Registered number: SC091850

WESTERN FERRIES (CLYDE) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

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WESTERN FERRIES (CLYDE) LIMITED

COMPANY INFORMATION

DIRECTORS	A F Ross - Chairman D G F Ross - Managing Director M Beattie J L M Denham G J Fletcher D R Harris Rt. Hon. Lord Robertson of Port Ellen
COMPANY SECRETARY	M Beattie
COMPANY NUMBER	SC091850
REGISTERED OFFICE	Hunter's Quay Dunoon Argyll PA23 8HJ
AUDITORS	French Duncan LLP 375 West George Street Glasgow G2 4LW
SOLICITORS	MacRoberts LLP Excel House 30 Semple Street Edinburgh EH3 8BL

WESTERN FERRIES (CLYDE) LIMITED

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012

The Directors present their report and the financial statements for the year ended 31 March 2012.

DIRECTORS' RESPONSIBILITIES STATEMENT

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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent;
- 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

The Company's principal activity during the year continued to be the operation of ferry services between McInroy's Point and Hunter's Quay on the Firth of Clyde. The Company operates a fleet of 4 Roll-on Roll-off vehicle and passenger ferries.

BUSINESS REVIEW

The Company has determined that the key financial indicatiors are the growth in turnover and passenger numbers over the financial year. Turnover increased by 10% to £6.98 million (2011 - £6.34 million). Passenger numbers increased by 3.4%.

Overall operating expenditure is in line with 2011 at £5.1 million.

The Company expects to see limited growth in the market place during the current recession.

The principal operational and financial risks and uncertainties facing the Company are managed by the following:

- The implementation of rigorous maintenance regimes and the duplication of berthing structures and linkspans at both terminals.

- The Company operates a Safety Management System (SMS) which complies with the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention. The SMS is externally audited and certificated by the Maritime and Coastguard Agency.

- Training and continuous development of personnel to ensure that standards and procedures are maintained and improved.

- The Directors monitor the cost and benefits of using fuel hedges to manage the Company's exposure to fluctuations in marine gas oil prices.

- The Company's policy on funding capacity is to ensure it always has sufficient long-term funding and bank facilities in place to meet foreseeable requirements. During the financial year the Company's funding was met by retained earnings.

- The Company carries out appropriate checks on all potential customers to ensure their credit worthiness before they are given a credit account.

RESULTS

The profit for the year, after taxation, amounted to £1,568 thousand *(2011 - loss £2,288 thousand)*.

DIRECTORS

The Directors who served during the year were:

A F Ross - Chairman
D G F Ross - Managing Director
M Beattie
J L M Denham
G J Fletcher
D R Harris
Rt. Hon. Lord Robertson of Port Ellen

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the Company maintained liability insurances for its Directors and Officers.

FIXED ASSETS

The changes in fixed assets during the year are shown in note 8 to the accounts.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012

AUDITORS

Under section 487(2) of the Companies Act 2006, French Duncan LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the Board and signed on its behalf.

M Beattie
Director

Date: 25 October 2012

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WESTERN FERRIES (CLYDE) LIMITED

We have audited the financial statements of Western Ferries (Clyde) Limited for the year ended 31 March 2012, set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 Auditors' 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER

We draw your attention to the accounting policy in respect of Government grants as detailed in Note 1. The adopted treatment is permitted by Statement of Standard Accounting Practice 4 but is not in accordance with the Companies Act 2006.

In the opinion of the Directors this treatment ensures that the accounts give a true and fair view.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WESTERN FERRIES (CLYDE) LIMITED

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.

A. J. C. Plumtree C.A.

Alan J C Plumtree (Senior statutory auditor)

for and on behalf of
French Duncan LLP

375 West George Street
Glasgow
G2 4LW
Date: 30 October 2012.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £000	*2011 £000*
TURNOVER	1,2	**6,978**	*6,337*
Cost of sales		**(4,095)**	*(3,967)*
GROSS PROFIT		**2,883**	*2,370*
Administrative expenses		**(988)**	*(1,156)*
OPERATING PROFIT	3	**1,895**	*1,214*
Interest receivable and similar income		**5**	*7*
Interest payable and similar charges	6	**-**	*(362)*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**1,900**	*859*
Tax on profit on ordinary activities	7	**(332)**	*(3,147)*
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	13	**1,568**	*(2,288)*

All amounts relate to continuing operations.

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and Loss account.

The notes on pages 9 to 18 form part of these financial statements.

WESTERN FERRIES (CLYDE) LIMITED
REGISTERED NUMBER: SC091850

BALANCE SHEET
AS AT 31 MARCH 2012

	Note	£000	2012 £000	£000	*2011 £000*
FIXED ASSETS					
Tangible assets	8		**5,313**		*5,886*
CURRENT ASSETS					
Stocks		**94**		*47*	
Debtors	9	**285**		*375*	
Cash at bank and in hand		**729**		*2,113*	
		1,108		*2,535*	
CREDITORS: amounts falling due within one year	10	**(1,015)**		*(4,009)*	
NET CURRENT ASSETS/(LIABILITIES)			**93**		*(1,474)*
TOTAL ASSETS LESS CURRENT LIABILITIES			**5,406**		*4,412*
PROVISIONS FOR LIABILITIES					
Deferred tax	11		**(690)**		*(864)*
NET ASSETS			**4,716**		*3,548*
CAPITAL AND RESERVES					
Called up share capital	12		**70**		*70*
Share premium account	13		**4**		*4*
Capital redemption reserve	13		**111**		*111*
Profit and loss account	13		**4,531**		*3,363*
SHAREHOLDERS' FUNDS	14		**4,716**		*3,548*

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on

A F Ross
Director

M Beattie
Director

The notes on pages 9 to 18 form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £000	*2011 £000*
Net cash flow from operating activities	16	**2,247**	*2,259*
Returns on investments and servicing of finance	17	**5**	*(355)*
Taxation		**(3,179)**	*-*
Capital expenditure and financial investment	17	**(57)**	*(1)*
Equity dividends paid		**(400)**	*(500)*
(DECREASE)/INCREASE IN CASH IN THE YEAR		**(1,384)**	*1,403*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 MARCH 2012

	2012 £000	*2011 £000*
(Decrease)/Increase in cash in the year	**(1,384)**	*1,403*
MOVEMENT IN NET DEBT IN THE YEAR	**(1,384)**	*1,403*
Net funds at 1 April 2011	**2,113**	*710*
NET FUNDS AT 31 MARCH 2012	**729**	*2,113*

The notes on pages 9 to 18 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Turnover

Turnover represents the invoiced amount of ferry services provided (stated net of value added tax) and concessionary fare contributions.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Ships, terminals & mooring	-	5%-10% straight line basis
Motor vehicles	-	25% written down value
Office equipment	-	20% straight line basis
Computer equipment	-	20% straight line basis
Other fixed assets	-	20% straight line basis

1.4 Operating leases

Operating lease rentals for the use of the seabed at both terminals are written off as they are incurred.

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1. ACCOUNTING POLICIES (continued)

1.6 Government grants

Government grants are credited against the original cost of the asset. This is a change in accounting policy from previous years when grants were credited to deferred revenue. The new policy is permitted by Statement of Standard Accounting Practice number 4.

This change was made, in the year ended 31 March 2011, to reflect the Company's opinion that to give a true and fair view capital grants should be deducted from the cost to reflect the true impact in the Company's net capital expenditure.

The revised policy does not comply with the Companies Act 2006 but in the opinion of the Directors this non-compliance does result in the accounts giving a true and fair view.

1.7 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

The Company operates a defined benefits pension scheme. The scheme is a mult-employer scheme where it is not possible, in the normal course of events, to identify on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to individual participating employers. Therefore, as required by FRS17 'Retirement benefits', the Company accounts for this scheme as if it was a defined contribution scheme. The amount charged to the Profit and loss account represents contributions payable to the scheme in respect of the accounting period.

1.8 Deferred Income

Provision is made for deferred income representing an estimate of tickets sold in advance and which are unexpired at the year end.

1.9 Consolidation

The subsidiary companies have not been consolidated on the basis that they are non trading and immaterial to the financial statements.

2. TURNOVER

All turnover arose within the United Kingdom. The Company's principal activity is the provision of Roll-on Roll-off vehicle and passenger ferries on the Firth of Clyde.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

3. OPERATING PROFIT

The operating profit is stated after charging:

	2012 £000	*2011 £000*
Depreciation of tangible fixed assets:		
- owned by the Company	**630**	*850*
Auditors' remuneration	**12**	*13*

4. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows:

	2012 £000	*2011 £000*
Wages and salaries	**2,375**	*2,112*
Social security costs	**176**	*212*
Other pension costs	**160**	*59*
	2,711	*2,383*

The average monthly number of employees, including the Directors, during the year was as follows:

	2012 No.	*2011 No.*
Directors	**7**	*7*
Office and management	**7**	*7*
Ship operating	**51**	*51*
	65	*65*

5. DIRECTORS' REMUNERATION

	2012 £000	*2011 £000*
Emoluments	**378**	*319*
Company pension contributions to defined contribution pension schemes	**10**	*10*

During the year retirement benefits were accruing to 2 Directors *(2011 - 2)* in respect of defined contribution pension schemes.
The highest paid Director received remuneration of £148 thousand *(2011 - £119 thousand).*

6. INTEREST PAYABLE

	2012 £000	*2011 £000*
Other interest payable	-	*362*

7. TAXATION

	2012 £000	*2011 £000*
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	**620**	*557*
Adjustments in respect of prior periods	**(114)**	*2,442*
Total current tax	**506**	*2,999*
Deferred tax (see note 11)		
Origination and reversal of timing differences	**(174)**	*148*
Tax on profit on ordinary activities	**332**	*3,147*

Factors affecting tax charge for the year

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 26% *(2011 - 28%)*.

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

8. TANGIBLE FIXED ASSETS

	Ships £000	Terminals £000	Other assets £000	Total £000
Cost				
At 1 April 2011	**7,153**	**5,559**	**230**	**12,942**
Additions	**-**	**-**	**73**	**73**
Disposals	**-**	**-**	**(33)**	**(33)**
At 31 March 2012	**7,153**	**5,559**	**270**	**12,982**
Depreciation				
At 1 April 2011	**5,903**	**984**	**169**	**7,056**
Charge for the year	**386**	**223**	**21**	**630**
On disposals	**-**	**-**	**(17)**	**(17)**
At 31 March 2012	**6,289**	**1,207**	**173**	**7,669**
Net book value				
At 31 March 2012	**864**	**4,352**	**97**	**5,313**
At 31 March 2011	*1,250*	*4,575*	*61*	*5,886*

9. DEBTORS

	2012 £000	*2011 £000*
Trade debtors	**158**	*146*
Other debtors	**127**	*229*
	285	*375*

10. CREDITORS:
Amounts falling due within one year

	2012 £000	*2011 £000*
Trade creditors	**173**	*153*
Corporation tax	**332**	*3,006*
Social security and other taxes	**58**	*61*
Other creditors	**350**	*714*
Accruals and deferred income	**102**	*75*
	1,015	*4,009*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

11. DEFERRED TAXATION

	2012 £000	*2011 £000*
At beginning of year	864	*864*
Charge for/(released during) year	(174)	*-*
At end of year	690	*864*

The provision for deferred taxation is made up as follows:

	2012 £000	*2011 £000*
Accelerated capital allowances	690	*864*

12. SHARE CAPITAL

	2012 £000	*2011 £000*
Allotted, called up and fully paid		
70,000 Ordinary shares of £1 each	70	*70*

13. RESERVES

	Share premium account £000	Capital redempt'n reserve £000	Profit and loss account £000
At 1 April 2011	4	111	3,363
Profit for the year			1,568
Dividends: Equity capital			(400)
At 31 March 2012	4	111	4,531

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £000	*2011 £000*
Opening shareholders' funds	**3,548**	*6,356*
Prior year adjustments		*(20)*
Opening shareholders' funds (as restated)		*6,336*
Profit/(Loss) for the year	**1,568**	*(2,288)*
Dividends (Note 15)	**(400)**	*(500)*
Closing shareholders' funds	**4,716**	*3,548*

15. DIVIDENDS

	2012 £000	*2011 £000*
Dividends paid on equity capital	**400**	*500*

16. NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £000	*2011 £000*
Operating profit	**1,895**	*1,214*
Depreciation of tangible fixed assets	**630**	*849*
Loss on disposal of tangible fixed assets	**-**	*18*
(Increase)/decrease in stocks	**(47)**	*20*
Decrease/(increase) in debtors	**89**	*(77)*
(Decrease)/increase in creditors	**(320)**	*235*
Net cash inflow from operating activities	**2,247**	*2,259*

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2012 £000	*2011 £000*
Returns on investments and servicing of finance		
Interest received	**5**	*7*
Interest paid	**-**	*(362)*
Net cash inflow/(outflow) from returns on investments and servicing of finance	**5**	*(355)*

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2012 £000	*2011 £000*
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(73)**	*(1)*
Sale of tangible fixed assets	**16**	-
Net cash outflow from capital expenditure	**(57)**	*(1)*

18. ANALYSIS OF CHANGES IN NET DEBT

	1 April 2011 £000	Cash flow £000	Other non-cash changes £000	31 March 2012 £000
Cash at bank and in hand	**2,113**	**(1,384)**	**-**	**729**
Net funds	**2,113**	**(1,384)**	**-**	**729**

19. CONTINGENT LIABILITIES

In the event of the sale of the Company or a breach of the terms of the award within the next year, the Government grants, which are netted aginst the original cost of the asset, may become repayable. Total potential liabilitiy amounts to £398,400.

20. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme for employees. The funds of the scheme are held and administered seperately from those of the Company. The Company paid contributions in the year of £47,345 (2011: £47,131). There were no unpaid contributions at the year end.

The Company also paid contributions in the year of £12,247 (2011: £10,230) to the Merchant Navy Officers Pension Fund and £1,995 (2011: £1,461) to the Merchant Navy Officers Pension Plan, both of which are defined benefit pension schemes. In addition, an accrual has been made for £121,023 in respect of potential additional contributions arising as a result of the 31 March 2012 actuarial valuation, which is not yet available.

Western Ferries (Clyde) Limited participates in the Merchant Navy Officers Pension Fund (the "Fund"). The Fund is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The last formal valuation of the Fund was performed at 31 March 2009 by a professionally qualified actuary using the "projected unit credit" method.

Western Ferries (Clyde) Limited paid contributions at the rate of 11.9% between April and September 2010 . Member contributions were 7.3%. On 1 October 2010 service contributions rose to a joint rate of 25%. The employer rate rose to 15.5%.

20. PENSION COMMITMENTS (continued)

It is not possible to identify the share of underlying assets and liabilities belonging to the individual participating employers.

Due to the nature of the Fund, the profit and loss account charge for the period under FRS 17 represents the employer contribution payable.

Financial assumptions

The financial assumptions underlying the valuation were as follows:

- Investment return pre retirement	7.25% pa
- Investment return post retirement	4.75% pa
- Rate of salary increases	4.50% pa
- Rate of pension increases	3.00% pa
- Rate of price inflation	3.00% pa

Valuation results

The market value of the Fund's assets as at 31 March 2009 valuation date was £1,547 million. The valuation showed a shortfall of assets compared to liabilities of £740 million.

After taking account of outstanding deficit contributions from 2003 to 2006, which will be paid over the period to 30 September 2022, there is a net funding deficit of £557 million.

A provision for this deficit has been incorporated within these accounts based on an estimate of Western Ferries (Clyde) Limited's share of the deficit.

Next valuation

The next actuarial valuation will be as at 31 March 2012 and the results will be available in January 2013.

21. OPERATING LEASE COMMITMENTS

At 31 March 2012 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2012	*2011*	**2012**	*2011*
	£000	*£000*	**£000**	*£000*
Expiry date:				
After more than 5 years	**46**	*46*	**-**	-

22. RELATED PARTY TRANSACTIONS

During the year dividend payments to the Directors and their connected parties were made as follows:

J L M Denham	£114,290
D R Harris	£57,143
A F Ross	£57,143

23. POST BALANCE SHEET EVENTS

Subsequent to the Balance Sheet date, the Company has entered into a contract for the building of 2 vessels at a total cost of £8,060,000.

24. CONTROLLING PARTY

In the opinion of the Directors the Company has no ultimate controlling party.

25. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Eastern Lines Limited	UK	100	Dormant
Clyde Ferries Limited	UK	100	Dormant