

**NORTHLINK FERRIES LIMITED
DIRECTORS' REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2017**

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Directors' Report

The Directors present their Directors' Report and financial statements for the year ended 31 March 2017.

Principal activity and business review

Following the loss of the Northern Isles contract, the Company ceased trading on 5 July 2012.

The Company made no profit or loss for the year (2016: Nil).

Political and charitable donations

The Company made no political or charitable donations during the year.

Directors and their interests

The Directors who held office during the year and up to the date of this report were as follows:

R L Drummond
D C McGibbon

None of the Directors had any beneficial interest in the share capital of the Company at any time during the year.

The Company's sole Shareholder is David MacBrayne Limited, which is wholly owned by the Scottish Ministers.

Financial instruments

The Company enters into no complex financial instruments.

Adoption of going concern basis

As a result of the contract for the provision of ferry services having come to an end on 5 July 2012, the Directors consider that the Company will have no business activity in the future. Accordingly, the financial statements have not been prepared on a going concern basis. No adjustments were necessary to the amounts at which assets and liabilities are included in the financial statements as a result of the going concern basis no longer being appropriate. In addition, this has no impact upon the ability of the Company to meet its residual financial obligations in relation to the previous contract.

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

A resolution to re-appoint KPMG LLP as auditor of all companies within the David MacBrayne Group will be put to the members at the David MacBrayne Ltd Annual General Meeting.

On behalf of the Board



R L Drummond
Director

20 November 2017

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

As explained in note 1, the Directors do not believe the going concern basis to be appropriate for the preparation of the financial statements and, accordingly, the financial statements have not been prepared on a going concern basis.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of NorthLink Ferries Limited

We have audited the financial statements of NorthLink Ferries Limited for the year ended 31 March 2017 set out on pages 4 to 7. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework. These financial statements have not been prepared on a going concern basis as set out in note 1 to the financial statements.

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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its result for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report:

- we have not identified material misstatements in this report; and
- in our opinion, this report has been prepared in accordance with the Companies Act 2006.

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, or
- the Directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report



Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP

Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

24 November 2017

**Profit and Loss Account
for the year ended 31 March 2017**

During the current and prior financial year, the Company did not trade, received no income and incurred no expenditure. Consequently, during these periods, the Company made neither a profit nor a loss.

**Balance Sheet
as at 31 March 2017**

	Note	2017 £000	2016 £000
Fixed assets			
Investment	3	-	-
Current assets			
Cash at bank and in hand		74	74
		<u>74</u>	<u>74</u>
Net current assets		<u>74</u>	<u>74</u>
Total assets less current liabilities		<u>74</u>	<u>74</u>
Net assets		<u>74</u>	<u>74</u>
Capital and reserves			
Called up share capital	4	74	74
Profit and loss account		-	-
		<u>74</u>	<u>74</u>
Shareholder's funds		<u>74</u>	<u>74</u>

These financial statements were approved by the Board of Directors and signed on 20 November 2017 on its behalf by:



D C McGibbon, Chairman



R L Drummond, Director

**Statement of Changes in Equity
for year ended 31 March 2017**

There have been no transactions in either the current year or prior year. Therefore, there are no changes to equity.

The accompanying notes are an integral part of these financial statements.

Notes on the financial statements

1. Accounting policies

NorthLink Ferries Limited is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:-

- a Cash Flow Statement and related notes
- disclosure in respect of capital management
- the effects of new but not yet effective IFRSs
- an additional balance sheet for the beginning of the earliest comparative period
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of David MacBrayne Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:-

- the disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided.

(a) Basis of preparation

These financial statements have been prepared under the historical cost accounting convention and in accordance with applicable accounting standards. A summary of the more important policies, which have been applied consistently, is set out below.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about the Group of which it is a part.

As explained in the Directors' Report on page 1, the financial statements are not prepared on a going concern basis following the existing contract for the provision of ferry services having come to an end.

(b) Investments

Fixed asset investments are carried at cost.

(c) Taxation

The Company has elected into the Tonnage Tax regime available to shipping organisations. However, certain activities within the Company are liable to corporation tax. Tonnage tax is levied wholly on the net tonnage of the vessels operated by the Company.

(d) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

(e) Dividend

Where circumstances permit, a dividend is payable annually to the holding company, David MacBrayne Limited. The quantum of the dividend is dependent on the estimated profit which is expected to be achieved for the financial year and the Company's cash position.

Notes on the financial statements continued

2. Cash flow statement

Under FRS 101 section 8(g) 3(h), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary and the parent undertaking includes the Company in its published consolidated financial statements.

3. Investments

£000

At beginning and end of year

-

The Company owns the whole of the issued ordinary share capital of NorthLink Crewing Guernsey Ltd, which is registered in Guernsey, and administers the Company's offshore crewing arrangements.

4. Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
74,496 ordinary shares of £1 each (classified in Shareholder's funds)	74	74

5. Ultimate parent company and related undertaking

The Company is a wholly-owned subsidiary of David MacBrayne Limited, which is wholly-owned by the Scottish Ministers, who are regarded as the ultimate controlling party. The Group in which the Company's results are consolidated is that headed by David MacBrayne Limited, which is incorporated in the United Kingdom. No other Group financial statements include the Company's results.

The consolidated financial statements are available to the public and copies may be obtained from the parent company's registered office at the Ferry Terminal, Gourock, PA19 1QP and are also available on the parent company's website.

Corporate information

Registered office The Ferry Terminal
Gourock
PA19 1QP

Auditor KPMG LLP

Solicitors Pinsent Masons LLP

Bankers The Royal Bank of Scotland plc

Principal insurers The North of England Protecting & Indemnity Association

Website Parent company: www.david-macbrayne.co.uk