

**WAVERLEY STEAM NAVIGATION CO. LTD.**

Directors' Report and Accounts  
For the year ended 31st October 2006

Company Number 50789

Charity Number 5832

**HENDERSON & COMPANY**  
CHARTERED ACCOUNTANTS  
73 UNION STREET  
GREENOCK

TUESDAY



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COMPANIES HOUSE

**WAVERLEY STEAM NAVIGATION CO. LTD.**

**Directors**

P M Reid  
Dr J McKendrick B Sc , PH D  
D I McMillan T ENG , I MAR E  
Dr N James PH D  
Capt J M Paterson  
I McLeod  
G Reid  
M Allen  
I Ramsay

**Secretary**

D Docherty

**Registered Office**

Waverley Terminal,  
Lancefield Quay,  
Glasgow  
G3 8HA

**Auditors**

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

**Bankers**

Royal Bank of Scotland plc  
23 Sauchiehall Street  
Glasgow

**Solicitors**

Neill Clerk & Murray  
Royal Bank Buildings  
Gourock  
PA19 1PA

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

**DIRECTORS' REPORT**

The Directors submit their Report and Accounts of the company and group for the year ended 31st October 2006

**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 P.S. "Waverley" and M V "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 costal day excursion ships,
- to enjoy traditional day long coastal excursions which were common when P S "Waverley" and M V "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 in raising funds for its charitable objectives The charity's wholly owned trading subsidiary, Waverley Excursions Limited, carries out non charitable trading activities for the charity

**Review of the Business and Future Developments**

The consolidated statement of financial activities incorporating the income and expenditure account brings out a surplus for the year on unrestricted funds of £88,481

Restricted funds which comprise of previous funding received towards capital projects less associated annual depreciation charges were reduced by £384,844, this being the annual depreciation charge

During the year ended 31 October 2006 the company generated income of £148,744 Of this income £123,798 was charter fees for P S "Waverley" and M V "Balmoral" paid by Waverley Excursions Ltd Expenses excluding depreciation totalled £10,166

The charity's wholly owned trading subsidiary, Waverley Excursions Ltd, operated the two vessels during the year It incurred trading losses of £35,487 for the year ended 31 October 2006 This loss is after paying charter fees of £123,798 to its parent company

During the year P S "Waverley" carried 156,107 (2005 – 153,020) passengers and M V "Balmoral" carried 59,236 (2005 – 72,058) passengers Although M V "Balmoral" carried less passengers than in the previous year its sailing income increased by 9% when compared with 2005 due to the securing of two profitable overseas charters P S "Waverley's" sailing income increased by 4 68% when compared with the previous year In October 2006 special sailings were arranged to commemorate the sixtieth anniversary of the launch of P S "Waverley" The 2007 season will mark the vessel's diamond jubilee During the year Waverley Excursions Ltd expended £299,703 (2005 £285,852) on repair and winter refit costs for P S "Waverley" and £180,304 (2005 £235,086) for M V "Balmoral" After the charging of all costs both vessels made a positive contribution towards overheads this year

The Waverley Steam Navigation Company Ltd Directors are grateful to the board, shore staff and sea going employees of Waverley Excursions Ltd for all that they have achieved to secure the operation and preservation of both vessels. The board is mindful that there are particular challenges associated with the operation of vessels which are unique and very much in the public eye and is particularly grateful for the way in which Waverley Excursions Ltd's staff continue to respond to these challenges. The Board is aware that in its determination to maintain the appearance of both vessels to as high a standard as possible at all times it is asking Waverley Excursions Ltd to accept a regime which brings with it additional costs over and above those which would be necessary simply to keep the vessels operational. The Board are grateful for the support of Waverley Excursions Ltd in accepting wholeheartedly the implications of maintaining and operating the vessels with such careful attention to their heritage.

Other challenges are presented by a regulatory and commercial environment which makes ever more difficult the task of scheduling the vessels in a manner which is financially viable and attractive to potential passengers. The vessels continue to sail in a regime dominated by, for example, hours of work regulations, the cost and availability of fuel, the cost and availability of appropriate berths and the need for continuing training of officers and crew. Whilst the weather for much of the season under review was helpful to the ships' operations there were spells where uncertainty and unsettled patterns added to the burden of both sea going and shore staff. The safety of passengers, crew and vessels is accorded the highest priority by all concerned with the operation and management of P S "Waverley" and M V "Balmoral".

The Board of Directors has been pleased to notice continuing developments and improvements in both the day to day operation and direction of Waverley Excursions Ltd. The appointment to the board of Waverley Excursions Ltd of new directors with commercial and financial experience has been noted with approval. New marketing initiatives have clearly been of benefit including further exploitation of the potential of the internet and the provision of coach connections to and from Glasgow for peak season sailings from the Clyde Coast. There is a determined drive to monitor costs and keep them under control and an ongoing effort to appraise and refine the means used to market the vessels in an ever changing tourism environment.

The Directors are grateful for the volunteer effort which has contributed to the preservation of P S "Waverley" and M V. "Balmoral" and which is an essential part of the ethos of Waverley Steam Navigation Company Ltd. Without the contributions made by volunteer directors of Waverley Excursions Ltd and the commitment of the paid staff which goes beyond the call of duty the operational preservation of the two vessels would not be possible. When P S "Waverley" was offered for preservation the Paddle Steamer Preservation Society transferred the vessel to Waverley Steam Navigation Company Ltd but the society remains central to the preservation of both vessels. The Directors acknowledge with thanks the support of the Society's Council of Management and the help which individual members give both ashore and afloat in terms of fundraising, publicising sailings and of assisting with winter refit work. The Directors are convinced that in an increasingly challenging environment the partnership between Waverley Steam Navigation Company and the Paddle Steamer Preservation Society will assume still greater importance.

It is a source of great satisfaction and pride to the Directors and thanks to the assistance of the Heritage Lottery Fund, the Paddle Steamer Preservation Society and other donors and to the careful management and operation by Waverley Excursions Ltd that the two vessels continue to keep alive the traditions of coastal passenger cruising.

#### **Reserve Policy**

The Directors have established the level of reserves which the charity ought to have. Reserves are held to cover possible emergency repairs to the vessels and to maintain the vessels in the condition to which they were restored following recent refurbishment works. The Directors consider that the ideal level of reserves at 31 October 2006 is £432,000 rising to £540,000 at 31 October 2007. The actual reserves freely available at 31 October 2006 were £402,050 which is £29,992 short of the target figure. In calculating reserves the Directors have excluded from total funds tangible fixed assets of £6,455,060.

#### **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 have a risk management strategy which comprises of an annual review of the risks which the charity may face. Systems and procedures are put in place to mitigate the risks identified and to minimise any potential impact on the charity should those risks materialise. Key elements in the management of risk are identifying and obtaining sources of external funding when required to finance the refurbishment of the vessels. A reserves policy is also set and monitored to ensure that sufficient funds are available maintain the vessels in a seaworthy condition on an ongoing basis and to meet unforeseen works which may arise.

### Related Parties

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

### 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 their interests in the Ordinary £1 shares of the Company at the Balance Sheet dates were as follows:

	31st October 2006	31st October 2005
P M Reid	4	4
Dr J McKendrick B Sc., PH D	1	1
D I McMillan T ENG , I M A R E	2	2
Dr N James PH D		
I McLeod	1	1
Capt J M Paterson	2	2
G Reid		
M Allen		
I Ramsay (appointed 01 11 05)		

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 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 an employee of Waverley Excursions Ltd and/or through membership in an active capacity of the Paddle Steamer Preservation Society. New Directors are encouraged to develop this awareness further by continuing to sail aboard the vessels wherever they may be operating and by familiarising themselves in that way, and through formal meetings and discussions and informal contacts, with the circumstances which impinge on the achievement of the company's objectives. New Directors are also advised of their responsibilities under charity and company law, the content of the Memorandum and Articles of Association and the company's decision making processes. Directors are further encouraged to take advantage of any appropriate training or development opportunities which will assist them to discharge their responsibilities as members of the Board.

### **Statement of Directors Responsibilities**

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

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

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

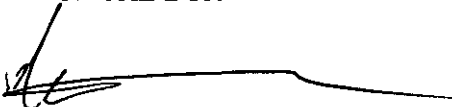
### **Statement as to Disclosure of Information to Auditors**

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

### **Auditors**

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

BY ORDER OF THE BOARD



D Docherty  
*Secretary*

Waverley Terminal,  
36 Lancefield Quay,  
Glasgow  
G3 8HA

16th November 2007

**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 2006 on pages 7 to 22. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

**Respective Responsibilities of Directors and Auditors**

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

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

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

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

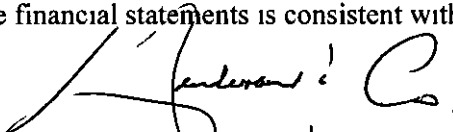
**Basis of Audit Opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company and group's affairs as at 31st October 2006 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985. The information given in the financial statements is consistent with the financial statements.

  
**HENDERSON & COMPANY**  
CHARTERED ACCOUNTANTS  
REGISTERED AUDITORS

73 Union Street  
Greenock

19th November 2007

**WAVERLEY STEAM NAVIGATION CO. LTD.**  
**PARENT COMPANY INCOME AND EXPENDITURE ACCOUNT (INCLUDING STATEMENT OF**  
**FINANCIAL ACTIVITIES) FOR THE YEAR ENDED 31ST OCTOBER 2006**

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2006	Total Funds 2005
		£	£	£	£
Donations and Similar Income	2	15,981		15,981	16,780
Incoming Resources from operating activities in furtherance of charitable objectives		123,798		123,798	128,059
Bank Interest Received		8,965		8,965	17,172
<b>Net Income for the Year</b>		<b>148,744</b>		<b>148,744</b>	<b>162,011</b>
<b>Resources Expended</b>					
Management and Administration	5	1,295		1,295	1,295
Other Costs		8,871		8,871	567
Direct Charitable Expenditure	4				208,804
Depreciation Charges		14,065	384,844	398,909	398,909
<b>Net Expenditure for the Year</b>		<b>24,231</b>	<b>384,844</b>	<b>409,075</b>	<b>609,575</b>
<b>Net Expenditure in excess of Income in Year</b>	<b>8</b>	<b>124,513</b>	<b>(384,844)</b>	<b>(260,331)</b>	<b>(447,564)</b>
Balance Brought Forward		957,581	6,657,313	7,614,894	8,062,458
<b>Balance Carried Forward</b>		<b>1,082,094</b>	<b>6,272,469</b>	<b>7,354,563</b>	<b>7,614,894</b>

**Continuing Operations**

None of the Company's operations were acquired or discontinued during the years ended 31st October 2006 and 2005

**Total Recognised Gains and Losses**

The Company has no recognised gains or losses other than as shown above for the years ended 31st October 2006 and 2005



**WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS**  
**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT (INCLUDING STATEMENT OF**  
**FINANCIAL ACTIVITIES) FOR THE YEAR ENDED 31ST OCTOBER 2006**

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2006	Total Funds 2005
		£	£	£	£
Donations and Similar Income	2	17,929		17,929	14,336
Grants Received	3	26,000		26,000	26,000
Trading Operations	6				
Sailing Revenue		2,272,089		2,272,089	2,140,135
Bar and Catering Revenue		626,662		626,662	649,977
Shop Sales		116,029		116,029	116,880
Other Income		3,298		3,298	3,611
Bank Interest Received		14,803		14,803	21,211
		<hr/>		<hr/>	<hr/>
Net Income for the Year		3,076,810		3,076,810	2,972,150
Less: Bar and Catering Expenses		262,032		262,032	264,549
Shop Expenses		62,370		62,370	68,572
		<hr/>		<hr/>	<hr/>
		2,752,408		2,752,408	2,639,029
<b>Resources Expended</b>					
Direct Charitable Expenditure	4	2,334,439		2,334,439	2,692,962
Management and Administration	5	313,831		313,831	284,210
Depreciation Charges		15,657	384,844	400,501	402,538
		<hr/>	<hr/>	<hr/>	<hr/>
		2,663,927	384,844	3,048,771	3,379,710
		<hr/>	<hr/>	<hr/>	<hr/>
Expenditure in Excess of Income in Year Before Tax	8	88,481	(384,844)	(296,363)	(740,681)
Taxation	9				
		<hr/>	<hr/>	<hr/>	<hr/>
Expenditure in Excess of Income in Year After Tax		88,481	(384,844)	(296,363)	(740,681)
Balance Brought Forward		496,118	6,657,313	7,153,431	7,894,112
		<hr/>	<hr/>	<hr/>	<hr/>
Balance Carried Forward		584,599	6,272,469	6,857,068	7,153,431

**Continuing Operations**

None of the Group's operations were acquired or discontinued during the years ended 31st October 2006 and 2005

**Total Recognised Gains and Losses**

The Group has no recognised gains or losses other than as shown above for the years ended 31st October 2006 and 2005

**WAVERLEY STEAM NAVIGATION CO. LTD.**  
**PARENT COMPANY BALANCE SHEET**  
**AS AT 31ST OCTOBER 2006**

	2006	2005	Note
	£	£	
<b>FIXED ASSETS</b>			
Tangible Assets	6,452,155	6,851,064	10
Investment in Subsidiary	100	100	12
	<hr/>	<hr/>	
	6,452,255	6,851,164	
<b>CURRENT ASSETS</b>			
Debtors	653,409	420,306	13
Cash at Bank	266,671	368,696	
	<hr/>	<hr/>	
	920,080	789,002	
<b>CREDITORS:</b>			
Amounts falling due within one year	8,795	8,795	14
	<hr/>	<hr/>	
<b>NET CURRENT ASSETS</b>	911,285	780,207	
	<hr/>	<hr/>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	7,363,540	7,631,371	
<b>CREDITORS:</b>			
Amounts falling due after more than one year	8,935	16,435	14
	<hr/>	<hr/>	
	7,354,605	7,614,936	
Represented by			
<b>CAPITAL AND RESERVES</b>			
Called Up Share Capital	42	42	16
Unrestricted Reserves	1,082,094	957,581	
Restricted Reserves	6,272,469	6,657,313	18
	<hr/>	<hr/>	
Shareholders' Funds	7,354,605	7,614,936	19
	<hr/>	<hr/>	

These financial statements were approved by the Board of Directors on 16th November 2007 and were signed on its behalf by

*Iain McLeod*

I McLeod  
Director

**WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31ST OCTOBER 2006**

	2006		2005	Note
	£	£	£	
<b>FIXED ASSETS</b>				
Tangible Assets		6,455,060	6,854,383	10
<b>CURRENT ASSETS</b>				
Stocks	23,765		24,001	
Debtors	215,097		241,917	13
Cash at Bank and on Hand	622,722		570,977	
	861,584		836,895	
<b>CREDITORS:</b>				
Amounts falling due within one year	439,100		507,744	14
<b>NET CURRENT ASSETS</b>		422,484	329,151	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,877,544	7,183,534	
<b>CREDITORS:</b>				
Amounts falling due after more than one year				
Other Creditors	8,935		16,435	14
Deferred Income	11,499		13,626	15
		20,434	30,061	
		6,857,110	7,153,473	
<b>CAPITAL AND RESERVES</b>				
Called Up Share Capital		42	42	16
Unrestricted Reserves		584,599	496,118	
Restricted Reserves		6,272,469	6,657,313	18
Shareholders' Funds		6,857,110	7,153,473	19

These financial statements were approved by the Board of Directors on 16th November 2007 and were signed on its behalf by

*Iain MacLeod*

I McLeod  
Director

**WAVERLEY STEAM NAVIGATION CO. LTD.**  
**PARENT COMPANY CASHFLOW STATEMENT FOR THE YEAR ENDED**  
**31ST OCTOBER 2006**

	<b>2006</b>	<b>2005</b>	<b>Note</b>
	<b>£</b>	<b>£</b>	
Net Cash Outflow from Ordinary Activities	(103,490)	(370,095)	21
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received	8,965	17,172	
<b>Financing</b>			
Repayment of Loans	(7,500)	(7,500)	
Decrease in Cash in the year	<u>(102,025)</u>	<u>(360,423)</u>	

**WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS**  
**CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED**  
**31ST OCTOBER 2006**

	2006	2005	Note
	£	£	
Net Cash Inflow/(Outflow) from Ordinary Activities	51,796	(202,223)	21
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received	14,083	21,211	
<b>Taxation</b>		339	
<b>Capital Expenditure and Financial Investment</b>			
Purchase of Tangible Fixed Assets	(1,178)	(349)	
Disposal Proceeds of Investment			
<b>Cash outflow from Capital Expenditure and Financial Investment</b>	(1,178)	(349)	
Net Cash Inflow/(Outflow) before Use of Liquid Resources and Financing	64,701	(181,022)	
<b>Financing</b>			
Repayment of Loans	(12,956)	(15,000)	
Increase/(Decrease) in Cash in the year	51,745	(196,022)	

**WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS**  
**NOTES TO THE ACCOUNTS AS AT 31ST OCTOBER 2006**

**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 Accounts (Scotland) Regulations 1992 and Accounting and Reporting by Charities Statement of Recommended Practice (SORP) issued in March 2005.

**(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 2006. The accounts of Waverley Excursions Guernsey Limited, which are included within the consolidated accounts, have been audited by Brehon Ltd, a firm of Chartered Accountants with an office in Guernsey.

**(c) Donations, Legacies and Similar Incoming Resources**

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

**(d) Grants Receivable**

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

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

**(e) Depreciation**

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

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

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

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

**(f) Stocks**

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

**(g)/**

**(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**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Total Funds 2006</b>	<b>Total Funds 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Donations from subsidiary companies	3,651		3,651	5,144
Other Donations	12,330		12,330	11,636
	<hr/>	<hr/>	<hr/>	<hr/>
	15,981		15,981	16,780

**Group**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Total Funds 2006</b>	<b>Total Funds 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other Donations	17,929		17,929	14,336
	<hr/>	<hr/>	<hr/>	<hr/>

3 **GRANTS RECEIVED**

**Group**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Total Funds 2006</b>	<b>Total Funds 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Glasgow City Council	26,000		26,000	26,000

4 **DIRECT CHARITABLE EXPENDITURE**

**Company**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Total Funds 2006</b>	<b>Total Funds 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Ship Repairs				208,804

**Group**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Total Funds 2006</b>	<b>Total Funds 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Wages	714,201		714,201	770,381
Ship Repair and Operating Expenses	1,109,767		1,109,767	1,410,225
Sales and Marketing Expenses	492,971		492,971	492,807
Other Costs	17,500		17,500	19,549
	2,334,439		2,334,439	2,692,962

5 **MANAGEMENT AND ADMINISTRATION**

**Company**

The costs incurred in the year totalling £1,295 comprise of audit fees (2005 £1,295)

**Group**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Total Funds 2006</b>	<b>Total Funds 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Wages	222,187		222,187	195,317
Office Costs	79,894		79,894	77,165
Audit and Accountancy Fees	11,750		11,750	11,728
	313,831		313,831	284,210

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

	2006	2005
	£	£
Wages and Salaries	864,832	878,570
Social Security Costs	18,397	16,922
External Crew Hire Costs	29,779	46,752
Pension Costs	23,380	23,454
	<u>936,388</u>	<u>965,698</u>

No employee received emoluments in excess of £60,000

	2006	2005
Average Number of Employees		
Sailing	28	31
Office Staff and Management	10	9
	<u>38</u>	<u>40</u>

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

	2006	2005
Directors Remuneration (including Pension Contributions of £10,860 for four Directors (2005 £10,369 for four Directors)	168,421	161,944

A director of Waverley Steam Navigation Co Ltd received remuneration of £43,160 (2005 £40,339) together with payments to a defined benefit pension scheme of £4,368 (2005 £4,227) from Waverley Excursions Ltd and another director of Waverley Steam Navigation Co Ltd received remuneration of £31,352 (2005 £28,909) together with payments to a defined benefit pension scheme of £1,378 (2005 £1,260) from Waverley Excursions (Guernsey) Ltd. No other director of the parent company received any remuneration in respect of their services. A director of Waverley Excursions Limited received remuneration of £45,786 (2005 – £41,696) together with payments to a defined benefit pension scheme of £2,114 (2005 – £1,882) from Waverley Excursions (Guernsey) Limited. One director of Waverley Excursions Limited received remuneration of £37,263 (2005 – £40,631 to two directors) together with payments to a money purchase pension scheme of £3,000 (2005 – £3,000) from that company.

Travel and other expenses totalling £5,785 (2005 £5,026) were reimbursed to 2 directors of the parent company during the year by Waverley Excursions Limited.

At 31 October 2006 the company had a deficit in contributions to the Merchant Navy Officers Pension Fund totalling £4,731 (2005 £5,578) and the group had a deficit in contributions totalling £55,282 (2005 £67,688). This sum is repayable in annual instalments over the next eight years, subject to the position being reviewed in advance of the third instalment which is due by 31 March 2007.

## 8 EXPENDITURE IN EXCESS OF INCOME

### Company:

	2006	2005
	£	£
Expenditure in excess of income is stated after charging		
Auditors Remuneration	1,295	1,295
Depreciation Owned Assets	398,909	398,909

### Group:

	2006	2005
	£	£
Expenditure in excess of income is stated after charging		
Auditors Remuneration	11,750	11,728
Depreciation Owned Assets	400,501	402,538
Operating Lease Payments – Property	15,000	10,000

## 9 TAXATION

### (a) Company

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

### (b) Group

	2006	2005
	£	£
UK Corporation Tax Payable/(Recoverable)	_____	_____

### 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 19% (2005 – 19%) The differences are explained below

	2006	2005
	£	£
Net group income in excess of expenditure before taxation	88,481	(355,837)
Less: Parent company's income in excess of expenditure	124,513	(62,720)
Net Loss of subsidiary companies before taxation	(36,032)	(293,117)
Loss on ordinary activities multiplied by the standard small companies rate of Corporation Tax in the United Kingdom of 19% (2005 – 19%)	(6,846)	(55,692)
Effects of		
Expenses non deductible for tax purposes	(14)	823
Charges on Income		(694)
Depreciation in excess of capital allowances		160
Capital allowances in excess of depreciation	(181)	
Losses created in year	7,041	55,403
Current Corporation Tax charge for year	_____	_____

## 10. TANGIBLE FIXED ASSETS

### (a) Group

	Equip ment For Vessels	Computer Equip ment	Office Equip ment	Plant And Equip ment	Vessels	Total
	£	£	£	£	£	£
<b>Cost</b>						
As at 1st November 2005	57,996	14,975	4,639	1,550	8,673,344	8,752,504
Additions during year		1,178				1,178
Disposals during year						
As at 31st October 2006	57,996	16,153	4,639	1,550	8,673,344	8,753,682
<b>Depreciation</b>						
As at 1st November 2005	57,201	14,391	2,854	1,395	1,822,280	1,898,121
On Disposals						
Provided during year	265	611	561	155	398,909	400,501
As at 31st October 2006	57,466	15,002	3,415	1,550	2,221,189	2,298,622
<b>Net Book Value</b>						
As at 31st October 2006	530	1,151	1,224		6,452,155	6,455,060
As at 31st October 2005	795	584	1,785	155	6,851,064	6,854,383

### (b) Company

	Vessels
	£
<b>Cost</b>	
As at 1st November 2005	8,673,344
Additions during year	
Disposals during year	
As at 31st October 2006	8,673,344
<b>Depreciation</b>	
As at 1st November 2005	1,822,280
On Disposals	
Provided during year	398,909
As at 31st October 2006	2,221,189
<b>Net Book Value</b>	
As at 31st October 2006	6,452,155
As at 31st October 2005	6,851,064

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 2006

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

	2006	2005
	£	£
Shares in Waverley Excursions Limited at Cost	100	100

## 13 DEBTORS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade Debtors	183,665	133,800		
Other Debtors	31,432	108,117	2,115	2,115
Amount owed by Subsidiary Undertaking			651,294	418,191
	<u>215,097</u>	<u>241,917</u>	<u>653,409</u>	<u>420,306</u>

## 14 CREDITORS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Amounts falling due within one year				
Trade Creditors	335,699	388,982		
Social Security and other Taxes	33,726	44,171		
Other Creditors	69,675	74,591	8,795	8,795
	<u>439,100</u>	<u>507,744</u>	<u>8,795</u>	<u>8,795</u>
Amounts falling due after more than one year				
Interest Free Loan	8,935	16,435	8,935	16,435

The interest free loan is repayable in annual instalments of £7,500

## 15 DEFERRED INCOME

### Group

	£
Balance brought forward at 1 November 2005	13,626
Less: Released to Profit and Loss Account in current year	2,127
	<u>11,499</u>

16 **SHARE CAPITAL**

	2006	2005
<b>Authorised</b>		
100 Ordinary Shares of £1 each	100	100
<b>Allotted, Called Up and Fully Paid</b>		
42 Ordinary Shares of £1 each	42	42

17 **CAPITAL AND OTHER COMMITMENTS**

	2006	2005
Contracted for but not provided for in the accounts	Nil	Nil
Authorised by the Directors but not contracted for	Nil	Nil

18 **RESTRICTED FUNDS**

**Company and Group**

	2006	2005
	£	£
Balance brought forward at 1 November 2005	6,657,313	7,042,157
Less Depreciation charge in year	384,844	384,844
	<u>6,272,469</u>	<u>6,657,313</u>

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**

	2006	2005
	£	£
Opening Shareholders' Funds	7,153,473	7,894,154
Deficit for the Financial Year	(296,363)	(740,681)
Closing Shareholders' Funds	<u>6,857,110</u>	<u>7,153,473</u>

**(b) Company**

	2006	2005
	£	£
Opening Shareholders' Funds	7,614,936	8,062,500
Deficit for the Financial Year	(260,331)	(447,564)
Closing Shareholders' Funds	<u>7,354,605</u>	<u>7,614,936</u>

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

**20 OTHER FINANCIAL COMMITMENTS**

At 31st October 2006 the group had annual commitments under operating leases as set out below

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Property Leases which expire		
Within 1 year		
In years 2 – 5		
In over 5 years	12,000	10,000

**21 RECONCILIATION OF EXPENDITURE IN EXCESS OF INCOME BEFORE TAX TO NET CASH INFLOW FROM ORDINARY ACTIVITIES****a) Group**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Expenditure in Excess of Income Before Tax	(296,363)	(740,681)
Interest Received	(14,083)	(21,211)
Depreciation Charges	400,501	402,538
Decrease in Stock	236	9,319
Decrease in Debtors	26,820	60,226
(Decrease)/Increase in Creditors	(65,315)	87,586
	<hr/> 51,796	<hr/> (202,223)

**b) Company**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Expenditure in Excess of Income	(260,331)	(447,564)
Interest Received	(8,965)	(17,172)
Depreciation Charges	398,909	398,909
Increase in Debtors	(233,103)	(304,268)
	<hr/> (103,490)	<hr/> (370,095)

**22 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS****a) Group**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Increase/(Decrease) in Cash	51,745	(196,022)
Cash Inflow from Debt Repayment	12,956	15,000
	<hr/> 64,701	<hr/> (181,022)
Movement in Net Funds in Year	64,701	(181,022)
Net Funds at Start of Year	541,586	722,608
	<hr/> 606,287	<hr/> 541,586

**b)**

**b) Company**

	2006	2005
	£	£
Decrease in Cash	(102,025)	(360,423)
Cash Inflow from Debt Repayment	7,500	7,500
	<hr/>	<hr/>
Movement in Net Funds in Year	(94,525)	(352,923)
Net Funds at Start of Year	344,761	697,684
	<hr/>	<hr/>
Net Funds at End of Year	250,236	344,761
	<hr/>	<hr/>

**23 ANALYSIS OF NET FUNDS****a) Group**

	At 1st November 2005	Cashflow	Non Cash Charges	At 31st October 2006
	£	£	£	£
Cash at Bank	570,977	51,745		622,722
Loans Due < 1 year	(12,956)	12,956	(7,500)	(7,500)
Loans Due > 1 year	(16,435)		7,500	(8,935)
	<hr/>	<hr/>	<hr/>	<hr/>
	541,586	64,701		606,287

**a) Company**

	£	£	£	£
Cash at Bank	368,696	(102,025)		266,671
Loans Due < 1 year	(7,500)	7,500	(7,500)	(7,500)
Loans Due > 1 year	(16,435)		7,500	(8,935)
	<hr/>	<hr/>	<hr/>	<hr/>
	344,761	(94,525)		250,236
	<hr/>	<hr/>	<hr/>	<hr/>