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**CALEDONIAN MACBRAYNE HOLDINGS LIMITED**

**ANNUAL REPORT & ACCOUNTS  
2003 - 2004**

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**CALEDONIAN MACBRAYNE HOLDINGS LIMITED**  
**DIRECTORS' REPORT**

The Directors have pleasure in submitting their Report and Accounts for the year ended 31 March 2004.

**Review of the Business and Future Developments:**

The Company did not trade during the year and there are no plans for the Company to trade in the foreseeable future.

**Directors and their Interests:**

The Directors who served during the year and their respective terms of office are as follows:

Dr H H Mills CB	-	31 July 2005
Mr W L Sinclair	-	30 April 2007

None of the Directors held any interest in the shares of the Company and none of the Directors received any remuneration from the Company.

**Auditors:**

A resolution to re-appoint KPMG LLP as auditors will be put to the members at the Annual General Meeting.

By Order of the Board



G W McKenzie  
Secretary  
21 July 2004

**CALEDONIAN MACBRAYNE HOLDINGS LIMITED**  
**BALANCE SHEET AS AT 31 MARCH 2004**

	£	<u>2004</u>	£	£	<u>2003</u>	£
<b><u>DEBTOR DUE AFTER ONE YEAR</u></b>						
Long Term Loan to Holding Company				<u>74,496</u>		<u>74,496</u>
<b><u>SHARE CAPITAL</u></b>						
Authorised - ordinary shares of £1 each		<u>79,496</u>			<u>79,496</u>	
Allotted, issued and fully paid - ordinary shares of £1 each			<u>74,496</u>			<u>74,496</u>

These Accounts were approved by the Board of Directors on 21 July 2004 and signed on its behalf by:

  
 DR H H MILLS, CHAIRMAN

**NOTES ON THE ACCOUNTS**

**Accounting convention**

The accounts have been prepared under the historical cost accounting rules and in accordance with all applicable accounting standards.

**Profit and loss account**

During the financial year and the preceding financial year, the Company did not trade and received no income and incurred no expenditure. Consequently, during those years the Company made neither a profit nor a loss.

**Ultimate holding company**

The company is a wholly owned subsidiary undertaking of Caledonian MacBrayne Ltd, a company incorporated in Great Britain.

**CALEDONIAN MACBRAYNE HOLDINGS LIMITED****STATEMENT OF DIRECTORS' RESPONSIBILITIES  
in respect of the Accounts**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for the 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
- state whether applicable 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.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company 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 Company and to prevent and detect fraud and other irregularities.

**REPORT OF THE INDEPENDENT AUDITORS to the Members of  
Caledonian MacBrayne Holdings Limited**

We have audited the accounts on page 2.

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 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 auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the director's report is not consistent with the accounts, 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.

**Basis of audit opinion**

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material mis-statement, 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 March 2004 and its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditor  
24 Blythswood Square  
GLASGOW  
21 July 2004