	-	4,221