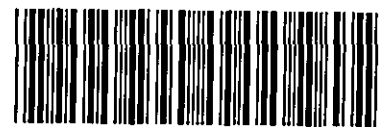


SC302282

**CALMAC FERRIES LIMITED
DIRECTORS' REPORT & FINANCIAL STATEMENTS
2008 - 2009**

MONDAY



SCT 05/10/2009 780
COMPANIES HOUSE

CalMac Ferries Limited

Contents

Directors' Report	1
Statement of Directors' responsibilities	3
Independent Auditors' Report	4
Profit and Loss Account	5
Balance Sheet	6
Notes on the financial statements	7
Corporate information	13

CalMac Ferries Limited

Directors' Report

The Directors present their Directors' Report and financial statements for the year ended 31 March 2009.

Principal activity and business review

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.

The principal activity of the Company is the provision of lifeline ferry services under this contract with the Scottish Government. Under the terms of the contract, the Company receives grant support from the Scottish Government; the Company also operates a limited number of services outwith the contract without grant support.

The Company made a profit for the year before tax of £2.8m (2008: £0.7m). A dividend of £1.3m (2008: nil) was paid to the Company's sole shareholder during the year.

The Company achieved performance levels during the year of almost 100% and operated within the contract grant provision for the year. Following approval by the Scottish Government under the terms of the contract, a number of timetable enhancements were introduced from the commencement of the 2008/09 Winter season. These are primarily aimed at providing better integration with bus and rail services, as well as improving connectivity for customers.

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 implications of the introduction on a pilot basis, under direction from the Scottish Government, of a road equivalent tariff scheme on a number of the routes operated by the Company. Through the development and maintenance 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. Specific performance measures are defined within the terms of the Clyde and Hebrides ferry services contract and include reliability, punctuality, customer service undertakings and finance.

The Company is participating in the Scottish Ferries Review in its capacity as ferry operator. The review was commissioned by the Scottish Government with the principal aim of developing a long-term strategy for the provision of ferry services across Scotland. The review report is scheduled for publication in Spring 2010.

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 year. However, the Company supports a range of local organisations through travel-related sponsorship and continues to be the main commercial supporter of the Royal National Mod.

Directors and their interests

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

P K Timms	
W L Sinclair	
I Gillies	
A M Lynch	
A A MacDonald	- retired 31 March 2009
L B MacLeod	
D C McGibbon	
P G Preston	
N L Quirk	
R Sinclair	- resigned 1 April 2009
G A Taylor	

R Sinclair resigned as part of the management restructuring within the David MacBrayne Group, effective from 1 April 2009.

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.

CalMac Ferries Limited

Employees

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

The 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, directly or through their representatives, are provided with information on matters concerning them and are encouraged to be involved in the activities of the Company.

All of these measures are kept under constant 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.

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.

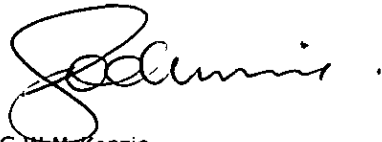
Disclosure of information to Auditors

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

A resolution to re-appoint KPMG LLP as auditors 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



G W McKenzie
Secretary
15 July 2009

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 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.

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 year ended 31 March 2009 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 3.

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 2009 and of its profit for the year 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

KPMG LLP
Chartered Accountants
Registered Auditor
Glasgow

15 July 2009

CalMac Ferries Limited**Profit and Loss Account for the year ended 31 March 2009**

	Note	2009 £000	2008 (re-classified) £000
Turnover	2	109,507	97,489
Cost of sales		(101,206)	(90,781)
Gross profit		8,301	6,708
Administrative expenditure		(5,717)	(6,273)
Operating profit		2,584	435
Interest receivable	3	239	282
Profit on ordinary activities before taxation	3	2,823	717
Tax on profit on ordinary activities	4	(255)	211
Profit for the financial year		2,568	928

The 2008 figures have been re-classified for reasons of consistency; this mainly relates to a more detailed allocation of central services and has no impact on costs overall.

There are no other recognised gains or losses for the year.

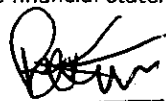
The accompanying notes are an integral part of these financial statements

CalMac Ferries Limited

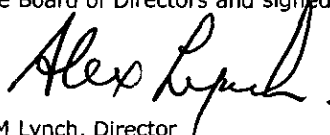
Balance Sheet as at 31 March 2009

	Note	2009 £000	2008 £000
Fixed assets			
Tangible assets	6	33	-
Intangible assets	7	286	349
Investments	8	-	-
		<u>319</u>	<u>349</u>
Current assets			
Stocks of fuel, lubricants and consumables		977	1,075
Debtors and prepayments	9	5,258	5,752
Cash at bank and in hand		7,629	5,874
		<u>13,864</u>	<u>12,701</u>
Creditors			
Amounts falling due within one year	10	(10,951)	(11,086)
		<u>2,913</u>	<u>1,615</u>
Net current assets			
		<u>3,232</u>	<u>1,964</u>
Net assets			
		<u>3,232</u>	<u>1,964</u>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	3,232	1,964
		<u>3,232</u>	<u>1,964</u>
Shareholder's funds			
		<u>3,232</u>	<u>1,964</u>

These financial statements were approved by the Board of Directors and signed on 15 July 2009 on its behalf by:



P K Timms, Chairman



A M Lynch, 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 as follows:

Equipment	-	4 years
-----------	---	---------

(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.

2. Turnover

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

	2009 £000	2008 £000
Fares and other income	55,262	58,029
Management fees	907	1,174
Grant receivable from the Scottish Government	53,338	38,286
	<hr/>	<hr/>
	109,507	97,489

The increase in grants receivable from the Scottish Government mainly relates to the increase in marine fuel costs and the effect of the planned introduction of road equivalent tariff on a number of Hebridean routes effective from October 2008.

CalMac Ferries Limited

Notes on the financial statements continued

3. Profit on ordinary activities before tax

The Profit is stated after charging/(crediting):

	2009	2008
	£000	£000
Auditors' remuneration - audit of these financial statements	31	30
- other services relating to taxation	20	26
- other services	4	10
Depreciation of tangible fixed assets	2	-
Amortisation of intangible fixed assets	63	32
Staff costs (note 5)	13,422	13,055
Agency staff costs	31,317	29,228
Operating lease costs - land and buildings	1,832	1,685
- ships and motor vehicles	11,766	10,441
Interest receivable - bank	(239)	(282)

4. Taxation

The tax charge for the year is made up as follows:

	2009	2008
	£000	£000
UK corporation tax on profit for the year	196	6
Adjustments in respect of prior period	-	117
	196	123
Deferred tax:		
Adjustments in respect of prior year	-	(57)
Origination of timing differences	59	(277)
	59	(334)
Tax on profit on ordinary activities	255	(211)

The tax assessed for the year differs from the standard rate of corporation tax of 28%. The differences are explained below:

	2009	2008
	£000	£000
Profit on ordinary activities before tax	2,823	717
UK corporation tax at 28% (2008: 30%)	790	215
Effects of:		
Tonnage tax	(633)	(169)
Group relief	-	69
Items not allowed for tax purposes	98	61
Deferred tax	(59)	(170)
Adjustment in respect of prior year	-	117
Corporation tax for the year	196	123

The Company is included within a Group election into tonnage tax. 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.

CalMac Ferries Limited

Notes on the financial statements continued

The Company has a deferred tax asset of £275,000 (2008: £334,000) which is considered recoverable. It is included within debtors (note 9) and comprises:

	2009	2008
	£000	£000
Decelerated capital allowances	275	334
	<hr/>	<hr/>
Balance at beginning of year	334	-
(Charge)/Credit for the year	(59)	334
	<hr/>	<hr/>
Balance at end of year	275	334
	<hr/>	<hr/>

5. Employee information

Staff costs (including Directors)

	2009	2008
	£000	£000
Wages and Salaries	9,132	8,898
Social Security Costs	852	843
Other Pension Costs	1,354	1,169
	<hr/>	<hr/>
	11,338	10,910
Staff-related Costs	2,084	2,145
	<hr/>	<hr/>
	13,422	13,055
	<hr/>	<hr/>

Directors' remuneration

	2009	2008
	£000	£000
Directors' emoluments, including performance payments and benefits in kind	434	395
Company contributions to a defined benefit pension scheme	60	65
Highest paid Director		
- emoluments, including performance payment and benefits in kind	141	118
- Company contributions to defined benefit pension scheme	26	24
- accrued pension at 31 March	14	12
	<hr/>	<hr/>

Retirement benefits are accruing to 4 (2008: 4) Directors under a defined benefit pension scheme.

Employee numbers

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

	2009	2008
	No.	No.
Shore Terminal	285	285
Administrative	105	107
	<hr/>	<hr/>
	390	392
	<hr/>	<hr/>

CalMac Ferries Limited

Notes on the financial statements continued

6. Tangible assets

	Equipment £000
Cost	
At 1 April 2008	-
Additions during the year	35
	<hr/>
At 31 March 2009	35
	<hr/>
Depreciation	
At 1 April 2008	-
Charge for the year	2
	<hr/>
At 31 March 2009	2
	<hr/>
Net book value at 31 March 2009	33
	<hr/>

Net book value at 31 March 2008

-

7. Intangible assets

	£000
Cost	
At 1 April 2008 and 31 March 2009	381
	<hr/>
Amounts written off	
At 1 April 2008	(32)
During the year	(63)
	<hr/>
At 31 March 2009	(95)
	<hr/>
Net book value at 31 March 2009	286
	<hr/>

Net book value at 31 March 2008

349

Intangible assets represent bid costs incurred in respect of the tender for the Clyde and Hebrides ferry services and, as such, are eligible for treatment as costs spread over the period of the contract.

8. Investments

	£000
At beginning and end of year	-
	<hr/>

The Company owns the whole of the issued share capital of Caledonian MacBrayne Crewing (Guernsey) Ltd., which is registered in Guernsey, and undertakes the offshore crewing arrangements.

9. Debtors and prepayments

	2009 £000	2008 £000
Trade debtors	2,329	2,651
Other debtors	875	573
Prepayments and accrued income	1,167	1,205
Deferred tax (note 4)	275	334
Amounts due from parent company, subsidiaries and fellow subsidiaries	612	989
	<hr/>	<hr/>
	5,258	5,752
	<hr/>	<hr/>

CalMac Ferries Limited

Notes on the financial statements continued

10. Creditors: amounts falling due within one year

	2009	2008
	£000	£000
Trade creditors	2,506	2,300
Other creditors and accruals	5,509	5,948
Deferred income	2,239	2,104
Corporation tax	196	6
Amounts due to subsidiaries and fellow subsidiaries	501	728
	10,951	11,086

11. Share Capital

	2009	2008
	£000	£000
Authorised		
100 Ordinary Shares of £1 each	-	-
Allotted issued and fully paid		
1 Ordinary Share of £1 each	-	-

12. Profit and loss account

	2009	2008
	£000	£000
At beginning of year	1,964	1,036
Retained profit for the year	2,568	928
Dividend paid during the year	(1,300)	-
At end of year	3,232	1,964

13. 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:

	2009	2008
	£000	£000
CalMac Pension Fund	1,330	1,139
Other schemes	24	30
	1,354	1,169
Contributions to be paid to pension schemes included in creditors	142	130

14. 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.

CalMac Ferries Limited

Notes on the financial statements continued

15. 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:

	2009 £000	2008 £000
Buildings		
Leases which expire:		
within one year	21	21
between two and five years	1,906	7
after five years	-	1,790
	<hr/>	<hr/>
	1,927	1,818
	<hr/>	<hr/>
Ships and motor vehicles		
Leases which expire:		
within one year	779	51
between two and five years	11,644	84
after five years	-	10,610
	<hr/>	<hr/>
	12,423	10,745
	<hr/>	<hr/>

16. 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:

	2009 £000	2008 £000
Transactions during the year – receivable/(payable):		
Scottish Ministers		
- grant receivable	53,338	38,286
Caledonian Maritime Assets Ltd.		
- vessel leasing charges payable	(11,543)	(10,227)
- harbour, property and equipment access charges payable	(1,803)	(1,536)
- vessel modification costs receivable	1,497	1,500
- harbour management fee income receivable	1,455	1,404
- vessel new build costs receivable	311	-
- staff costs receivable	270	-
- ferry travel costs receivable	5	-
	<hr/>	<hr/>
Amounts due at end of year – receivable/(payable):		
Scottish Ministers		
- grant payable	(417)	(1,090)
Caledonian Maritime Assets Ltd.		
- vessel modification costs receivable	1,462	191
- vessel new build costs receivable	79	-
- ferry travel costs receivable	1	-
	<hr/>	<hr/>

During the year, the Company acted as agent for Caledonian Maritime Assets Ltd. in relation to certain elements of new vessel builds. The associated funds were paid to third parties and recovered from Caledonian Maritime Assets Ltd.

17. 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

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