

WAVERLEY STEAM NAVIGATION CO. LTD.

Directors' Report and Accounts
For the year ended 31st October 2012

Company Number – SC050789

Charity Number - 5832

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COMPANIES HOUSE

HENDERSON & COMPANY

CHARTERED ACCOUNTANTS

73 UNION STREET

GREENOCK

WAVERLEY STEAM NAVIGATION CO. LTD.

Directors

M. Allen
F.G. Hogg
Dr. N. James
I. McLeod
Capt. J.M. Paterson
I. Ramsay
G. Reid
P.M. Reid
P. Semple

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 : SC050789
DIRECTORS' REPORT

The Directors submit their Report and Accounts of the company and group for the year ended 31st October 2012.

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 110,514 (2011 – 121,814) passengers and MV. Balmoral carried 21,587 (2011 – 35,010) passengers.

The consolidated statement of financial activities incorporating the income and expenditure account brings out a surplus for the year on unrestricted funds of £223,141 (2011 – £298,804). During this year the winter refit and repair costs on PS. Waverley totalled £326,001 (2011 - £542,223) and £196,945 (2011- £244,681) 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.

After one of the most difficult years the Company has faced in 2011, it was hoped that the period under review would bring a degree of stability and progress, and several significant initiatives were implemented, including a new Friends of Waverley membership scheme.

Unfortunately, the weather in 2012 proved to be the worst in living memory in the UK, and Balmoral's programme in particular was very severely disrupted, with a higher percentage of sailings lost to weather than ever before. The ship also suffered technical problems with the fresh water installation which caused further cancellations in late August and September. Waverley Excursions' partners for the Weymouth Bayside Festival, which was to have seen Balmoral play a major role in viewing the sailing Olympics, went into voluntary liquidation almost immediately after the Event started. This severely prejudiced Balmoral's results in what turned out to be the only good spell of weather during the season.

Waverley's programme suffered fewer cancellations. Nonetheless, a significant number of days were lost to the weather on the weather on the Bristol Channel and the South Coast, and, during the main season, passenger numbers were significantly reduced by consistently cold and wet weather.

It/

It was evident from early August that we would face major financial problems in the winter of 2012/13 unless significant support was forthcoming. The extent of the necessary support became ever greater as the losses incurred, particularly as a result of circumstances affecting the operation of Balmoral, worsened. Much behind the scenes work resulted in two possible scenarios for the necessary support to be given. In mid-October one of those scenarios bore fruit with a significant donation. Our gratitude to the sources of such generous support is beyond expression. We acknowledge, too, the determination, skill and expertise of all those who, paid and unpaid, contribute to the maintenance and operation of the ships and who work tirelessly to get passengers up the gangways. Once again, the Paddle Steamer Preservation Society was also instrumental with a pledge of a further £150,000 for the 2012/13 winter refit costs.

All this meant that, mindful of the responsibility such a large and generous amount of support implies, we could begin to plan for 2013.

A Strategy Group was set up, comprising Directors from both WSN and WEL and with attendance by representatives from PSPS, to evaluate possible ways forward. After very careful consideration, it was reluctantly decided not to operate Balmoral in 2013. Major factors in the decision were that the Company would have no reserves in 2013/14; that on average 23% of Balmoral's sailings in the five years to 2012 had been lost to weather with corresponding significant financial losses; that there was no guarantee that the weather would be any better in 2013, and that if it were not, the risk to the future of both Balmoral and Waverley was not one that could responsibly be taken. A Balmoral Strategy Group was set up in March 2013 which is looking at options for 2014 and beyond, aimed at a more robust plan for the ship, incorporating both seagoing and static use.

In July 2012, our Development Director Anthony McCreavy left us to take up a post as Fundraising Director at Hull University. In his relatively short time with us, he had masterminded the setting up of the Development Board, and been instrumental in progressing the Friends of Waverley Membership Scheme. The recruitment of Friends of Waverley stalled somewhat after an encouraging start; by the end of the season there were some 600 members. Since then, responsibility for the scheme has been taken fully in-house by Waverley Excursions and a concerted drive needs to be made in 2013 to recruit more members.

The Economic Impact Assessment which had been commissioned as a result of a Development Board initiative was completed in July 2012 and showed that the ships make a direct and indirect contribution of some £11 million to the UK economy. This will be a vital tool to help achieve further support from both the public and private sectors. To further support from the public sector, a meeting was held in July with representatives from Scottish Enterprise, Visit Scotland and the Scottish Government, which began to put flesh on the bones of the co-ordinated programme of support envisaged by the Scottish Minister for Tourism when we had met him earlier in the year.

The Development Board had always been seen as a temporary ad-hoc group aimed at injecting ideas and expertise. It was hoped that much of the expertise of its members would become part of the Waverley organisation on a more permanent basis, and from June 2012 onwards work started behind the scenes to enable this to happen.

Of its members, David Kells, former Managing Director of Hampden Park Ltd., was appointed chairman of Waverley Excursions Ltd. On 1st January 2013, having previously become a Director of both WSN and WEL. He brings with him a wealth of commercial and managerial expertise and an impressive track record of success. Charlie Gordon, the Development Board's Chairman, is working for us to open political doors and to recruit Corporate Members to the Friends of Waverley; and Sir William McAlpine has been instrumental in achieving significant sponsorship and support from Associated British Ports. In addition, Graham Shankland has been appointed Financial Director of both WSN and WEL.

During some earlier financial years there was a fraud within the company which resulted in some funds being misappropriated. Some of these funds were repaid during the current year with further repayments being made after the year end.

In./

In the early summer of 2012, Dr Joe McKendrick, one of Waverley's most long-serving and active Directors, became seriously ill and died in hospital on 13 August. His commitment, most obviously in the running of the ships' shops but in effect permeating all aspects of the Waverley and Balmoral story, was vast, as were his knowledge and expertise. His ashes were scattered off Tighnabruaich from Waverley's deck on 21 October, and the esteem in which he was held was clear from the hundreds of passengers who stayed aboard the ship for the special ceremony.

In summary, 2012 was a season of high hopes dashed by a combination of circumstances which had a massive adverse impact on the outcome. There has also been changes in the management of WEL to assist the business. As will be evident from the above, the team are planning for the future with renewed determination and mindful of the support of so many as we continue to preserve a unique maritime and cultural tradition.

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 2012 is £750,000, and this figure should not require to be increased significantly in the year to 31 October 2013. Owing to losses incurred over the past few seasons the actual reserves freely available at 31 October 2012 were £242,676 which is £507,324 short of the target figure. In calculating reserves the directors have excluded from total funds tangible fixed assets of £4,075,040. In order to increase the reserves and maintain the company and group's ability to continue as a going concern the group is working with various funding partners on three year funding commitments to underpin the operation.

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 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./

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

P.M. Reid
Dr. J. McKendrick (resigned 14.08.12)
D.I. McMillan (resigned 29.09.12)
Dr. N. James
I. McLeod
Capt. J.M. Paterson
G. Reid
M. Allen (resigned 20.02.13)
I Ramsay
F.G . Hogg (resigned 16.11.12)
A. Lewis (resigned 06.02.12)
P. Semple (appointed 21.01.12)
D. Kells (appointed 12.11.12)
J.T. Sylvester (appointed 20.04.13)
I.G. Shankland (appointed 20.04.13)

The following Directors are to retire from the Board in accordance with the Articles of Association, and being eligible, offer themselves for re-election:- P.M. Reid and G. Reid. The appointments of D. Kells, J.T. Sylvester and I.G. Shankland will also be confirmed at the Annual General Meeting.

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

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 accounting 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./

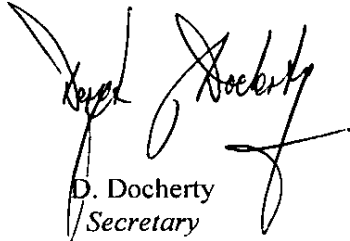
Statement as to Disclosure of Information to Auditors

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

22nd June 2013

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

We have audited the financial statements of Waverley Steam Navigation Co. Limited for the year ended 31st October 2012 on pages 9 to 24. 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 and express an opinion on the financial statements in accordance with applicable law International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the reports and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 October 2012 and of group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent charitable company's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Emphasis of Matter

We draw attention to note 21 to the financial statements which describes the uncertainty related to the outcome of an ongoing H.M. Revenue and Customs review into the company's operation of Gift Aid. Our opinion is not qualified in respect of this matter.

Opinion on Other Matter Prescribed by the Companies Act 2006

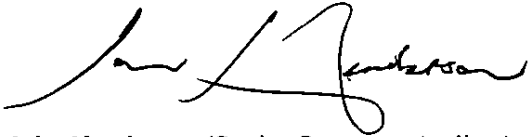
In our opinion the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters./

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

30th July 2013

WAVERLEY STEAM NAVIGATION CO. LTD.
PARENT COMPANY INCOME AND EXPENDITURE ACCOUNT (INCLUDING STATEMENT OF
FINANCIAL ACTIVITIES) FOR THE YEAR ENDED 31ST OCTOBER 2012

| | Note | Unrestricted Funds | Restricted Funds | Total Funds 2012 | Total Funds 2011 |
|---|------|-----------------------|---------------------|------------------------|------------------------|
| | | £ | £ | £ | £ |
| Donations and Similar Income | 2 | 647,075 | - | 647,075 | 849,731 |
| Grants Received | 3 | - | 250,000 | 250,000 | 210,261 |
| Incoming Resources from operating activities in furtherance of charitable objectives : | 6 | | | | |
| Sailing Revenue | | 1,880,112 | - | 1,880,112 | 2,033,658 |
| Charter Fees | | 55,250 | - | 55,250 | 47,750 |
| Catering & Shop Rental | | 73,370 | - | 73,370 | 74,662 |
| Other Income | | 10,000 | - | 10,000 | - |
| Bank & Loan Interest Received | | 9,016 | - | 9,016 | 13,492 |
| Total Income for the Year | | 2,674,823 | 250,000 | 2,924,823 | 3,229,554 |
| Resources Expended | | | | | |
| Management and Administration | 5 | 1,800 | - | 1,800 | 3,546 |
| Other Costs | | 2,537,536 | 250,000 | 2,787,536 | 2,968,392 |
| Depreciation Charges | | 8,519 | 384,844 | 393,363 | 393,361 |
| Total Expenditure for the Year | | 2,547,855 | 634,844 | 3,182,699 | 3,365,299 |
| Expenditure in excess of Income in Year | 8 | 126,968 | (384,844) | (257,876) | (135,745) |
| Balance Brought Forward | | 708,109 | 4,358,249 | 5,066,358 | 5,202,103 |
| Balance Carried Forward | | 835,077 | 3,973,405 | 4,808,482 | 5,066,358 |

Continuing Operations

None of the Company's operations were acquired or discontinued during the years ended 31st October 2012 and 2011.

Total Recognised Gains and Losses

The Company has no recognised gains or losses other than as shown above for the years ended 31st October 2012 and 2011.

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT (INCLUDING STATEMENT OF
FINANCIAL ACTIVITIES) FOR THE YEAR ENDED 31ST OCTOBER 2012

| | Note | Unrestricted Funds | Restricted Funds | Total Funds 2012 | Total Funds 2011 |
|---|------|-----------------------|---------------------|------------------------|------------------------|
| | | £ | £ | £ | £ |
| Donations and Similar Income | 2 | 647,075 | - | 647,075 | 851,439 |
| Grants Received | 3 | 50,000 | 250,000 | 300,000 | 260,261 |
| Trading Operations: | 6 | | | | |
| Sailing Revenue | | 1,965,807 | - | 1,965,807 | 2,089,283 |
| Bar and Catering Revenue | | 495,277 | - | 495,277 | 566,776 |
| Shop Sales | | 91,660 | - | 91,660 | 112,904 |
| Other Income | | 10,367 | - | 10,367 | 6,284 |
| Bank Interest Received | | 802 | - | 802 | 221 |
| Total Income for the Year | | 3,260,988 | 250,000 | 3,510,988 | 3,887,168 |
| Resources Expended | | | | | |
| Bar and Catering Expenses | | 229,381 | - | 229,381 | 280,464 |
| Shop Expenses | | 41,573 | - | 41,573 | 47,149 |
| Direct Charitable Expenditure | 4 | 2,463,897 | 250,000 | 2,713,897 | 2,889,605 |
| Management and Administration | 5 | 293,306 | - | 293,306 | 361,835 |
| Depreciation Charges | | 9,690 | 384,844 | 394,534 | 394,155 |
| Total Expenditure | | 3,037,847 | 634,844 | 3,672,691 | 3,973,208 |
| Expenditure in Excess of Income in Year | 8 | 223,141 | (384,844) | (161,703) | (86,040) |
| Balance Brought Forward | | 121,087 | 4,358,249 | 4,479,336 | 4,565,376 |
| Balance Carried Forward | | 344,228 | 3,973,405 | 4,317,633 | 4,479,336 |

Continuing Operations

None of the Group's operations were acquired or discontinued during the years ended 31st October 2012 and 2011.

Total Recognised Gains and Losses

The Group has no recognised gains or losses other than as shown above for the years ended 31st October 2012 and 2011.

**WAVERLEY STEAM NAVIGATION CO. LTD.
PARENT COMPANY BALANCE SHEET
AS AT 31ST OCTOBER 2012**

| | 2012 | 2011 | Note |
|--|-----------|-----------|------|
| | £ | £ | |
| FIXED ASSETS | | | |
| Tangible Assets | 4,069,795 | 4,463,158 | 10 |
| Investment in Subsidiary | 100 | 100 | 11 |
| | <hr/> | <hr/> | |
| | 4,069,895 | 4,463,258 | |
| CURRENT ASSETS | | | |
| Debtors | 526,284 | 699,558 | 12 |
| Cash at Bank | 362,396 | 367,345 | |
| | 888,680 | 1,066,903 | |
| CREDITORS: | | | |
| Amounts falling due within one year | 32,809 | 463,720 | 13 |
| | <hr/> | <hr/> | |
| NET CURRENT ASSETS | 855,871 | 603,183 | |
| | <hr/> | <hr/> | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 4,925,766 | 5,066,441 | |
| CREDITORS: | | | |
| Amounts falling due after more than one year | 117,201 | - | 13 |
| | <hr/> | <hr/> | |
| | 4,808,565 | 5,066,441 | |
| | <hr/> | <hr/> | |
| Represented by: | | | |
| CAPITAL AND RESERVES | | | |
| Called Up Share Capital | 83 | 83 | 14 |
| Unrestricted Reserves | 835,077 | 708,109 | |
| Restricted Reserves | 3,973,405 | 4,358,249 | 16 |
| | <hr/> | <hr/> | |
| Shareholders' Funds | 4,808,565 | 5,066,441 | 17 |
| | <hr/> | <hr/> | |

These financial statements were approved by the Board of Directors on 22nd June 2013 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 2012

| | 2012 | 2011 | Note |
|--|-----------|-----------|------|
| | £ | £ | |
| FIXED ASSETS | | | |
| Tangible Assets | 4,075,040 | 4,464,722 | 10 |
| CURRENT ASSETS | | | |
| Stocks | 32,295 | 31,475 | |
| Debtors | 416,290 | 539,001 | 12 |
| Cash at Bank and on Hand | 416,237 | 442,235 | |
| | 864,822 | 1,012,711 | |
| CREDITORS: | | | |
| Amounts falling due within one year | 504,945 | 998,014 | 13 |
| NET CURRENT ASSETS | 359,877 | 14,697 | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 4,434,917 | 4,479,419 | |
| CREDITORS: | | | |
| Amounts falling due after more than one year | 117,201 | - | 13 |
| | 4,317,716 | 4,479,419 | |
| CAPITAL AND RESERVES | | | |
| Called Up Share Capital | 83 | 83 | 14 |
| Unrestricted Reserves | 344,228 | 121,087 | |
| Restricted Reserves | 3,973,405 | 4,358,249 | 16 |
| Shareholders' Funds | 4,317,716 | 4,479,419 | 17 |

These financial statements were approved by the Board of Directors on 22nd June 2013 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 2012

| | 2012 | 2011 | Note |
|---|-------------|-------------|-------------|
| | £ | £ | |
| Net Cash (Outflow)/Inflow from Ordinary Activities | (13,965) | 309,555 | 18 |
| Returns on Investment and Servicing of Finance | | | |
| Interest Received | 9,016 | 13,492 | |
| Interest Paid | - | - | |
| | 9,016 | 13,492 | |
| (Decrease)/Increase in Cash in the year | (4,949) | 323,047 | |

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED
31ST OCTOBER 2012

| | 2012 | 2011 | Note |
|---|-------------|-------------|-------------|
| | £ | £ | |
| Net Cash (Outflow)/Inflow from Ordinary Activities | (21,948) | 349,651 | 18 |
| Returns on Investment and Servicing of Finance | | | |
| Interest Received | 802 | 221 | |
| Interest Paid | - | - | |
| | 802 | 221 | |
| Capital Expenditure and Financial Investment | | | |
| Purchase of Tangible Fixed Assets | (4,852) | - | |
| (Decrease)/Increase in Cash in the year | (25,998) | 349,872 | |

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS AS AT 31ST OCTOBER 2012

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. The directors have prepared forecasts which demonstrate that some external funding is required on an ongoing basis to underpin the operation. They are however confident that the required funding levels can be attained and the group is working with various funding partners on three year funding commitments.

The directors have worked with the directors of Waverley Excursions Ltd to develop a sailing programme to optimise trading performance at an acceptable level of risk and to enhance marketing activities to increase passenger numbers and restore profitability in future years. 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 2012.

(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)/

(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 2012 | Total Funds 2011 |
|-----------------|-------------------------------|-----------------------------|---------------------------------|---------------------------------|
| | £ | £ | £ | £ |
| Other Donations | 647,075 | - | 647,075 | 849,731 |

Group

| | Unrestricted Funds | Restricted Funds | Total Funds 2012 | Total Funds 2011 |
|-----------------|-------------------------------|-----------------------------|---------------------------------|---------------------------------|
| | £ | £ | £ | £ |
| Other Donations | 647,075 | - | 647,075 | 851,439 |

3. GRANTS RECEIVED

Company

| | Unrestricted Funds | Restricted Funds | Total Funds 2012 | Total Funds 2011 |
|------------------|--------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| P.S.P.S. | - | 250,000 | 250,000 | 160,261 |
| Big Lottery Fund | - | - | - | 50,000 |
| | - | 250,000 | 250,000 | 210,261 |

Group

| | Unrestricted Funds | Restricted Funds | Total Funds 2012 | Total Funds 2011 |
|----------------------|--------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| P.S.P.S. | - | 250,000 | 250,000 | 160,261 |
| Other | - | - | - | 50,000 |
| Glasgow City Council | 50,000 | - | 50,000 | 50,000 |
| | 50,000 | 250,000 | 300,000 | 260,261 |

4. DIRECT CHARITABLE EXPENDITURE

Group

| | Unrestricted Funds | Restricted Funds | Total Funds 2012 | Total Funds 2011 |
|------------------------------------|--------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Wages | 834,012 | - | 834,012 | 819,218 |
| Ship Repair and Operating Expenses | 1,192,493 | 250,000 | 1,442,493 | 1,633,509 |
| Sales and Marketing Expenses | 426,220 | - | 426,220 | 416,637 |
| Other Costs | 11,172 | - | 11,172 | 20,241 |
| | 2,463,897 | 250,000 | 2,713,897 | 2,889,605 |

5. MANAGEMENT AND ADMINISTRATION

Company

The costs incurred in the year total £1,800 (2011 - £3,546).

Group

| | Unrestricted Funds | Restricted Funds | Total Funds 2012 | Total Funds 2011 |
|-------------------|--------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Wages | 199,886 | - | 199,886 | 225,770 |
| Office Costs | 83,920 | - | 83,920 | 127,065 |
| Professional Fees | 9,500 | - | 9,500 | 9,000 |
| | 293,306 | - | 293,306 | 361,835 |

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

| | 2012 | 2011 |
|--------------------------|------------------|------------------|
| | £ | £ |
| Wages and Salaries | 888,550 | 907,568 |
| Social Security Costs | 21,142 | 23,510 |
| External Crew Hire Costs | 40,241 | 50,842 |
| Pension Costs | 83,965 | 63,068 |
| | <u>1,033,898</u> | <u>1,044,988</u> |

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

| | 2012 | 2011 |
|-----------------------------|-------------|-------------|
| Average Number of Employees | | |
| Sailing | 26 | 24 |
| Office Staff and Management | <u>8</u> | <u>9</u> |
| | <u>34</u> | <u>33</u> |

| | 2012 | 2011 |
|------------------------|-------------|-------------|
| | £ | £ |
| Directors Remuneration | 8,321 | 62,325 |

A director of Waverley Steam Navigation Co Ltd received remuneration of £7,382 (2011 - £44,310) together with payments to a defined benefit pension scheme of £939 (2011 - £6,042) from Waverley Excursions 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 £Nil (2011 - £11,223) together with payments to a money purchase pension scheme of £Nil (2011 - £750) from that company.

Travel and other expenses totalling £166 were repaid to directors of the company during the year.

At 31 October 2012 the group's share of the deficit in contributions to the Merchant Navy Officers Pension Fund was £283,850. This deficit is repayable in annual instalments by 30 September 2020. 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:

| | 2012 | 2011 |
|--|-------------|-------------|
| | £ | £ |
| Expenditure in excess of income is stated after charging:- | | |
| Auditors Remuneration: | 1,295 | 1,295 |
| Depreciation - Owned Assets | 393,363 | 393,361 |

Group/

Group:

| | 2012 | 2011 |
|--|-------------|-------------|
| | £ | £ |

Expenditure in excess of income is stated after charging:-

| | | |
|-----------------------------|---------|---------|
| Auditors Remuneration – | 9,000 | 9,000 |
| Depreciation – Owned Assets | 394,534 | 394,155 |

9. TAXATION**(a) Company**

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

(b) Group

| | 2012 | 2011 |
|--|-------------|-------------|
| | £ | £ |

Corporation Tax (Re)/Payable

| | |
|---|---|
| - | - |
|---|---|

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 20% (2011 – 20%). The differences are explained below:

| | 2012 | 2011 |
|--|---------------|---------------|
| | £ | £ |
| Net group expenditure in excess of income before taxation | (161,703) | (86,040) |
| Less: Parent company's expenditure in excess of income | (257,876) | (135,745) |
| Net Profit of subsidiary companies before taxation | <u>96,173</u> | <u>49,705</u> |
| Profit on ordinary activities multiplied by the standard small companies rate of Corporation Tax in the United Kingdom of 20% (2011 – 20%) | 19,235 | 9,941 |
| Effects of - Expenses non deductible for tax purposes | (91) | (17) |
| - Charges on Income | (22) | (23) |
| - Depreciation in excess of capital allowances | - | 43 |
| - Capital Allowances in excess of depreciation | (823) | - |
| - Losses utilised in year | (18,299) | (9,944) |
| Current Corporation Tax charge for year | <u>-</u> | <u>-</u> |

10./

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 2011 | 57,996 | 18,627 | 6,620 | 1,550 | 8,673,344 | 8,758,137 |
| Additions during year | - | - | - | - | - | - |
| Disposals during year | 3,850 | 279 | 723 | - | - | 4,852 |
| As at 31st October 2012 | 61,846 | 18,906 | 7,343 | 1,550 | 8,673,344 | 8,762,989 |
| Depreciation | | | | | | |
| As at 1st November 2011 | 57,996 | 18,150 | 5,533 | 1,550 | 4,210,186 | 4,293,415 |
| On Disposals | - | - | - | - | - | - |
| Provided during year | 385 | 381 | 405 | - | 393,363 | 394,534 |
| As at 31st October 2012 | 58,381 | 18,531 | 5,938 | 1,550 | 4,603,549 | 4,687,949 |
| Net Book Value | | | | | | |
| As at 31st October 2012 | 3,465 | 375 | 1,405 | - | 4,069,795 | 4,075,040 |
| As at 31st October 2011 | - | 477 | 1,087 | - | 4,463,158 | 4,464,722 |

(b) Company

| | Vessels £ |
|-------------------------|--------------|
| Cost | |
| As at 1st November 2011 | 8,673,344 |
| Additions during year | - |
| Disposals during year | - |
| As at 31st October 2012 | 8,673,344 |
| Depreciation | |
| As at 1st November 2011 | 4,210,186 |
| On Disposals | - |
| Provided during year | 393,363 |
| As at 31st October 2012 | 4,603,549 |
| Net Book Value | |
| As at 31st October 2012 | 4,069,795 |
| As at 31st October 2011 | 4,463,158 |

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.

During the current year a charge on P.S. "Waverley" was created by the company in favour of The Paddle Steamer Preservation Society securing a total sum of £695,835.

11. INVESTMENTS

(a) Group

Subsidiary Undertakings at 31 October 2012

| 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

| | 2012 | 2011 |
|---|------|------|
| | £ | £ |
| Shares in Waverley Excursions Limited at Cost | 100 | 100 |

12. DEBTORS

| | Group | | Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Trade Debtors | 63,391 | 120,437 | - | - |
| Other Debtors | 352,899 | 418,564 | 295,286 | 366,672 |
| Amount owed by Subsidiary Undertaking | - | - | 230,998 | 332,886 |
| | <u>416,290</u> | <u>539,001</u> | <u>526,284</u> | <u>699,558</u> |

The company is owed £230,998 by Waverley Excursions Ltd at 31 October 2012. Of this balance £198,112 is repayable within one year and the remaining balance is repayable in more than one year.

13. CREDITORS

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 |
| | £ | £ | £ | £ |
| Amounts falling due within one year:- | | | | |
| P.S.P.S. Loan | 22,579 | 394,176 | 22,579 | 394,176 |
| Trade Creditors | 416,529 | 527,852 | - | - |
| Amount Owed to Subsidiary Undertaking | - | - | - | 59,316 |
| Social Security and other Taxes | 8,646 | 18,718 | - | - |
| Other Creditors | 57,191 | 57,268 | 10,230 | 10,228 |
| | <u>504,945</u> | <u>998,014</u> | <u>32,809</u> | <u>463,720</u> |
| Amounts falling due in more than one year:- | | | | |
| P.S.P.S. Loan | <u>117,201</u> | - | <u>117,201</u> | - |

14./

14. SHARE CAPITAL

| | 2012 | 2011 |
|---|------|------|
| Allotted, Called Up and Fully Paid | | |
| 83 Ordinary Shares of £1 each | 83 | 83 |

15. CAPITAL AND OTHER COMMITMENTS

| | 2012 | 2011 |
|---|------|------|
| Contracted for but not provided for in the accounts | Nil | Nil |
| Authorised by the Directors but not contracted for | Nil | Nil |

16. RESTRICTED FUNDS

| Company and Group | 2012 | 2011 |
|---|------------------|------------------|
| | £ | £ |
| Balance brought forward at 1 November 2011 | 4,358,249 | 4,743,093 |
| Add: Received during the year | 250,000 | 210,261 |
| | <u>4,608,249</u> | <u>4,953,354</u> |
| Less: Depreciation charge in year | (384,844) | (384,844) |
| Specific restoration work carried out in year | (250,000) | (210,261) |
| | <u>3,973,405</u> | <u>4,358,249</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.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

(a) Group

| | 2012 | 2011 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Opening Shareholders' Funds | 4,479,419 | 4,565,459 |
| Deficit for the Financial Year | (161,703) | (86,040) |
| | <u>4,317,716</u> | <u>4,479,419</u> |

(b) Company

| | 2012 | 2011 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Opening Shareholders' Funds | 5,066,441 | 5,202,186 |
| Deficit for the Financial Year | (257,876) | (135,745) |
| | <u>4,808,565</u> | <u>5,066,441</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.

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

(a) Group

| | 2012 | 2011 |
|--|-------------|-------------|
| | £ | £ |
| Expenditure in Excess of Income Before Tax | (161,703) | (86,040) |
| Interest Received | (802) | (221) |
| Depreciation Charges | 394,534 | 394,155 |
| Increase in Stock | (820) | (4,488) |
| Decrease/(Increase) in Debtors | 122,711 | (117,042) |
| (Decrease)/Increase in Creditors | (375,868) | 163,287 |
| | <hr/> | <hr/> |
| | (21,948) | 349,651 |
| | <hr/> | <hr/> |

(b) Company

| | 2012 | 2011 |
|----------------------------------|-------------|-------------|
| | £ | £ |
| Expenditure in Excess of Income | (257,876) | (135,745) |
| Interest Received | (9,016) | (13,492) |
| Depreciation Charges | 393,363 | 393,361 |
| (Decrease)/Increase in Creditors | (313,710) | 1,213 |
| Decrease in Debtors | 173,274 | 64,218 |
| | <hr/> | <hr/> |
| | (13,965) | 309,555 |
| | <hr/> | <hr/> |

19. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

(a) Group

| | 2012 | 2011 |
|---------------------------------|-------------|-------------|
| | £ | £ |
| (Decrease)/Increase in Cash | (25,998) | 349,872 |
| Cash Inflow from Debt Repayment | - | - |
| | <hr/> | <hr/> |
| Movement in Net Funds in Year | (25,998) | 349,872 |
| Net Funds at Start of Year | 433,300 | 83,428 |
| | <hr/> | <hr/> |
| Net Funds at End of Year | 407,302 | 433,300 |
| | <hr/> | <hr/> |

(b) Company

| | 2012 | 2011 |
|---------------------------------|-------------|-------------|
| | £ | £ |
| (Decrease)/Increase in Cash | (4,949) | 323,047 |
| Cash Inflow from Debt Repayment | - | - |
| | <hr/> | <hr/> |
| Movement in Net Funds in Year | (4,949) | 323,047 |
| Net Funds at Start of Year | 358,410 | 35,363 |
| | <hr/> | <hr/> |
| Net Funds at End of Year | 353,461 | 358,410 |
| | <hr/> | <hr/> |

20./

20. ANALYSIS OF NET FUNDS

a) Group

| | At 1st November 2011 | Cashflow | Non-Cash Charges | At 31st October 2012 |
|--------------------|----------------------------|----------|---------------------|----------------------------|
| | £ | £ | £ | £ |
| Cash at Bank | 442,235 | (25,998) | - | 416,237 |
| Loans Due < 1 year | (8,935) | - | - | (8,935) |
| | 433,300 | (25,998) | - | 407,302 |

b) Company

| | £ | £ | £ | £ |
|--------------------|---------|---------|---|---------|
| Cash at Bank | 367,345 | (4,949) | - | 362,396 |
| Loans Due < 1 year | (8,935) | - | - | (8,935) |
| | 358,410 | (4,949) | - | 353,461 |

21. CONTINGENT LIABILITY

Since the end of the financial year, Her Majesty's Revenue and Customs (HMRC) has conducted a review of the operation of Gift Aid by the company for the first time. We await a detailed response from HMRC on points they raised on eligibility of certain payments received by the company since 2008. The Directors intend to work with HMRC to ensure compliance and to minimise any impact on the company.

22. RELATED PARTY TRANSACTIONS

The Paddle Steamer Preservation Society holds a majority shareholding in the company. During the year the company received grant funding of £250,000 (2011 - £160,261) from the Paddle Steamer Preservation Society. At 31 October 2012 the company owed the Paddle Steamer Preservation Society £139,780 (2011 - £394,176).