

WAVERLEY STEAM NAVIGATION CO. LTD.

Directors' Report and Accounts
For the year ended 31st October 2010

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)
REGISTERED NUMBER : 50789
DIRECTORS' REPORT

The Directors submit their Report and Accounts of the company and group for the year ended 31st October 2010.

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

During the season PS. Waverley carried 122,275 (2009 – 123,061) passengers and MV. Balmoral carried 44,635 (2009 – 46,447) passengers.

The consolidated statement of financial activities incorporating the income and expenditure account brings out a deficit for the year on unrestricted funds of £281,878 (2009 – surplus of £189,206). During this year the winter refit and repair costs on PS. Waverley totalled £379,555 (2009 - £327,679) and £178,120 (2009 - £123,593) on MV. Balmoral. Restricted funds, which comprise funding received towards capital projects less associated annual costs and depreciation charges were reduced by £384,844 this year. This reduction relates entirely to annual depreciation charges.

The period under review was a mixed one, with early successes and hopes dashed later in the 2010 season by significant disruption to sailings caused particularly by inclement weather.

Waverley entered service in the Western Isles at the end of May, with a highly successful five day programme. A highlight was the first of several wreath laying ceremonies held in different areas throughout the season to commemorate the loss of the 1899 Waverley at Dunkirk. This first of the series took place on the seventieth anniversary to the minute of the sinking of Waverley's predecessor.

Waverley's subsequent period in the Bristol Channel in June was greeted with encouraging passenger numbers, but also with unseasonably windy weather which caused some disruption to schedules and two days cancelled sailings. There was also damage caused to the starboard sponson by a heavy landing at Ilfracombe, and the ship grounded briefly on an uncharted sandbank on a low-water approach to Clevedon, fortunately with no damage.

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On her return to the Clyde in mid June, Waverley's programme began with the usual well supported charter to the PSPS, but thereafter, while weekends brought good numbers of passengers, mid week loadings were poor for the rest of June and then July was wet, cold and often windy, with passenger numbers reflecting this. The weather in August was no better, and although no days were lost entirely, many were disrupted, with Ayr calls particularly badly affected. Passenger numbers remained disappointing as a result.

The weather improved dramatically on the day Waverley left the Clyde for the South Coast, and she had an uneventful passage to Weymouth. As soon as she got there, the weather on the South Coast took a turn for the worse, and sailings were heavily disrupted by a combination of high winds and, on one of the rare fine days, dense fog. This weather pattern continued during the ship's Thames programme as well, with four days of normally high revenue sailings lost to gales.

The effect of all this poor weather and disruption had an inevitable effect on Waverley's financial performance, and while in the early part of the season she had been holding her own, a lot of ground was lost in September. There were, however, some highlights. A charter undertaken off Dover in memorable weather conditions will make the ship star in the final scene of Warner Brothers' second Sherlock Holmes film, and the cruise to accompany the new "Queen Elizabeth" on her maiden voyage from Southampton was a great success.

Waverley's final Clyde sailings in October were very well supported in pleasant weather conditions.

Balmoral started her season with very successful spells in the North West and then the Bristol Channel, where an imaginative programme of sailings brought out the general public and enthusiasts in large numbers. A highlight was the sailing from Penarth and Ilfracombe to Padstow on 9 July. Gales then caused the cancellation of her short South Coast programme, all four days being lost thanks to Force ten winds off Lands' End. However, she picked up her Thames programme in the latter part of July and early August in good weather, and these were extremely successful, with no tickets available "on the day" for numerous sailings, including the whole of the final weekend.

Balmoral then headed for the North East for the first time in several years, to take advantage of the Tall Ships Event in Hartlepool. The majority of sailings associated with the event were well supported, as were the first few sailings when she returned to the Bristol Channel. The weather then took a dramatic turn for the worse, and six days sailings were lost in August and early September as a result of high winds.

Overall, therefore, results, for the third consecutive year, were seriously affected by bad weather, with Waverley coming off worse in this respect than Balmoral. In total, some £300,000 of budgeted revenue was lost in days cancelled, and the revenue on many others was adversely affected by long periods of inclement weather which did nothing to encourage people to sail "on the day" or to book in advance. In view of this, it was unsurprising that an overall deficit of £281,878 was incurred.

Marketing initiatives developed successfully on the Clyde in 2009 were adopted more widely in 2010, and use was made of last minute offers by newspapers to gain normally unaffordable advertising space at a bargain rate.

The five year plan referred to in the 2009 review was completed in the Spring of 2010 and maps a way forward based on increasing human resources to enable existing revenue streams to be strengthened and additional revenue streams developed. A charter sailing from London aboard Waverley on 5 October 2010 was organized and funded by a supporter, and 120 guests from the worlds of finance, business, politics, sport and education and other relevant charities attended. They were made aware of opportunities for use of the ship as a venue for corporate entertainment and hospitality, and of the potential for educational and charitable functions. Initial reaction was encouraging and many guests commented on the superb nature of the ship's accommodation and condition.

The end of the 2010 season marked the departure of two Waverley stalwarts. Jim MacFadzean, purser of 23 years standing, had become a legend in his own time, and the stream of presentations and farewells to him which took place in every area of the ship's operation as the season drew to a close showed just how much he was valued. To thousands upon thousands of passengers, Jim was simply the human face of Waverley, and had

Been./

been for as long as most of them could remember. Only those who worked on the ships knew how deep his contribution went, as a result of who he is and the experience of over two decades of operation which he embodied. The other departure was that of Gordon Reid, Project Manager during both phases of Waverley's rebuild in 1999-2000 and 2002-2003 and subsequently Chief Engineer. As a result of his involvement in the rebuild and his own personal qualities of dedication and sheer hard work, Gordon's knowledge of every aspect of our unique ship is immense, and we were heartened that he offered to serve in a relief capacity in 2011.

Expectations regarding safety are rightly of utmost importance, and 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 of Waverley and Balmoral.

Looking ahead, there remain significant challenges as the directors focus on developing the business. The cost base in the 2011 season has shown substantial increases, especially for fuel. The regulatory regime in which we operate becomes increasingly stringent, placing additional burdens on the business in terms of cost and resource. There are also increasing difficulties attracting and retaining sufficiently suitably qualified personnel to operate our ships as there is a worldwide shortage of such resources. As noted already, the weather dependent nature of much of what we do can have a major effect on the levels of revenue generated. The business plan objectives remain valid and we remain committed to progressing many of the initiatives to enhance revenues. However, we need to secure additional funding to enable us to move forward and carry out these initiatives. To that end we have recently launched a public appeal for funds to ensure we can keep our ships sailing beyond the 2011 season and we have begun to identify and seek support from funding partners in the public, private and charitable sectors to place our companies on a more secure financial footing for the longer term. This will require much hard work, but it is a task we have embarked upon willingly.

The Directors again acknowledge the skill, drive and expertise of those involved in the operation and maintenance of Waverley and Balmoral, both afloat and ashore, paid and unpaid, whose contributions go far beyond the ordinary in their determination to keep our pieces of maritime heritage alive.

Finally, the Directors once again record their gratitude to the Council of Management of the Paddle Steamer Preservation Society, which has provided substantial and essential support during the period under review. It had been our hope that such support would not be required in 2010 as successful business initiatives bore fruit. In the event, with weather patterns significantly worse than the norm adversely affecting Waverley's results in early June, July, August, September and early October and Balmoral's results in mid July and from mid August onwards, this did not prove possible, and the support of the Paddle Steamer Preservation Society was crucial.

Reserve Policy

The directors have established the level of reserves which the charity ought to have. Reserves are required 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 consider that the ideal level of reserves at 31 October 2010 is £750,000, and this figure should not require to be increased significantly in the year to 31 October 2011. Owing to heavy losses incurred over the last three seasons the actual reserves freely available at 31 October 2010 were £293,418 in deficit, which is £1,043,418 short of the target figure. In calculating reserves the directors have excluded from total funds tangible fixed assets of £4,858,877. As the reserves are now in deficit the company and group's ability to continue as a going concern is now dependent on the successful outcome of the 2011 sailing season, raising sufficient funds from the public appeal which has been launched and sourcing alternative funding partners.

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.

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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 62.96% 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.

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
A. Lewis
G. Wilson (appointed 24 April 2010 and resigned 10 June 2011)

The following Directors are to retire from the Board in accordance with the Articles of Association, and being eligible, offer themselves for re-election:- I. McLeod, Dr. J. McKendrick and Capt. J.M. Paterson.

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./

Statement of Directors Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

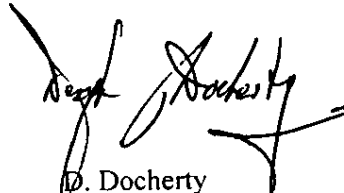
Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) 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 any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, Henderson & Company, will be proposed for re-appointment at the forth coming Annual General Meeting.

BY ORDER OF THE BOARD



D. Docherty
Secretary

Waverley Terminal,
36 Lancefield Quay,
Glasgow
G3 8HA

24th September 2011

**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 2010 on pages 9 to 25. 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 Chapter 3 of Part 16 of the Companies Act 2006. 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 (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view.

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with those Acts.

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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with those financial statements.

We also report to you if, in our opinion, the charity has not kept adequate and proper accounting records, if the charity's financial statements are not in agreement with these accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of directors' remuneration required by law are not made.

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.

Emphasis/.

Emphasis of Matter – Going Concern

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates that at 31 October 2010 the group's unrestricted funds were £177,717 in deficit. This, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company and group's ability to continue as a going concern.

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 2010 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 2006, 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.

A handwritten signature in black ink, appearing to read 'John Henderson', written in a cursive style.

John Henderson (Senior Statutory Auditor)
For and on behalf of Henderson & Company
Statutory Auditor
73 Union Street
Greenock
PA16 8BG

28th September 2011

WAVERLEY STEAM NAVIGATION CO. LTD.
PARENT COMPANY INCOME AND EXPENDITURE ACCOUNT (INCLUDING STATEMENT OF FINANCIAL ACTIVITIES) FOR THE YEAR ENDED 31ST OCTOBER 2010

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2010	Total Funds 2009
		£	£	£	£
Donations and Similar Income	2	64,308	-	64,308	137,092
Grants Received	3	-	-	-	283,631
Incoming Resources from operating activities in furtherance of charitable objectives :	6				
Sailing Revenue		2,151,431	-	2,151,431	2,054,208
Charter Fees		66,000	-	66,000	33,000
Catering & Shop Rental		75,447	-	75,447	78,142
Other Income		-	-	-	4,686
Bank & Loan Interest Received		15,916	-	15,916	28,979
Net Income for the Year		2,373,102	-	2,373,102	2,619,738
Resources Expended					
Management and Administration	5	1,295	-	1,295	1,295
Other Costs		2,704,012	-	2,704,012	2,498,290
Bank Interest Paid		-	-	-	14
Depreciation Charges		14,065	384,844	398,909	398,909
Net Expenditure for the Year		2,719,372	384,844	3,104,216	2,898,508
Net Expenditure in excess of Income in Year	8	(346,270)	(384,844)	(731,114)	(278,770)
Balance Brought Forward		805,280	5,127,937	5,933,217	6,211,987
Balance Carried Forward		459,010	4,743,093	5,202,103	5,933,217

Continuing Operations

None of the Company's operations were acquired or discontinued during the years ended 31st October 2010 and 2009.

Total Recognised Gains and Losses

The Company has no recognised gains or losses other than as shown above for the years ended 31st October 2010 and 2009.

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT (INCLUDING STATEMENT OF
FINANCIAL ACTIVITIES) FOR THE YEAR ENDED 31ST OCTOBER 2010

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2010	Total Funds 2009
		£	£	£	£
Donations and Similar Income	2	74,720	-	74,720	139,236
Grants Received	3	26,000	-	26,000	309,631
Trading Operations:	6				
Sailing Revenue		2,230,931	-	2,230,931	2,111,816
Bar and Catering Revenue		597,309	-	597,309	585,710
Shop Sales		104,939	-	104,939	102,482
Other Income		4,349	-	4,349	30,135
Bank Interest Received		234	-	234	3,486
Net Income for the Year		3,038,482	-	3,038,482	3,282,496
Less: Bar and Catering Expenses		265,944	-	265,944	251,264
Shop Expenses		53,769	-	53,769	52,658
		2,718,769	-	2,718,769	2,978,574
Resources Expended					
Direct Charitable Expenditure	4	2,622,010	-	2,622,010	2,417,962
Management and Administration	5	363,574	-	363,574	356,023
Bank Interest Paid		-	-	-	14
Depreciation Charges		15,094	384,844	399,938	400,213
		3,000,678	384,844	3,385,522	3,174,212
Expenditure in Excess of Income in Year Before Tax	8	(281,909)	(384,844)	(666,753)	(195,638)
Taxation	9	(31)	-	(31)	-
Expenditure in Excess of Income in Year After Tax		(281,878)	(384,844)	(666,722)	(195,638)
Balance Brought Forward		104,161	5,127,937	5,232,098	5,427,736
Balance Carried Forward		(177,717)	4,743,093	4,565,376	5,232,098

Continuing Operations

None of the Group's operations were acquired or discontinued during the years ended 31st October 2010 and 2009.

Total Recognised Gains and Losses

The Group has no recognised gains or losses other than as shown above for the years ended 31st October 2010 and 2009.

**WAVERLEY STEAM NAVIGATION CO. LTD.
PARENT COMPANY BALANCE SHEET
AS AT 31ST OCTOBER 2010**

	2010	2009	Note
	£	£	
FIXED ASSETS			
Tangible Assets	4,856,519	5,255,428	10
Investment in Subsidiary	100	100	12
	<hr/>	<hr/>	
	4,856,619	5,255,528	
CURRENT ASSETS			
Debtors	763,776	904,549	13
Cash at Bank	44,298	44,443	
	808,074	948,992	
CREDITORS:			
Amounts falling due within one year	462,507	271,220	14
	<hr/>	<hr/>	
NET CURRENT ASSETS	345,567	677,772	
	<hr/>	<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES	5,202,186	5,933,300	
	<hr/>	<hr/>	
 Represented by:			
CAPITAL AND RESERVES			
Called Up Share Capital	83	83	16
Unrestricted Reserves	459,010	805,280	
Restricted Reserves	4,743,093	5,127,937	18
	<hr/>	<hr/>	
Shareholders' Funds	5,202,186	5,933,300	19
	<hr/>	<hr/>	

These financial statements were approved by the Board of Directors on 24th September 2011 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 2010

	2010	2009	Note
	£	£	
FIXED ASSETS			
Tangible Assets	4,858,877	5,258,815	10
CURRENT ASSETS			
Stocks	26,987	22,619	
Debtors	421,959	568,035	13
Cash at Bank and on Hand	92,363	180,340	
	541,309	770,994	
CREDITORS:			
Amounts falling due within one year	834,348	794,513	14
NET CURRENT LIABILITIES	(293,039)	(23,519)	
TOTAL ASSETS LESS CURRENT LIABILITIES	4,565,838	5,235,296	
CREDITORS:			
Amounts falling due after more than one year			
Deferred Income	379	3,115	15
	4,565,459	5,232,181	
CAPITAL AND RESERVES			
Called Up Share Capital	83	83	16
Unrestricted Reserves	(177,717)	104,161	
Restricted Reserves	4,743,093	5,127,937	18
Shareholders' Funds	4,565,459	5,232,181	19

These financial statements were approved by the Board of Directors on 24th September 2011 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 2010

	2010	2009	Note
	£	£	
Net Cash (Outflow)/Inflow from Ordinary Activities	(16,061)	2,281	21
Returns on Investment and Servicing of Finance			
Interest Received	15,916	28,979	
Interest Paid	-	(14)	
	15,916	28,965	
Capital Expenditure and Financial Investment			
Proceeds of Share Issue in Year	-	41	
(Decrease)/Increase in Cash in the year	(145)	31,287	

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED
31ST OCTOBER 2010

	2010	2009	Note
	£	£	
Net Cash (Outflow)/Inflow from Ordinary Activities	(88,242)	162,847	21
Returns on Investment and Servicing of Finance			
Interest Received	234	3,486	
Interest Paid	-	(14)	
	234	3,472	
Taxation	31	-	
Capital Expenditure and Financial Investment			
Purchase of Tangible Fixed Assets	-	(2,746)	
Proceeds of Share Issue in Year	-	41	
	<u>(87,977)</u>	<u>163,614</u>	
(Decrease)/Increase in Cash in the year			

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS AS AT 31ST OCTOBER 2010

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.

Going Concern

As described in the directors' report the company and group face significant challenges as they operate in an environment which remains difficult as regards cost pressures. There are also ever more stringent regulatory requirements and it is increasingly difficult to find the required skills to support the operation. Revenue income during the season is weather dependent, with lower income being generated in adverse conditions due to lower passenger numbers and cancelled sailings in extreme conditions.

The company and group do not have any bank borrowings and have been supported for many years by their parent company, the Paddle Steamer Preservation Society, which has provided the funding necessary to maintain operations over the winter period through a mixture of short term loans and grants. The Paddle Steamer Preservation Society is however no longer able to provide this support and due to this and the losses which the group has incurred over the last few seasons the company and group's ability to continue is now dependent on the successful outcome of the following :

- (a) Generating sufficient surpluses during the current operational season, which terminates in October 2011.
- (b) Raising sufficient funds from a public appeal which has recently been launched.
- (c) Sourcing alternative funding partners which will secure the long term future of all group operations.
At present no commitments have been secured.

The directors have prepared forecasts for a period in excess of twelve months from the date of approval of the financial statements and these forecasts include assumptions available to the directors at the date of approval of the financial statements. These forecasts show that the company and group have sufficient resources to complete the current sailing season which terminates in October 2011. The long term future of the company and group are however dependent on the successful outcome of the above matters which are required to fund the winter months when little income is generated. The directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the company and group's ability to continue as a going concern.

After considering the uncertainties described above the directors have a reasonable expectation that the required funding will be secured and that the company and group will have adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis for the annual report and accounts.

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.

(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 2010.

(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./

(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 2010	Total Funds 2009
	£	£	£	£
Other Donations	64,308	-	64,308	137,092

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2010	Total Funds 2009
	£	£	£	£
Other Donations	74,720	-	74,720	139,236

3. GRANTS RECEIVED

Company

	Unrestricted Funds	Restricted Funds	Total Funds 2010	Total Funds 2009
	£	£	£	£
P.S.P.S.	-	-	-	283,631

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2010	Total Funds 2009
	£	£	£	£
P.S.P.S.	-	-	-	283,631
Glasgow City Council	26,000	-	26,000	26,000
	<u>26,000</u>	<u>-</u>	<u>26,000</u>	<u>309,631</u>

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4. DIRECT CHARITABLE EXPENDITURE

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2010	Total Funds 2009
	£	£	£	£
Wages	768,950	-	768,950	732,818
Ship Repair and Operating Expenses	1,407,524	-	1,407,524	1,156,549
Sales and Marketing Expenses	427,386	-	427,386	496,070
Other Costs	18,150	-	18,150	32,525
	<u>2,622,010</u>	<u>-</u>	<u>2,622,010</u>	<u>2,417,962</u>

5. MANAGEMENT AND ADMINISTRATION

Company

The costs incurred in the year total £1,295 (2009 - £1,295).

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2010	Total Funds 2009
	£	£	£	£
Wages	262,849	-	262,849	248,067
Office Costs	91,060	-	91,060	98,956
Audit and Accountancy Fees	9,665	-	9,665	9,000
	<u>363,574</u>	<u>-</u>	<u>363,574</u>	<u>356,023</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

	2010	2009
	£	£
Wages and Salaries	898,195	872,055
Social Security Costs	24,302	22,246
External Crew Hire Costs	35,322	23,004
Pension Costs	73,980	63,580
	<u>1,031,799</u>	<u>980,885</u>

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

	2010	2009
Average Number of Employees		
Sailing	24	26
Office Staff and Management	9	8
	<u>33</u>	<u>34</u>
Retirement/		

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

	2010	2009
	£	£
Directors Remuneration	131,904	129,893

A director of Waverley Steam Navigation Co Ltd received remuneration of £44,290 (2009 - £44,290) together with payments to a defined benefit pension scheme of £4,844 (2009 - £4,732) from Waverley Excursions Ltd and another director of Waverley Steam Navigation Co Ltd received remuneration of £36,277 (2009 - £35,249) together with payments to a defined benefit pension scheme of £1,598 (2009 - £1,555) from Waverley Excursions (Guernsey) Ltd. No other director of the parent company received any remuneration in respect of their services. One director of Waverley Excursions Limited received remuneration of £41,895 (2009 - £41,067) together with payments to a money purchase pension scheme of £3,000 (2009 - £3,000) from that company.

Travel and other expenses totalling £1,728 were repaid to directors of the company during the year.

At 31 October 2010 the company's share of the deficit in contributions to the Merchant Navy Officers Pension Fund was £13,447 and the group had a deficit in contributions totalling £356,932. The company's deficit is repayable in annual instalments over the next four years with the group deficit being repayable in annual instalments over the next ten years. These instalments will be charged to the statement of financial activities including the income and expenditure account on an annual basis when the payments are made.

8. EXPENDITURE IN EXCESS OF INCOME

Company:

	2010	2009
	£	£
Expenditure in excess of income is stated after charging:-		
Auditors Remuneration:	1,295	1,295
Depreciation – Owned Assets	398,909	398,909

Group:

	2010	2009
	£	£
Expenditure in excess of income is stated after charging:-		
Auditors Remuneration –	9,665	9,000
Depreciation – Owned Assets	399,938	400,213
Operating Lease Payments – Property	5,375	9,000

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9. TAXATION

(a) Company

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

(b) Group

	2010 £	2009 £
Corporation Tax (Re)/Payable	(31)	-

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% (2009 – 21%). The differences are explained below:

	2010 £	2009 £
Net group expenditure in excess of income before taxation	(666,753)	(195,638)
Less: Parent company's expenditure in excess of income	(731,114)	(278,770)
Net Profit of subsidiary companies before taxation	64,361	83,132
Profit on ordinary activities multiplied by the standard small companies rate of Corporation Tax in the United Kingdom of 21% (2009 – 21%)	13,516	17,458
Effects of - Expenses non deductible for tax purposes	-	132
- Charges on Income	(18)	(4,094)
- Depreciation in excess of capital allowances	65	-
- Capital allowances in excess of depreciation	-	(492)
- Losses utilised in year	(13,594)	(13,004)
Current Corporation Tax charge for year	(31)	-

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 2009	57,996	18,627	6,620	1,550	8,673,344	8,758,137
Additions during year	-	-	-	-	-	-
Disposals during year	-	-	-	-	-	-
As at 31 st October 2010	57,996	18,627	6,620	1,550	8,673,344	8,758,137
Depreciation						
As at 1st November 2009	57,996	16,921	4,939	1,550	3,417,916	3,499,322
On Disposals	-	-	-	-	-	-
Provided during year	-	732	297	-	398,909	399,938
As at 31 st October 2010	57,996	17,653	5,236	1,550	3,816,825	3,899,260
Net Book Value						
As at 31 st October 2010	-	974	1,384	-	4,856,519	4,858,877
As at 31 st October 2009	-	1,706	1,681	-	5,255,428	5,258,815

(b)/

(b) Company

	Vessels
	£
Cost	
As at 1st November 2009	8,673,344
Additions during year	-
Disposals during year	-
	<hr/>
As at 31 st October 2010	8,673,344
	<hr/>
Depreciation	
As at 1st November 2009	3,417,916
On Disposals	-
Provided during year	398,909
	<hr/>
As at 31 st October 2010	3,816,825
	<hr/>
Net Book Value	
As at 31 st October 2010	4,856,519
	<hr/>
As at 31 st October 2009	5,255,428
	<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 2010

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**

	2010	2009
	£	£
Shares in Waverley Excursions Limited at Cost	100	100

13./

13. DEBTORS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade Debtors	114,109	147,048	-	-
Other Debtors	307,850	420,987	280,890	271,663
Amount owed by Subsidiary Undertaking	-	-	482,886	632,886
	<u>421,959</u>	<u>568,035</u>	<u>763,776</u>	<u>904,549</u>

The company is owed £482,886 by Waverley Excursions Ltd at 31 October 2010. 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	
	2010	2009	2010	2009
	£	£	£	£
Amounts falling due within one year:-				
P.S.P.S. Loan	227,238	107,201	227,238	107,201
Trade Creditors	501,055	568,537	-	-
Amount Owed to Subsidiary Undertaking	-	-	225,038	154,839
Social Security and other Taxes	34,248	48,923	-	-
Other Creditors	71,807	69,852	10,231	9,180
	<u>834,348</u>	<u>794,513</u>	<u>462,507</u>	<u>271,220</u>

The P.S.P.S. have converted the loan balance of £227,238 into grant funding during the year ended 31 October 2011 thereby cancelling this debt.

15. DEFERRED INCOME

Group	£
Balance brought forward at 1 November 2009	3,115
Less: Released to Income and Expenditure Account in current year	<u>2,736</u>
Balance carried forward at 31 October 2010	<u>379</u>

16. SHARE CAPITAL

	2010	2009
Authorised		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Allotted, Called Up and Fully Paid		
83 Ordinary Shares of £1 each	<u>83</u>	<u>83</u>

17. CAPITAL AND OTHER COMMITMENTS

	2010	2009
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**

	2010	2009
	£	£
Balance brought forward at 1 November 2009	5,127,937	5,512,781
Add: P.S.P.S.	-	283,631
	<hr/>	<hr/>
	5,127,937	5,796,412
Less: Depreciation charge in year	(384,844)	(384,844)
Specific restoration work carried out in year	-	(283,631)
	<hr/>	<hr/>
	4,743,093	5,127,937
	<hr/>	<hr/>

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**

	2010	2009
	£	£
Opening Shareholders' Funds	5,232,181	5,427,778
Shares Issued in Year	-	41
Deficit for the Financial Year	(666,722)	(195,638)
	<hr/>	<hr/>
Closing Shareholders' Funds	4,565,459	5,232,181
	<hr/>	<hr/>

(b) Company

	2010	2009
	£	£
Opening Shareholders' Funds	5,933,300	6,212,029
Shares Issued in Year	-	41
Deficit for the Financial Year	(731,114)	(278,770)
	<hr/>	<hr/>
Closing Shareholders' Funds	5,202,186	5,933,300
	<hr/>	<hr/>

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 2010 the group had annual commitments under operating leases as set out below:

	2010	2009
	£	£
Property Leases which expire:		
Within 1 year	-	5,375
In years 2 – 5	-	-
In over 5 years	-	-

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

a) Group

	2010	2009
	£	£
Expenditure in Excess of Income Before Tax	(666,753)	(195,638)
Interest Received	(234)	(3,486)
Interest Paid	-	14
Depreciation Charges	399,938	400,213
(Increase)/Decrease in Stock	(4,368)	7,924
Decrease/(Increase) in Debtors	146,076	(61,660)
Increase in Creditors	37,099	15,480
	<u>(88,242)</u>	<u>162,847</u>

b) Company

	2010	2009
	£	£
Expenditure in Excess of Income	(731,114)	(278,770)
Interest Received	(15,916)	(28,979)
Interest Paid	-	14
Depreciation Charges	398,909	398,909
Increase/(Decrease) in Creditors	191,287	(275,385)
Decrease in Debtors	140,773	186,492
	<u>(16,061)</u>	<u>2,281</u>

22. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

a) Group

	2010	2009
	£	£
(Decrease)/Increase in Cash	(87,977)	163,614
Cash Inflow from Debt Repayment	-	-
	<u>(87,977)</u>	<u>163,614</u>
Movement in Net Funds in Year	171,405	7,791
Net Funds at Start of Year	<u>83,428</u>	<u>171,405</u>
Net Funds at End of Year	<u>171,405</u>	<u>171,405</u>

b) Company

	2010	2009
	£	£
(Decrease)/Increase in Cash	(145)	31,287
Cash Inflow from Debt Repayment	-	-
	<u>(145)</u>	<u>31,287</u>
Movement in Net Funds in Year	35,508	4,221
Net Funds at Start of Year	<u>35,363</u>	<u>35,508</u>
Net Funds at End of Year	<u>35,363</u>	<u>35,508</u>

23. ANALYSIS OF NET FUNDS

a) Group

	At 1st November 2009	Cashflow	Non-Cash Charges	At 31 st October 2010
	£	£	£	£
Cash at Bank	180,340	(87,977)	-	92,363
Loans Due < 1 year	(8,935)	-	-	(8,935)
Loans Due > 1 year	-	-	-	-
	171,405	(87,977)	-	83,428

b) Company

	£	£	£	£
Cash at Bank	44,443	(145)	-	44,298
Loans Due < 1 year	(8,935)	-	-	(8,935)
Loans Due > 1 year	-	-	-	-
	35,508	(145)	-	35,363

23. RELATED PARTY TRANSACTIONS

The Paddle Steamer Preservation Society holds a majority shareholding in the company. During the year the company received grant funding of £Nil (2009 - £283,631) from the Paddle Steamer Preservation Society. At 31 October 2010 the company owed the Paddle Steamer Preservation Society £227,238 (2009 - £107,201).