

SC302282

**CALMAC FERRIES LIMITED  
DIRECTORS' REPORT & FINANCIAL STATEMENTS  
31 MARCH 2007**

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## **CalMac Ferries Limited**

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## **CalMac Ferries Limited**

### **Directors' Report**

The Directors present their Directors' Report and financial statements for the period from incorporation on 12 May 2006 to 31 March 2007

### **Corporate Restructuring**

As part of the preparation for the tender process for provision of the Clyde and Hebrides ferry services, corporate restructuring took place in October 2006, under which the Company took over interim operation of these services as successor to Caledonian MacBrayne Ltd. The Company acquired from Caledonian MacBrayne Ltd, at book value, the trade stocks and debtors, vehicles and equipment and trade creditors which related to this operation and an amount of cash equivalent to the net book value of these assets and liabilities.

As a separate element of this corporate restructuring, Caledonian MacBrayne Ltd had its name changed to Caledonian Maritime Assets Ltd and retained ownership of the vessels and piers which are required for the operation of the Clyde and Hebrides ferry services.

Under the new arrangements, Caledonian Maritime Assets Ltd leases the vessels and piers to the operator of the Clyde and Hebrides ferry services. Caledonian Maritime Assets Ltd is wholly owned by Scottish Ministers.

In September 2007, the Company was awarded the contract for the provision of the Clyde and Hebrides ferry services for the 6 year period from October 2007 to September 2013.

### **Principal Activity and Business Review**

The Company commenced trading on 1 October 2006, when it took over interim operation of the Clyde and Hebrides ferry services.

The principal activity of the Company is the provision of lifeline ferry services in both the Clyde Estuary and Western Isles areas.

The Company made a profit for the period, after tax, of £1,036,000. No dividends have been paid or are proposed.

The principal risks and uncertainties facing the business relate to the financial impact of operating the Clyde and Hebrides ferry services under contract and the impact of the associated corporate restructuring. Through the maintenance and development of comprehensive business risk assessment procedures, the Company ensures that both the incidence and impact of identified risks are limited.

Key areas of the performance and development of the business include safety, reliability, punctuality and standard of service. Key performance indicators are those set by the Scottish Executive. The financial performance indicators are fares income as a percentage of operating costs and staff costs as a percentage of fares income. The non financial performance indicators are reliability and punctuality.

During the period the Company, with deficit grant support from the Scottish Executive, maintained approved ferry services in both the Clyde Estuary and Western Isles areas and, in addition, operated services not approved for subsidy in accordance with Government guidelines.

The Board examines, on an ongoing basis, existing practices with a view to identifying more efficient and cost effective ways of delivering and improving standards of service. In the opinion of the Directors, the state of affairs of the Company is satisfactory.

### **Political and Charitable Donations**

The Company made no political or charitable donations during the period. However, the Company supports a range of local organisations through travel related sponsorship.

## **CalMac Ferries Limited**

### **Directors' Report continued**

#### **Directors and their interests**

The Directors who held office during the period are as follows

Appointed 12 May 2006  
Dr H H Mills (retired 31 July 2006)  
L Sinclair

Appointed 26 July 2006  
P K Timms  
A M Lynch

Appointed 1 October 2006  
I Gillies  
A A MacDonald  
L B MacLeod  
D C McGibbon  
J Kerr  
P G Preston

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 Ltd, which is wholly owned by the Scottish Ministers. Under section 741 of the Companies Act 1985, the Scottish Ministers are considered to be a Shadow Director of the Company

#### **Employees**

The Company has a policy of equal opportunities and non discrimination in all aspects of employment

The vast majority of employees are formally represented by Trade Unions recognised for collective bargaining purposes. A system of Employee Participation and Consultative Committees is well established. In addition, Information and Consultation Forum meetings are held twice yearly.

Through either the formal negotiating or consultative process, or a mixture of both, employees at all levels, through their representatives, have been provided with information on matters concerning them and are encouraged to be involved in the activities of the Company.

All of these measures are constantly under review to ascertain whether or not improvements can be made.

#### **Policy of employment of people with disabilities**

It is the Company's policy to consider applications for employment from people with disabilities on the same basis as other potential employees subject to the nature and extent of disability and the degree of physical fitness demanded of the position. Ability and aptitude are the determining factors in the selection, training, career development and promotion of all employees with disabilities. If any employee becomes disabled during the period of employment, the Company will, if possible, retain the employee for duties commensurate with the employee's abilities following the disablement.

## **CalMac Ferries Limited**

### **Directors' Report continued**

#### **Adoption of Going Concern Basis**

On the basis of the information available to them, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

#### **Disclosure of information to Auditors**

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 auditors are 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 auditors are aware of that information.

#### **Auditors**

KPMG LLP were appointed auditors of the Company during the period. A resolution to re appoint KPMG LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



G W McKenzie

Secretary

26 September 2007

## **CalMac Ferries Limited**

### **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)

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss 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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

## **CalMac Ferries Limited**

### **Independent Auditors' Report to the Members of CalMac Ferries Limited**

We have audited the financial statements of CalMac Ferries Limited for the period ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under 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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities on page 4.

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 Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, 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 other transactions 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 judgments 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG LLP  
Chartered Accountants  
Registered Auditor  
191 West George Street  
GLASGOW  
G2 2LJ

26 September 2007

**CalMac Ferries Limited****Profit and Loss Account for the period ended 31 March 2007**

	Note	2007 £000
<b>Turnover</b>	2	<b>48,576</b>
Cost of Sales		<b>(42,063)</b>
		<hr/>
<b>Gross Profit</b>		<b>6,513</b>
Administrative expenditure		<b>(5,650)</b>
		<hr/>
<b>Operating Profit</b>		<b>863</b>
Interest Receivable		<b>176</b>
		<hr/>
<b>Profit on Ordinary Activities before Taxation</b>		<b>1,039</b>
Tax on profit on ordinary activities	4	<b>3</b>
		<hr/>
<b>Profit for the Financial Period</b>		<b>1,036</b>
		<hr/>

There are no other recognised gains or losses for the period

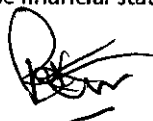
The accompanying notes are an integral part of these financial statements



**CalMac Ferries Limited****Balance Sheet as at 31 March 2007**

	Note	2007 £000
<b>Fixed Assets</b>		
Tangible Assets	6	
Intangible Assets	7	169
Investments	8	
		<hr/>
		169
<b>Current Assets</b>		
Stocks of fuel, lubricants and consumables		836
Debtors and prepayments	9	5,445
Cash at bank and in hand		6,604
		<hr/>
		12,885
<b>Creditors</b>		
Amounts falling due within one year	10	(12,018)
		<hr/>
<b>Net Current Assets</b>		867
		<hr/>
<b>Net Assets</b>		1,036
		<hr/>
<b>Capital and Reserves</b>		
Called up Share Capital	12	
Profit and Loss Account	13	1,036
		<hr/>
<b>Shareholder Funds</b>		1,036
		<hr/>

These financial statements were approved by the Board of Directors and signed on 26 September 2007 on its behalf by



P K Timms, Chairman



A M Lynch, Finance Director

The accompanying notes are an integral part of these financial statements

## **CalMac Ferries Limited**

### **Notes on the financial statements**

#### **1. Accounting Policies**

##### **(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 accounting policies, which have been applied consistently, is set out below.

##### **(b) Tangible Assets**

Gross book values of all tangible assets are stated at cost. No depreciation is charged until the asset comes into use.

##### **(c) Intangible Assets**

Intangible assets represent the bid costs incurred under the Clyde and Hebrides ferry services tender. These costs will be amortised over the period of the contract.

##### **(d) Investments**

Fixed asset investments are carried at cost.

##### **(e) Depreciation**

Depreciation is provided on tangible assets by equal annual instalments calculated to write off the cost (taking account of anticipated residual values) over their estimated useful lives.

##### **(f) Stock**

Stock is valued at the lower of average invoiced cost and net realisable value.

##### **(g) Maintenance and repair costs**

Routine maintenance and repair costs, as well as vessel overhaul costs, are charged to the profit and loss account in the financial period in which the work is performed. Repairs to meet statutory or classification requirements are met by the vessel owners and recharged to the operator by increased charter hire charges. Where the Company is involved in providing ferry services under contract, at contract end, independent vessel surveys are carried out to establish the work required. The agreed dilapidation costs are charged to profit and loss account at the end of the contract period.

##### **(h) Taxation**

The Company is included within a Group election into tonnage tax effective from commencement of trading. However, certain activities within the Company are liable to corporation tax. Accordingly, the charge for taxation is based partly on ship tonnage and partly on the result for the period and takes into account tax deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The Directors have chosen not to discount the Company's deferred tax liability, as permitted by FRS 19.

##### **(i) Pensions**

The Company is a participating employer in the CalMac Pension Fund, which is a defined benefit scheme operated by Caledonian Maritime Assets Ltd. Accordingly, for the purposes of FRS 17 Retirement Benefits, pension contributions are accounted for as if the scheme was defined contribution.

##### **(j) Receipts in advance**

Receipts for advanced and multi journey bookings are recognised with reference to time of travel. The deferred element of this income is shown under Creditors.

##### **(k) Comparative figures**

The Company commenced trading on 1 October 2006 and, accordingly, no comparative figures are provided.

#### **2. Turnover**

Turnover represents gross revenue stated net of value added tax and is made up as follows:

	<b>2007</b>
	<b>£000</b>
Fares and other income	<b>18,158</b>
Management Fees	<b>307</b>
Deficit grant received from the Scottish Executive	<b>29,900</b>
Subsidy received from the Northern Ireland Department for Regional Development	<b>211</b>
	<hr/>
	<b>48,576</b>
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## CalMac Ferries Limited

### Notes on the financial statements continued

#### 3. Profit on Ordinary Activities before Tax

The Profit is stated after charging/(crediting)

	2007 £000
Auditors' remuneration	
audit of these financial statements	36
other services relating to taxation	26
other services	15
Staff Costs (note 5)	7,136
Operating lease costs	
land and buildings	10
motor vehicles	210

#### 4. Taxation

The tax charge for the period is made up as follows

	2007 £000
<b>Corporation Tax</b>	
UK corporation tax on profit for the period	3
<b>Tax on profit on ordinary activities</b>	3

The tax assessed for the period differs from the standard rate of corporation tax of 30%

The differences are explained below

	2007 £000
<b>Profit on ordinary activities before tax</b>	1,039
UK corporation tax at 30%	312
Effects of	
Tonnage tax	(391)
Marginal rate of tax	(2)
Group relief	38
Items not allowed for tax purposes	(4)
Unrecognised deferred tax asset	50
<b>Corporation tax for the period</b>	3

The Company is included within a Group election into tonnage tax effective from commencement of trading. However, certain activities within the Company are liable to corporation tax. Tonnage tax is levied wholly on the net tonnage of certain vessels operated by the Company. Accordingly, the amount of tonnage tax payable is not affected by the amount of accounting profits or losses related to the associated activities.

#### *Factors that may affect future tax charges*

The Company has a deferred tax asset of £50,000. Due to the uncertainty surrounding the recovery of the asset, it has not been recognised, but remains available to relieve future profits of the Company. The unrecognised deferred tax asset comprises

	2007 £000
Decelerated capital allowances	3
Other timing differences	47
	50

**CalMac Ferries Limited****Notes on the financial statements continued****5. Employee Information****Staff Costs (including Directors)**

	<b>2007 £000</b>
Wages and Salaries	<b>4,397</b>
Social Security Costs	<b>415</b>
Other Pension Costs	<b>1,181</b>
	<hr/>
	<b>5,993</b>
Staff related Costs	<b>1,143</b>
	<hr/>
	<b>7,136</b>
	<hr/>

**Directors' remuneration**

	<b>2007 £000</b>
Directors' emoluments, including performance payments and benefits in kind	<b>219</b>
Company contributions to a defined benefit pension scheme	<b>22</b>
Highest paid Director	
emoluments, including performance payment and benefits in kind	<b>63</b>
Company contributions to defined benefit pension scheme	<b>7</b>
accrued pension at 31 March 2007	<b>10</b>
	<hr/>

Retirement benefits are accruing to 4 Directors under a defined benefit pension scheme

**Employee numbers**

The average number of employees, including Directors, employed by the Company during the period was as follows

	<b>2007</b>
Shore Terminal	<b>275</b>
Administrative	<b>102</b>
	<hr/>
	<b>377</b>
	<hr/>

## **CalMac Ferries Limited**

### **Notes on the financial statements continued**

#### **6. Tangible Assets**

All tangible assets were acquired from Caledonian MacBrayne Ltd on 1 October 2006 at nil cost as they had been fully depreciated at that date. There were no subsequent additions or disposals during the period.

#### **7. Intangible Assets**

**£000**

**At 31 March 2007 at cost**

**169**

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Intangible assets represent bid costs incurred in respect of the tender for the Clyde and Hebrides ferry services.

#### **8. Investments**

**£000**

**At 31 March 2007 at cost**

The Company acquired the whole of the ordinary share capital of both Caledonian MacBrayne HR (UK) Ltd, which is incorporated in Scotland, and Caledonian MacBrayne Crewing (Guernsey) Ltd, which is incorporated in Guernsey. These companies undertake the offshore crewing arrangements.

#### **9. Debtors and prepayments**

**2007**

**£000**

Trade debtors	<b>2,725</b>
Other debtors	<b>855</b>
Prepayments and accrued income	<b>1,442</b>
Amounts due from parent company, subsidiaries and fellow subsidiaries	<b>423</b>
	<hr/>
	<b>5,445</b>
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#### **10. Creditors: amounts falling due within one year**

**2007**

**£000**

Trade creditors	<b>3,916</b>
Other creditors and accruals	<b>5,519</b>
Deferred income	<b>2,228</b>
Amounts due to subsidiaries and fellow subsidiaries	<b>355</b>
	<hr/>
	<b>12,018</b>
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## **CalMac Ferries Limited**

### **Notes on the financial statements continued**

#### **11. Acquisitions**

On 1 October 2006, the Company acquired certain assets and liabilities from Caledonian MacBrayne Ltd , as follows

	<b>Book Value &amp; Fair Value at Acquisition £000</b>
Stock	811
Debtors	5,470
Cash	1,358
Creditors	(7,639)
	<hr/>
Consideration	<hr/>

The assets and liabilities were acquired in accordance with the terms of the Business Transfer Agreement between CalMac Ferries Ltd and Caledonian MacBrayne Ltd

#### **12. Share Capital**

**2007  
£000**

##### **Authorised**

100 Ordinary Shares of £1 each

##### **Allotted issued and fully paid**

1 Ordinary Share of £1 each

#### **13. Profit and Loss Reserves**

**Profit & Loss  
Account  
£000**

On incorporation	
Profit for the period	<b>1,036</b>
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<b>Balance at end of period</b>	<b>1,036</b>
	<hr/>

## **CalMac Ferries Limited**

### **Notes on the financial statements continued**

#### **14. Pension Arrangements**

A large number of employees are members of the CalMac Pension Fund which is a defined benefit scheme. The Company is a participating employer in this scheme which is operated by Caledonian Maritime Assets Ltd, a company wholly owned by Scottish Ministers. On this basis, pension contributions are accounted for as if the scheme were defined contribution. Caledonian Maritime Assets Ltd is responsible for the financial arrangements to meet past deficits in the CalMac Pension Fund.

A number of other employees participate in one of the Merchant Navy Pension Funds. As these pension schemes are all industry wide, contributions are accounted for on a defined contribution basis. Caledonian Maritime Assets Ltd is responsible for the financial arrangements to meet past deficits in these funds.

The amount charged to profit and loss account in respect of employer contributions to Pension Schemes is

	<b>2007</b>
	<b>£000</b>
CalMac Pension Fund	
ongoing contributions	<b>369</b>
additional contributions	<b>800</b>
Other schemes	<b>12</b>
	<hr/> <b>1,181</b> <hr/>
Normal contributions to be paid to Pension Schemes included in Creditors	<hr/> <b>85</b> <hr/>

#### **15 Cash Flow Statement**

Under FRS 1, 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 statements.

#### **16. Other Financial Commitments**

The Company has a number of operating leases in respect of buildings and motor vehicles. The annual commitments in respect of these leases are as follows:

	<b>2007</b>
	<b>£000</b>
<b>Buildings</b>	
Leases which expire	
within one year	<b>21</b>
between two and five years	<b>7</b>
	<hr/> <b>28</b> <hr/>
<b>Motor Vehicles</b>	
Leases which expire	
within one year	<b>43</b>
between two and five years	<b>130</b>
	<hr/> <b>173</b> <hr/>

## **CalMac Ferries Limited**

### **Notes on the financial statements continued**

#### **17. Related party transactions**

Under FRS 8, the Company is exempt from the requirement to disclose related party transactions with Group undertakings as it is a wholly owned subsidiary of a parent undertaking which prepares and publishes consolidated financial statements

Details of transactions with other related parties are as follows

	<b>2007 £000</b>	<b>Amount due at 31 March 2007 £000</b>
Scottish Ministers deficit grant	<b>29,900</b>	
Caledonian Maritime Assets Ltd vessel leasing charges	<b>4,812</b>	<b>802</b>
harbour access charges	<b>534</b>	<b>89</b>
harbour management fee income	<b>702</b>	<b>117</b>
	<hr/>	<hr/>

#### **18. Ultimate Parent Company**

The Company is a wholly owned subsidiary of David MacBrayne Ltd which is the ultimate parent company and is incorporated in the United Kingdom. Copies of the Group Annual Report can be obtained from the Company's registered office or on the Group website, details of both of which are given under Corporate Information

No other Group financial statements include the results of the Company



## **CalMac Ferries Limited**

### **Route Results**

	<b>2007 £000</b>
Loss on Clyde and Hebrides services.	
Gourock/Dunoon	<b>2,381</b>
Wemyss Bay/Rothesay	<b>2,979</b>
Largs/Cumbrae	<b>674</b>
Colintraive/Rhubodach	<b>654</b>
Tarbert/Portavadie	<b>290</b>
Oban/Castlebay/Lochboisdale	<b>4,108</b>
Ullapool/Stornoway	<b>4,563</b>
Oban/Coll/Tiree	<b>1,422</b>
Uig/Tarbert/Lochmaddy	<b>3,300</b>
Berneray/Leverburgh	<b>964</b>
Barra/Enskay	<b>463</b>
Kennacraig/Islay	<b>3,277</b>
Tayinloan/Gigha	<b>369</b>
Oban/Craignure	<b>929</b>
Fishnish/Lochaline	<b>187</b>
Tobermory/Kilchoan	<b>492</b>
Oban/Lismore	<b>338</b>
Fionnphort/Iona	<b>338</b>
Mallaig/Armadale	<b>512</b>
Mallaig/Small Isles	<b>1,827</b>
Raasay/Sconser	<b>734</b>
Oban/Colonsay	<b>950</b>
Ardrossan/Brodick	<b>1,392</b>
Lochranza/Claonaig	<b>130</b>
	<hr/>
Loss on Clyde and Hebrides services	<b>33,273</b>
	<hr/>

The information shown above does not form part of the financial statements and is provided for illustrative purposes only. It covers the full year to 31 March 2007 and, accordingly, includes the results for the period under the predecessor operator of these services. For this reason, the figures are not comparable with the profit and loss account.

The information was prepared on a historical cost basis and the route analysis was calculated on the basis on which the budgets, provided under the Clyde and Hebrides and Gourock Dunoon tender processes, were prepared. Accordingly, comparative figures have not been provided.

## **CalMac Ferries Limited**

### **Corporate Information**

**Registered Office**            The Ferry Terminal  
Gourock  
PA19 1QP

**Company No.**                SC 302282

**Auditors**                    KPMG LLP

**Solicitors**                  McGrigors

**Bankers**                    The Royal Bank of Scotland plc  
Alliance & Leicester plc

**Principal Insurers**        The North of England Protecting & Indemnity  
Association and Marine Shipping Mutual Insurance

**Website**                    [www.calmac.co.uk](http://www.calmac.co.uk)