

**ARGYLL FERRIES LIMITED  
DIRECTORS' REPORT & FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014**

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**Contents**

Directors' Report	1
Statement of Directors' responsibilities	2
Independent Auditor's Report	3
Profit and Loss Account	4
Balance Sheet	5
Notes on the financial statements	6
Corporate information	10

**Directors' Report**

The Directors present their Directors' Report and financial statements for the year ended 31 March 2014.

**Principal activity and business review**

The Company operates the Gourock and Dunoon passenger-only ferry service, under contract with the Scottish Government.

The Company made a profit before tax of £366,000 (2013: £30,000). No dividends have been paid or are proposed.

During the period, the Scottish Government invested further in improving the level of service for customers including extension of the replacement bus service, a switch of lead vessel from MV Ali Cat to MV Argyle Flyer and the lease from CalMac Ferries Ltd of MV Coruisk to cover peak sailings during the winter period. This increased the level of subsidy payable under the Public Service Contract to £3.20m (2013: £1.62m).

Due to efficiencies in operation made in excess of the operator return, the Company paid a subsidy clawback to Transport Scotland of £0.16m (2013: £Nil).

The service achieved 99.58% (2013: 99.85%) technical reliability and punctuality levels of 99.92% (2013: 99.97%) after contract relief events.

**Political and charitable donations**

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

**Directors and their interests**

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

D C McGibbon  
M Dorchester  
R L Drummond  
N L Quirk - resigned 31 December 2014  
J Stirling  
P J D Stark

None of the Directors had any disclosable interest in the shares of the Company.

**Financial instruments**

The Company enters into no complex financial instruments.

**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/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Going concern**

Under the terms of the contract with the Scottish Government for the provision of ferry services between Gourock and Dunoon, the Company receives an annual subsidy which is subject to annual base-case revision. Accordingly, the Directors are of the opinion that it is appropriate that the financial statements are prepared on a going concern basis.

**Auditor**

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

On behalf of the Board



M Dorchester  
Director  
10 September 2014

**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).

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.

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.

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.

**Independent Auditor's Report to the members of Argyll Ferries Limited**

We have audited the financial statements of Argyll Ferries Limited for the period ended 31 March 2014 set out on pages 4 to 9. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors**

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](http://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 2014 and of its profit 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 matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**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.



**Martin Ross (Senior Statutory Auditor)  
for and on behalf of KPMG LLP**

Chartered Accountants  
191 West George Street  
Glasgow  
G2 2LJ  
10 September 2014

**Profit and Loss Account  
for the year ended 31 March 2014**


	Note	2014 £000	2013 £000
<b>Turnover</b>	2	<b>3,817</b>	2,426
Cost of sales		<b>(3,379)</b>	(2,298)
<b>Gross profit</b>		<b>438</b>	128
Administrative expenses		<b>(73)</b>	(99)
<b>Operating profit</b>		<b>365</b>	29
Interest receivable	3	<b>1</b>	1
<b>Profit on ordinary activities before taxation</b>	3	<b>366</b>	30
Tax on profit on ordinary activities	5	-	(5)
<b>Profit for the financial year</b>	10	<b>366</b>	25

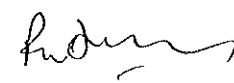
There are no other recognised gains or losses for the period.

**Balance Sheet  
as at 31 March 2014**

	Note	2014 £000	2013 £000
<b>Current assets</b>			
Stocks	6	5	5
Debtors	7	448	19
Cash at bank and in hand		333	332
		<hr/>	<hr/>
		786	356
<b>Creditors</b>			
Amounts falling due within one year	8	(392)	(328)
		<hr/>	<hr/>
<b>Net current assets</b>		394	28
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		394	28
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	394	28
		<hr/>	<hr/>
<b>Shareholder's funds</b>		394	28
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors and signed on 10 September 2014 on its behalf by:

  
D C McGibbon, Chairman

  
R L Drummond, Director

**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. For the reasons explained in the Directors' report, the financial statements have been prepared on a going concern basis.

**(b) Stock**

Stock in relation to fuels, lubricants and consumable stores is stated at cost. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the relevant stock and other costs incurred in bringing them to their existing location and condition.

**(c) Revenue**

Government subsidies are recognised in the financial year in which the associated operating deficits are incurred.

**(d) Taxation**

The charge for taxation is based upon the result for the period and, where appropriate, takes into account tax deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

**(e) 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.

**(f) Dividend to Shareholder**

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.

**2. Turnover**

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

	2014 £000	2013 £000
Fares and other income	780	810
Subsidy receivable from the Scottish Government	3,199	1,616
Subsidy clawback	(162)	-
	<u>3,817</u>	<u>2,426</u>

**3. Profit on ordinary activities before tax**

The profit is stated after charging/(crediting):

	2014 £000	2013 £000
Auditor's remuneration - audit of these financial statements	6	6
- other services relating to tax	3	3
Agency staff costs	1	14
Operating lease costs - ships	772	235
Interest receivable - bank	(1)	(1)
	<u></u>	<u></u>



Notes on the financial statements continued

4. Employee information

Staff costs

The aggregate payroll costs were as follows:

	2014 £000	2013 £000
Wages and salaries	884	793
Social security costs	76	71
Other pension costs	143	97
	<u>1,103</u>	<u>961</u>

Directors' remuneration

The Directors do not receive any remuneration in respect of the services they provide to the Company.

Employee numbers

The average number of people employed by the Company (excluding Directors) during the year was 25 (2013: 24).

5. Taxation

The tax on profit on ordinary activities is made up as follows:

	2014 £000	2013 £000
UK corporation tax on profit for the period	-	7
Adjustment in respect of prior periods	-	(2)
	<u>-</u>	<u>5</u>
<b>Tax on profit on ordinary activities</b>	<u>-</u>	<u>5</u>

The tax charge for the period differs from the application of the standard rate of corporation tax in the UK to the profit on ordinary activities before tax. The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	366	30
	<u>366</u>	<u>30</u>
UK corporation tax at 20% (2013: 20%)	73	6
Effects of:		
Items not allowable for tax purposes	1	1
Group relief	(74)	(2)
	<u>1</u>	<u>(1)</u>
<b>Tax charge for the period</b>	<u>-</u>	<u>5</u>

## Notes on the financial statements continued

**6. Stock**

	<b>2014</b> <b>£000</b>	2013 £000
Fuels and lubricants	5	5

**7. Debtors**

	<b>2014</b> <b>£000</b>	2013 £000
Other debtors	330	13
Prepayments and accrued income	118	6
	<b>448</b>	19

**8. Creditors: amounts falling due within one year**

	<b>2014</b> <b>£000</b>	2013 £000
Trade creditors	145	-
Other creditors and accruals	164	120
Amounts owed to group undertakings	83	203
Corporation tax	-	5
	<b>392</b>	328

**9. Called up share capital**

	<b>2014</b> <b>£000</b>	2013 £000
<b>Allotted, called up and fully paid</b>		
1 Ordinary Share of £1	-	-

**10. Profit and loss reserves**

	<b>2014</b> <b>£000</b>	2013 £000
Balance at beginning of year	28	3
Profit for the year	366	25
<b>At end of the year</b>	<b>394</b>	28

**11. Reconciliation of movements in shareholder's funds**

	<b>2014</b> <b>£000</b>	2013 £000
Opening shareholder's funds	28	3
Profit for the financial year	366	25
<b>Closing shareholder's funds</b>	<b>394</b>	28

**Notes on the financial statements continued****12. Pension arrangements**

A large number of the Company's employees are members of the CalMac Pension Fund which is a multi-employer defined benefit scheme (the 'Scheme' or the 'CalMac Scheme'). The Company is a participating employer in the CalMac Scheme, which is operated by Caledonian Maritime Assets Ltd ('CMAL'), a company also wholly owned by Scottish Ministers. As the Trustees of the CalMac Scheme are unable to identify the Company's share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, and as CMAL is legally considered to be the sponsoring employer for the Scheme, and is responsible for any deficit repair obligations in relation to the Scheme, the Company is accounting for the Scheme in its financial statements as if the Scheme was a defined contribution scheme.

The latest full triennial actuarial valuation of the CalMac Scheme as at 6 April 2012, carried out by an independent actuary, showed that the Scheme had liabilities of £117.4m, assets of £85.2m and, consequently, a deficit of £32.2m.

Under the Government's Pension Auto Enrolment legislation, employers must automatically enrol into a 'qualifying pension scheme' all qualifying employees not already in a pension scheme as well as all new starters. The legislation also dictates that those who have opted out must be reviewed and enrolled again every three years.

Following a tender exercise the decision was to go with The Peoples Pension as our provider for a stakeholder pension scheme for auto enrolment purposes. New employees can still choose to opt out of this new scheme and enrol in the existing final salary scheme at appropriate times during the year. Employees can only be in one scheme at any given time.

**13. 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 financial statements.

**14. 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>2014</b>	2013
	<b>£000</b>	£000
<b>Transactions during the period - receivable/(payable):</b>		
Scottish Ministers		
- subsidy receivable	<b>3,037</b>	1,616
Caledonian Maritime Assets Ltd.		
- harbour dues	<b>(161)</b>	(50)
	<hr/>	<hr/>
<b>Amounts due at the end of the period - receivable/(payable):</b>		
Scottish Ministers		
- subsidy receivable	<b>314</b>	(11)
Caledonian Maritime Assets Ltd.		
- harbour dues	<b>(17)</b>	(4)
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**15. Ultimate parent company**

The Company is a wholly owned subsidiary of David MacBrayne Ltd., which is wholly owned by the Scottish Ministers. The Group in which the Company's results are consolidated is that headed by David MacBrayne Ltd., 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**

<b>Registered office</b>	The Ferry Terminal Gourock PA19 1QP
<b>Auditor</b>	KPMG LLP
<b>Solicitors</b>	Pinsent Masons
<b>Bankers</b>	The Royal Bank of Scotland plc
<b>Principal insurers</b>	The North of England Protecting & Indemnity Association

**Website** Parent company: [www.david-macbrayne.co.uk](http://www.david-macbrayne.co.uk)  
Company: [www.argyllferries.co.uk](http://www.argyllferries.co.uk)