

WAVERLEY STEAM NAVIGATION CO. LTD.

Directors' Report and Accounts
For the year ended 31st October 2004

Company Number - 50789

Charity Number - 5832

HENDERSON & COMPANY
CHARTERED ACCOUNTANTS
73 UNION STREET
GREENOCK



WAVERLEY STEAM NAVIGATION CO. LTD.

Directors	P.M. Reid, C.A. 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
Secretary	K. O'Neill
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 2004.

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".

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

This year's group accounts show an excess of expenditure over income of £186,269 and a retained surplus on the Income and Expenditure Account including the Statement of Financial Activities carried forward to next year of £7,894,112. The deficit for the year includes an excess of the annual depreciation charge on the externally funded rebuild costs over the capital grants received of £123,514.

The Board of Directors will continue their efforts to preserve both PS. Waverley and MV. Balmoral as the last coastal excursion vessels of their size operating in British waters. The Directors will continue to encourage Waverley Excursions Limited to operate the vessels in a way which will keep alive the traditions of coastal cruising, adapting them as necessary to meet modern trading conditions.

Following completion of the 2004 sailing season, work was resumed on the refurbishment of the passenger accommodation aboard MV. Balmoral. Particular attention was paid to the ladies' toilets. Steps were also taken during the winter overhaul season to maintain the fabric of PS. Waverley to the high standards prevailing following completion of the vessel's Heritage rebuild. The ongoing programme of conservation of the vessel's unique machinery continued with the replacement of the port paddle shaft. The Directors will continue to support such improvements which are essential to enhance passenger amenities and to maintain the operational reliability of the vessels.

PS. Waverley entered service in early May at the beginning of her thirtieth season of operation under the ownership of Waverley Steam Navigation Co. Ltd. This anniversary was marked with a special sailing retracing the route of the inaugural WSN sailing between Glasgow and Loch Fyne.

The Directors are mindful of the ever changing commercial and regulatory environment within which Waverley Excursions Limited is operating PS. Waverley and MV. Balmoral. They therefore propose to investigate possibilities for obtaining additional funding to assist in the continued operational preservation of the vessels.

Reserve/

Reserve Policy

The Company is endeavouring to build up its reserves in order to fund the continued preservation work which is required on the vessels which it owns.

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 produced a plan setting out the major opportunities available to the charity and the risks to which it is exposed. At each directors meeting progress is monitored and a comprehensive review of the plan is carried out annually.

The plan focused the directors on the need to maintain the vessels in the condition prevailing after the recent refurbishment work. External funding will continue to be sought to realise these objectives and the charity still requires to manage its finances prudently in order to be able to fund the ongoing repair and preservation work required to keep the vessels operational.

Fixed Assets

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

Related Parties

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

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 2004	31st October 2003
P.M. Reid, C.A.	4	4
Dr. J. McKendrick B.Sc., PH.D.	1	1
D.I. McMillan T.ENG., I MAR.E.	2	2
Dr. N. James PH.D.	-	-
I. McLeod	1	1
Capt. J.M. Paterson	2	2
G. Reid	-	-

The following Directors are to retire from the Board in accordance with the Articles of Association, and being eligible, offer themselves for re-election:- G. Reid and P.M. Reid.

Statement/

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.

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



K. O'NEILL
Secretary

Waverley Terminal,
36 Lancefield Quay,
Glasgow
G3 8HA

27th June 2005

**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 2004 on pages 6 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 United Kingdom Auditing Standards.

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.

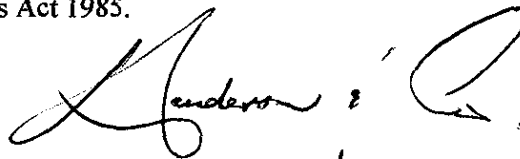
Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 of the state of the company and group's affairs as at 31st October 2004 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



HENDERSON & COMPANY
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS

73 Union Street
Greenock

27th June 2005

WAVERLEY STEAM NAVIGATION CO. LTD.
PARENT COMPANY INCOME AND EXPENDITURE ACCOUNT (INCLUDING STATEMENT OF
FINANCIAL ACTIVITIES) FOR THE YEAR ENDED 31ST OCTOBER 2004

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2004	Total Funds 2003
		£	£	£	£
Donations and Similar Income	2	20,513	-	20,513	30,845
Grants Received	3	-	261,330	261,330	3,604,877
Incoming Resources from operating activities in furtherance of charitable objectives		126,945	-	126,945	119,469
Gain on Sale of Investments		3,848	-	3,848	-
Bank Interest Received		19,782	-	19,782	4,610
Net Income for the Year		171,088	261,330	432,418	3,759,801
Resources Expended					
Management and Administration	5	1,295	-	1,295	1,295
Other Costs		44	-	44	15
Depreciation Charges		14,065	384,844	398,909	366,146
Net Expenditure for the Year		15,404	384,844	400,248	367,456
Net Income in excess of Expenditure in Year	8	155,684	(123,514)	32,170	3,392,345
Balance Brought Forward		864,617	7,165,671	8,030,288	4,637,943
Balance Carried Forward		1,020,301	7,042,157	8,062,458	8,030,288

Continuing Operations

None of the Company's operations were acquired or discontinued during the years ended 31st October 2004 and 2003.

Total Recognised Gains and Losses

The Company has no recognised gains or losses other than as shown above for the years ended 31st October 2004 and 2003.

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT (INCLUDING STATEMENT OF
FINANCIAL ACTIVITIES) FOR THE YEAR ENDED 31ST OCTOBER 2004

	Note	Unrestricted Funds	Restricted Funds	Total Funds 2004	Total Funds 2003
		£	£	£	£
Donations and Similar Income	2	14,012	-	14,012	26,359
Grants Received	3	26,000	261,330	287,330	3,630,877
Trading Operations:	6				
Sailing Revenue		2,081,516	-	2,081,516	2,102,148
Bar and Catering Revenue		650,815	-	650,815	627,895
Shop Sales		116,217	-	116,217	127,945
Other Income		4,481	-	4,481	50,163
Activities for generating funds					
Gain on sale of investments		3,848	-	3,848	-
Bank Interest Received		23,581	-	23,581	8,619
Net Income for the Year		2,920,470	261,330	3,181,800	6,574,006
Less: Bar and Catering Expenses		(278,530)	-	(278,530)	(264,320)
Shop Expenses		(65,411)	-	(65,411)	(71,177)
		2,576,529	261,330	2,837,859	6,238,509
Resources Expended					
Direct Charitable Expenditure	4	2,341,362	-	2,341,362	1,855,038
Management and Administration	5	274,835	-	274,835	214,130
Depreciation Charges		23,426	384,844	408,270	375,577
		2,639,623	384,844	3,024,467	2,444,745
Expenditure in Excess of Income in Year					
Before Tax	8	(63,094)	(123,514)	(186,608)	3,793,764
Taxation	9	(339)	-	(339)	339
Expenditure in Excess of Income in Year					
After Tax		(62,755)	(123,514)	(186,269)	3,793,425
Balance Brought Forward		914,710	7,165,671	8,080,381	4,286,956
Balance Carried Forward		851,955	7,042,157	7,894,112	8,080,381

Continuing Operations

None of the Group's operations were acquired or discontinued during the years ended 31st October 2004 and 2003.

Total Recognised Gains and Losses

The Group has no recognised gains or losses other than as shown above for the years ended 31st October 2004 and 2003.

**WAVERLEY STEAM NAVIGATION CO. LTD.
PARENT COMPANY BALANCE SHEET
AS AT 31ST OCTOBER 2004**

	2004	2003	Note
	£	£	
FIXED ASSETS			
Tangible Assets	7,249,973	7,321,253	10
Investment in Subsidiary	100	100	12
	<hr/>	<hr/>	
	7,250,073	7,321,353	
CURRENT ASSETS			
Debtors	116,038	32,728	13
Cash at Bank	729,119	784,525	
	<hr/>	<hr/>	
	845,157	817,253	
CREDITORS:			
Amounts falling due within one year	8,795	76,841	14
	<hr/>	<hr/>	
NET CURRENT ASSETS	836,362	740,412	
	<hr/>	<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES	8,086,435	8,061,765	
CREDITORS:			
Amounts falling due after more than one year	23,935	31,435	14
	<hr/>	<hr/>	
	8,062,500	8,030,330	
	<hr/>	<hr/>	
Represented by:			
CAPITAL AND RESERVES			
Called Up Share Capital	42	42	16
Unrestricted Reserves	1,020,301	864,617	
Restricted Reserves	7,042,157	7,165,671	18
	<hr/>	<hr/>	
Shareholders' Funds	8,062,500	8,030,330	19
	<hr/>	<hr/>	

These financial statements were approved by the Board of Directors on 27th June 2005 and were signed on its behalf by:

I. McLeod

I. McLeod

Director

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
CONSOLIDATED BALANCE SHEET
AS AT 31ST OCTOBER 2004

	2004		2003	Note
	£	£	£	
FIXED ASSETS				
Tangible Assets		7,256,572	7,337,213	10
CURRENT ASSETS				
Stocks	33,320		30,891	
Debtors	302,482		298,773	13
Cash at Bank and on Hand	766,999		1,018,486	
	1,102,801		1,348,150	
CREDITORS:				
Amounts falling due within one year	419,076		542,139	14
NET CURRENT ASSETS		683,725	806,011	
TOTAL ASSETS LESS CURRENT LIABILITIES		7,940,297	8,143,224	
CREDITORS:				
Amounts falling due after more than one year				
Other Creditors	29,391		44,391	14
Deferred Income	16,752		18,410	15
	46,143		62,801	
		7,894,154	8,080,423	
CAPITAL AND RESERVES				
Called Up Share Capital		42	42	16
Unrestricted Reserves		851,955	914,710	
Restricted Reserves		7,042,157	7,165,671	18
Shareholders' Funds		7,894,154	8,080,423	19

These financial statements were approved by the Board of Directors on 27th June 2005 and were signed on its behalf by:

Iain McLeod

I. McLeod

Director

WAVERLEY STEAM NAVIGATION CO. LTD.
PARENT COMPANY CASHFLOW STATEMENT FOR THE YEAR ENDED
31ST OCTOBER 2004

	2004	2003	Note
	£	£	
Net Cash Inflow from Ordinary Activities	256,093	4,507,104	21
Returns on Investment and Servicing of Finance			
Interest Received	19,782	4,610	
Capital Expenditure and Financial Investment			
Purchase of Tangible Fixed Assets	(327,629)	(4,032,034)	
Disposal Proceeds of Investment	3,848	-	
<i>Cash outflow from Capital Expenditure and Financial Investment</i>	<u>(323,781)</u>	<u>(4,032,034)</u>	
Net Cash (Outflow)/Inflow before Use of Liquid Resources and Financing	(47,906)	479,680	
Financing			
Repayment of Loans	<u>(7,500)</u>	<u>(7,500)</u>	
(Decrease)/Increase in Cash in the year	<u>(55,406)</u>	<u>472,180</u>	

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED
31ST OCTOBER 2004

	2004	2003	Note
	£	£	
Net Cash Inflow from Ordinary Activities	64,052	4,523,835	21
Returns on Investment and Servicing of Finance			
Interest Received	23,581	8,619	
Taxation	(339)	-	
Capital Expenditure and Financial Investment			
Purchase of Tangible Fixed Assets	(327,629)	(4,034,109)	
Disposal Proceeds of Investment	3,848	-	
Cash outflow from Capital Expenditure and Financial Investment	(323,781)	(4,034,109)	
Net Cash (Outflow)/Inflow before Use of Liquid Resources and Financing	(236,487)	498,345	
Financing			
Repayment of Loans	(15,000)	(15,000)	
(Decrease)/Increase in Cash in the year	(251,487)	483,345	

WAVERLEY STEAM NAVIGATION CO. LTD. & SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS AS AT 31ST OCTOBER 2004

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 October 2000.

(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 2004. The accounts of Waverley Excursions Guernsey Limited, which are included within the consolidated accounts, have been audited by Moore Stephens, a firm of Chartered Accountants with an office in Guernsey.

(c) Donations, Legacies and Similar Incoming Resources

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

(d) Grants Receivable

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

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

(e) Depreciation

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

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

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

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

(f) Stocks

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

(g) Pension Costs

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

(h),/

(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 2004	Total Funds 2003
	£	£	£	£
Donations received towards Balmoral rebuild	-	-	-	11,371
Donations from subsidiary companies	9,023	-	9,023	8,058
Other Donations	11,490	-	11,490	11,416
	<hr/>	<hr/>	<hr/>	<hr/>
	20,513	-	20,513	30,845

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2004	Total Funds 2003
	£	£	£	£
Donations received towards Balmoral rebuild	-	-	-	11,371
Other Donations	14,012	-	14,012	14,988
	<hr/>	<hr/>	<hr/>	<hr/>
	14,012	-	14,012	26,359

3. GRANTS RECEIVED

Company

	Unrestricted Funds	Restricted Funds	Total Funds 2004	Total Funds 2003
	£	£	£	£
Waverley Rebuild: P.S.P.S.	-	-	-	234,679
HLF Lottery Fund	-	-	-	2,774,279
S.E.G.	-	-	-	30,000
Balmoral Rebuild: HLF Lottery Fund	-	259,330	259,330	499,669
Balmoral Restoration Fund	-	-	-	50,000
Various Councils	-	2,000	2,000	16,250
	-	261,330	261,330	3,604,877

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2004	Total Funds 2003
	£	£	£	£
Glasgow City Council	26,000	-	26,000	26,000
Waverley Rebuild: P.S.P.S.	-	-	-	234,679
HLF Lottery Fund	-	-	-	2,774,279
S.E.G.	-	-	-	30,000
Balmoral Rebuild: HLF Lottery Fund	-	259,330	259,330	499,669
Balmoral Restoration Fund	-	-	-	50,000
Various Councils	-	2,000	2,000	16,250
	26,000	261,330	287,330	3,630,877

Restricted Funds comprise of monies received during the year from external funding partners towards the second phase of MV. Balmoral's regeneration project. The project was completed during the winter of 2003 and spring of 2004.

4. DIRECT CHARITABLE EXPENDITURE

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2004	Total Funds 2003
	£	£	£	£
Wages	710,723	-	710,723	637,104
Ship Repair and Operating Expenses	1,125,914	-	1,125,914	747,023
Sales and Marketing Expenses	487,301	-	487,301	448,146
Other Costs	17,424	-	17,424	22,765
	2,341,362	-	2,341,362	1,855,038

5./

5. MANAGEMENT AND ADMINISTRATION

Company

The costs incurred in the year totalling £1,295 comprise of audit fees (2003 - £1,295).

Group

	Unrestricted Funds	Restricted Funds	Total Funds 2004	Total Funds 2003
	£	£	£	£
Wages	191,523	-	191,523	132,922
Office Costs	71,867	-	71,867	66,305
Audit and Accountancy Fees	11,445	-	11,445	14,384
Legal Fees	-	-	-	519
	274,835	-	274,835	214,130

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

	2004	2003
	£	£
Wages and Salaries	729,548	742,692
Social Security Costs	16,260	16,168
External Crew Hire Costs	141,912	-
Pension Costs	14,526	11,166
	902,246	770,026

No employee received emoluments in excess of £50,000.

	2004	2003
Average Number of Employees		
Sailing	27	31
Office Staff and Management	8	7
	35	38

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

	2004	2003
Directors Remuneration (including Pension Contributions of £8,050 for four Directors (2003 - £4,959 for two Directors))	122,664	70,690

A director of Waverley Steam Navigation Co Ltd received remuneration of £38,520 (2003 - £40,412) together with payments to a defined benefit pension scheme of £4,135 (2003 - £3,981) from Waverley Excursions Ltd and another director of Waverley Steam Navigation Co Ltd received remuneration of £25,785 (2003 - £25,208) together with payments to a defined benefit pension scheme of £1,107 (2003 - £1,089) 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 £36,652 (2003 - Nil) together with payments to a defined benefit pension scheme of £1,808 (2003 - Nil) from Waverley Excursions (Guernsey) Limited. A director of Waverley Excursions Limited received remuneration of £13,657 (2003 - Nil) together with payments to a money purchase pension scheme of £1,000 (2003 - Nil) from that company.

Travel and other expenses totalling £5,816 (2003 - £5,632) were reimbursed to 2 directors of the parent company during the year by Waverley Excursions Limited.

8./

8. INCOME IN EXCESS OF EXPENDITURE

Company:

	2004	2003
	£	£
Income in excess of expenditure is stated after charging:-		
Auditors Remuneration:	1,295	1,295
Depreciation - Owned Assets	398,909	366,146
Gain on Disposal of Investment	(3,848)	-

Group:

	2004	2003
	£	£
Expenditure in excess of income is stated after charging:-		
Auditors Remuneration: (including £2,750 payable to Moore Stephens for the 2004 audit of Waverley Excursions (Guernsey) Ltd).	11,445	14,384
Depreciation - Owned Assets	408,270	375,577
Operating Lease Payments – Property	10,000	10,000
Gain on Disposal of Investment	(3,848)	-

9. TAXATION

(a) Company

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

(b) Group

	2004	2003
	£	£
UK Corporation Tax (Recoverable)/Payable	<u>(339)</u>	<u>339</u>

Factors/

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% (2003 – 19%). The differences are explained below:

	2004	2003
	£	£
Net group expenditure in excess of income before taxation	(63,094)	529,597
Less: Parent company's income in excess of expenditure	155,684	128,178
Net (Loss)/Profit of subsidiary companies before taxation	<u>(218,778)</u>	<u>401,419</u>
(Loss)/Profit on ordinary activities multiplied by the standard small companies rate of Corporation Tax in the United Kingdom of 19% (2003 – 19%)	(41,568)	76,270
Effects of - Expenses non deductible for tax purposes	1,598	3,612
- Charges on Income	(977)	(1,714)
- Depreciation in excess of capital allowances	1,109	820
- Marginal relief	-	(407)
- Trading Losses brought forward from previous years	-	(78,242)
- Losses created in year	39,838	-
- Current year losses carried back to prior year	(339)	-
Current Corporation Tax charge for year	<u>(339)</u>	<u>339</u>

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 2003	57,996	14,626	4,639	1,550	8,345,715	8,424,526
Additions during year	-	-	-	-	327,629	327,629
Disposals during year	-	-	-	-	-	-
As at 31st October 2004	<u>57,996</u>	<u>14,626</u>	<u>4,639</u>	<u>1,550</u>	<u>8,673,344</u>	<u>8,752,155</u>
Depreciation						
As at 1st November 2003	50,605	9,487	1,674	1,085	1,024,462	1,087,313
On Disposals	-	-	-	-	-	-
Provided during year	5,792	2,806	608	155	398,909	408,270
As at 31st October 2004	<u>56,397</u>	<u>12,293</u>	<u>2,282</u>	<u>1,240</u>	<u>1,423,371</u>	<u>1,495,583</u>
Net Book Value						
As at 31st October 2004	<u>1,599</u>	<u>2,333</u>	<u>2,357</u>	<u>310</u>	<u>7,249,973</u>	<u>7,256,572</u>
As at 31st October 2003	<u>7,391</u>	<u>5,139</u>	<u>2,965</u>	<u>465</u>	<u>7,321,253</u>	<u>7,337,213</u>

(b)/

(b) Company

	Vessels
	£
Cost	
As at 1st November 2003	8,345,715
Additions during year	327,629
Disposals during year	-
	<hr/>
As at 31st October 2004	8,673,344
	<hr/>
Depreciation	
As at 1st November 2003	1,024,462
On Disposals	-
Provided during year	398,909
	<hr/>
As at 31st October 2004	1,423,371
	<hr/>
Net Book Value	
As at 31st October 2004	7,249,973
	<hr/>
As at 31st October 2003	7,321,253
	<hr/>

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

11. REPLACEMENT COSTS OF VESSELS

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

12. INVESTMENTS**(a) Group**

Subsidiary Undertakings at 31 October 2004

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**

	2004	2003
	£	£
Shares in Waverley Excursions Limited at Cost	100	100

13./

13. DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade Debtors	232,954	223,729	-	-
Other Debtors	69,189	75,044	2,116	32,728
Corporation Tax Recoverable	339	-	-	-
Amount owed by Subsidiary Undertaking	-	-	113,922	-
	<u>302,482</u>	<u>298,773</u>	<u>116,038</u>	<u>32,728</u>

14. CREDITORS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Amounts falling due within one year:-				
Trade Creditors	323,329	427,020	-	-
Social Security and other Taxes	52,645	57,906	-	-
Corporation Tax	-	339	-	-
Amounts owed to Subsidiary Undertaking	-	-	-	68,046
Other Creditors	43,102	56,874	8,795	8,795
	<u>419,076</u>	<u>542,139</u>	<u>8,795</u>	<u>76,841</u>
Amounts falling due after more than one year:-				
Interest Free Loans	29,391	44,391	23,935	31,435

The two interest free loans are both repayable in annual instalments of £7,500.

15. DEFERRED INCOME

Group	£
Balance brought forward at 1 November 2003	18,410
Less: Released to Profit and Loss Account in current year	1,658
	<u>16,752</u>

16. SHARE CAPITAL

	2004	2003
Authorised		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Allotted, Called Up and Fully Paid		
42 Ordinary Shares of £1 each	<u>42</u>	<u>42</u>

17./

17. CAPITAL AND OTHER COMMITMENTS

	2004	2003
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

	2004	2003
	£	£
Balance brought forward at 1 November 2003	7,165,671	3,901,504
Add: Monies received towards PS. Waverley rebuild work	-	3,038,958
Monies received towards MV. Balmoral engine overhaul	261,330	577,290
	<hr/>	<hr/>
	7,427,001	7,517,752
Less: Depreciation charge in year	384,844	352,081
	<hr/>	<hr/>
	7,042,157	7,165,671

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

	2004	2003
	£	£
Opening Shareholders' Funds	8,080,423	4,286,998
(Deficit)/Surplus for the Financial Year	(186,269)	3,793,425
	<hr/>	<hr/>
Closing Shareholders' Funds	7,894,154	8,080,423

(b) Company

	2004	2003
	£	£
Opening Shareholders' Funds	8,030,330	4,637,985
Surplus for the Financial Year	32,170	3,392,345
	<hr/>	<hr/>
Closing Shareholders' Funds	8,062,500	8,030,330

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 2004 the group had annual commitments under operating leases as set out below:

	2004	2003
	£	£
Property Leases which expire:		
Within 1 year	-	-
In years 2 – 5	-	-
In over 5 years	10,000	10,000

21./

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

a) Group

	2004	2003
	£	£
Expenditure in Excess of Income Before Tax	(186,608)	3,793,764
Interest Received	(23,581)	(8,619)
Depreciation Charges	408,270	375,577
Loss on Disposal of Fixed Assets	-	5,874
Gain on Disposal of Investment	(3,848)	-
Increase in Stock	(2,429)	(1,278)
(Increase)/Decrease in Debtors	(3,370)	291,261
(Decrease)/Increase in Creditors	(124,382)	67,256
	<u>64,052</u>	<u>4,523,835</u>

b) Company

	2004	2003
	£	£
Income in Excess of Expenditure	32,170	3,392,345
Interest Received	(19,782)	(4,610)
Depreciation Charges	398,909	366,146
Gain on Disposal of Investment	(3,848)	-
(Increase)/Decrease in Debtors	(83,310)	685,177
(Decrease)/Increase in Creditors	(68,046)	68,046
	<u>256,093</u>	<u>4,507,104</u>

22. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

a) Group

	2004	2003
	£	£
(Decrease)/Increase in Cash	(251,487)	483,345
Cash Inflow from Debt Repayment	15,000	15,000
	<u>(236,487)</u>	<u>498,345</u>
Movement in Net Funds in Year	(236,487)	498,345
Net Funds at Start of Year	959,095	460,750
	<u>722,608</u>	<u>959,095</u>

b)/.

b) Company

	2004	2003
	£	£
(Decrease)/Increase in Cash	(55,406)	472,180
Cash Inflow from Debt Repayment	7,500	7,500
Movement in Net Funds in Year	<u>(47,906)</u>	<u>479,680</u>
Net Funds at Start of Year	745,590	265,910
Net Funds at End of Year	<u>697,684</u>	<u>745,590</u>

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

	At 1st November 2003	Cashflow	Non-Cash Charges	At 31st October 2004
	£	£	£	£
Cash at Bank	1,018,486	(251,487)	-	766,999
Loans Due < 1 year	(15,000)	15,000	(15,000)	(15,000)
Loans Due > 1 year	(44,391)	-	15,000	(29,391)
	<u>959,095</u>	<u>(236,487)</u>	<u>-</u>	<u>722,608</u>

a) Company

	£	£	£	£
Cash at Bank	784,525	(55,406)	-	729,119
Loans Due < 1 year	(7,500)	7,500	(7,500)	(7,500)
Loans Due > 1 year	(31,435)	-	7,500	(23,935)
	<u>745,590</u>	<u>(47,906)</u>	<u>-</u>	<u>697,684</u>