

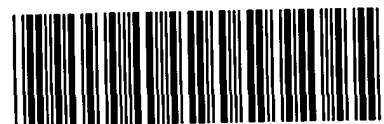
CALEDONIAN MARITIME ASSETS LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR TO 31 MARCH 2019

COMPANY NUMBER: SC001854

THURSDAY



\*S8JNHØXU\*

SCT

05/12/2019

#41

COMPANIES HOUSE

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

Contents

Chair's Statement	Page 1
CEO's Statement	Page 5
Strategic Report	Page 9
Directors' Report	Page 13
Statement on Internal Control	Page 16
Statement of Directors' Responsibilities	Page 20
Independent Auditor's Report	Page 21
Statement of Comprehensive Income	Page 25
Statement of Financial Position	Page 26
Statement of Changes in Equity	Page 27
Statement of Cash Flows	Page 28
Notes to the Accounts	Page 29

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Chair's Statement for the year ended 31 March 2019

"Lifeline" is a good word to describe the value of ferry transport; it connects and sustains the people, businesses, economies and culture of Scottish island life.

Island communities are heavily reliant on ferry services to survive, from the vital supply of food and fuel to the movement of livestock and other goods, and to prosper and grow through travel for education, work and social and cultural reasons.

Furthermore, Scotland's ferry transport network supports the wider economy, including a significant contribution to tourism.

Tourist traffic on the Clyde and Hebrides Ferry Service (CHFS) network has increased by around 40 per cent in recent years and the overall volume of passengers using our assets – both ferries and harbours – continues to increase. In 2018, 5.6 million passengers used our ferries.

This is welcome news. It's great for the local and wider economy and islands need visitors to boost local business.

However, the increased traffic obviously places increased pressure on the infrastructure, leading to increased upgrade and maintenance requirements, as well as a shortening of asset lifespan, which increases the need for replacement.

During the year 2018/19, we spent £61.5 million on ferries and £9.7 million on harbour maintenance and upgrade to ensure our assets continue to be fit-for-purpose, safe, reliable and efficient. Our investment covers upgrade and maintenance of the existing fleet, the ongoing build of the two dual fuel ferries, a new linkspan at Oban and replacement slipways and Colintraive and Rhubodach, to name a few key projects.

The numbers are significant, but we would like to do more. It is recognised that more investment is needed to support a vessel replacement programme and to upgrade harbour facilities across the network.

As is often the case with lifeline ferry services around Europe, we are state-owned, and a large part of our funding comes from Scottish Government in the form of grants and loans.

There is pressure on government spending, which in turn limits our ability to invest in ferries and harbours in the way we would like. Therefore, a key part of our role involves prioritising the areas with the greatest need and ensuring we deliver value for public funds.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Chair's Statement for the year ended 31 March 2019 (cont'd)

This is highly challenging because all of Scotland's island communities need a reliable service. It can be difficult to balance the competing needs of different islands. Safety is always a priority when making decisions, and priorities are discussed and agreed jointly with Transport Scotland and CalMac Ferries Ltd.

Like all public sector organisations, we continue to experience fiscal challenges. We are trying to do more with less, and we can only spend what we are given. Lifeline ferry services are costly to run and operate. Often, these services require specialised ferry design to meet the requirements of island geography and passenger demand. Harbours are in harsh coastal environments and, due to the marine environment, port infrastructure projects are expensive and time intensive. We also have to factor environmental issues relating to emissions, and this will remain a consideration for all future decisions.

But that is the nature of the business and, with a team of skilled and experienced shipping and engineering professionals in place, CMAL is highly effective in what it does. It is a relatively small team, but they do a tremendous job while dealing with unpredictable issues, such as weather, and ensuring communities are engaged and informed.

The past year has presented some unique challenges for CMAL regarding the ongoing delay to the dual fuel ferry project. As a group, we have been working closely with Kevin Hobbs (Chief Executive) and the vessels team to offer advice and guidance to help resolve the issues and ensure work continues and the vessels are delivered as soon as possible.

I look forward to the coming year and expect it to bring further investment in Scotland's ferry and harbour network.



Erik Østergaard  
Chair

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Aithris a' Chathraiche airson deireadh bliadhna 31 Màrt 2019

Is e facal math a th' ann an "Lifeline" airson iomradh a thoirt air luach còmhhdail aiseig; tha e a' ceangal agus a' cumail suas dhaoine, gnothachasan, eaconamaidhean agus cultar beatha eileanan na h-Alba.

Tha coimhearsnachdan nan eilean gu mòr an eisimeil sheirbheisean aiseig airson a bhith beò, bho sholar deatamach bìdh is connaidh gu gluasad air stoc agus bathar eile, agus soirbheachadh is fàs tro shiubhal airson foghlam, obair, agus adhbharan sòisealta is cultarach.

A thuilleadh air an sin, tha lìonra còmhhdail aiseagan na h-Alba a' cur taic ris an eaconamaidh fharsaing, a' gabhail a-steach taic chudromach ri turasachd.

Tha trafaig luchd-turais air lìonra Seirbheis Aiseagan Chluaidh is Innse Gall (CHFS) air meudachadh timcheall air 40 sa cheud anns na bliadhnaichean mu dheireadh agus tha an tomhas iomlan de luchd-siubhail a' cleachdadh ar so-mhaoinean – an dà chuid aiseagan is calaidhean – a' cumail air adhart a' meudachadh. Ann an 2018, chleachd 5.6 millean neach-siubhail na h-aiseagan againn.

Is e naidheachd mhath a tha seo. Tha e anabarrach math don eaconamaidh fharsaing agus ionadail agus tha feum aig eileanan air luchd-tadhail airson gnothachas ionadail a neartachadh.

Ach, tha meudachadh san trafaig gu follaiseach a' cur cuideam a bharrachd air a' bhun-structar, a' leantainn gu riatanasan ùrachaidh is cumail suas, a thuilleadh air giorrachadh ann am beatha na so-mhaoinean a bhios a' meudachadh an fheum air ionadachadh.

Rè na bliadhna 2018/19, chosg sinn £61.5 millean air aiseagan agus £9.7 millean air càradh is ùrachadh chalaidean gus a dhèanamh cinnteach gu bheil ar so-mhaoinean a' leantainn orra gu bhith freagarrach don adhbhar, sàbhailte, earbsach agus èifeachdach. Tha an inbheisteachd againn a' còmhdach ùrachadh agus a' cumail suas a' chabhlaich a th' againn, togail leantainneach air dà aiseag connaidh dhùbailte, alt-aiseig ùr san Òban agus laimrigan gan ionadachadh aig Caol an t-Snàimh agus Rubha Bhodaich, gun a bhith ag ainmeachadh ach beagan de na pròiseactan.

Tha na h-àireamhan cudromach ach bu mhath leinn barrachd a dhèanamh. Tha e aithnichte gu bheil feum air barrachd inbheistidh airson taic a chur ri prògram ionadachaidh shoithichean agus goireasan chalaidean ùrachadh air feadh an lìonraidh.

Mar as trice a thachras le seirbheisean aiseig deatamach mu thimcheall na Roinn Eòrpa, tha sinn ann an seilbh na stàite agus tha pàirt mhòr de ar maoineachadh a' tighinn bho Riaghaltas na h-Alba ann an cruth thabhartasan no iasadan.

Tha cuideam air cosg an riaghaltais, a tha mar thoradh air an sin a' cuibhreachadh ar comais air inbheisteachd ann an aiseagan agus calaidhean san dòigh bu mhath leinn. Mar sin, tha prìomh phàirt de ar dleastanas an lùib prìomhachadh air na raointean leis an fheum as motha agus dèanamh cinnteach gu bheil sinn a' libhrigeadh luach mu choinneamh mhaoinean poblach.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Aithris a' Chathraiche airson deireadh bliadhna 31 Màrt 2019 (a' leantainn)

Tha seo fìor dhùbhlachd oir tha feum aig coimhearsnachdan eileanach na h-Alba air seirbheis a tha earbsach. Faodaidh e a bhith duilich feuman farpaiseach nan diofar eileanan a chothromachadh. Tha sàbhailteachd an-còmhnaidh na phrìomhachas ann a bhith a' tighinn gu co-dhùnaidhean, agus tha prìomhachasan air an deasbad agus air an aontachadh còmhla ri Còmhdaidh Alba agus Aiseagan CalMac Earranta.

Coltach ris na buidhnean uile san roinn phoblaich, tha sinn a' leantainn air adhart a' dèiligeadh ri dùbhlain ionmhasail. Tha sinn a' feuchainn ri barrachd a dhèanamh le nas lugha, agus chan urrainn dhuinn a chosg ach na gheibh sinn. Tha aiseagan èiseil cosgaiseil an ruith agus an obrachadh. Glè thrì, tha feum aig na seirbheisean sin air dealbhadh speisealaichte air aiseagan agus dèiligeadh ri riatanasan cruinn-eòlais eileanan agus iarrtas luchd-siubhail. Tha calaidhean ann an àrainneachdan garbh air a' chosta, agus mar thoradh air an àrainneachd mara, tha pròiseactan bun-structair cosgail agus dian a thaobh ùine. Tha againn cuideachd ri cùisean àrainneachdail co-cheangailte ri sgaoilidhean a ghabhail a-steach, agus bidh seo na chùis beachdachaidh mu choinneamh cho-dhùnaidhean uile san àm ri teachd.

Ach 's e sin nàdar na cùise agus le sgioba de phroifeiseantaich einnseanaireachd is luingearachd nan àite, tha CMAL àrd-èifeachdach anns na tha e a' dèanamh. Is e sgioba cuibheasach beag a th' anna, ach tha iad a' dèanamh obair ionmholta agus a' dèiligeadh ri cùisean neo-innseach mar an aimsir agus dèanamh cinnteach gu bheil coimhearsnachdan an sàs agus air am fiosrachadh.

Tha a' bhliadhna a chaidh seachad air dùbhlain gun choimeas a chur fa chomhair CMAL a thaobh na dàil leantainnich ann am pròiseact na dà aiseig connaidh dhùbailte. Mar bhuidheann, tha sinn air a bhith ag obair gu dlùth le Kevin Hobbs (Àrd-Oifigear) agus le sgioba nan soithichean gus comhairle is stiùireadh a thabhann airson cuideachadh leis na cùisean sin fhuasgladh agus dèanamh cinnteach gun lean an obair air adhart agus gum bi na soithichean air an liubhairt cho luath 's a ghabhas.

Tha mi a' coimhead air adhart ris a' bhliadhna ri teachd agus a' sùileachadh gun tarraing e tuilleadh inbheistidh gu lionra aiseig is chalaidean na h-Alba.



Erik Østergaard  
Cathraiche

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## CEO's Statement for the year ended 31 March 2019

The last year has brought its fair share of challenges.

Anyone who is engaged with ferry services will be aware of the delays to the delivery of the two dual fuel vessels.

By the end of the financial year 2018/19, it was becoming clear that a revised delivery date would not be met, meaning further delay to the completion of both vessels. We are very disappointed at this, as I know island communities are. We are acutely aware of the need to boost the resilience of the fleet to ease pressure on the operator, CalMac, and to provide island communities with a reliable service.

The completion of the two vessels is of vital importance to ensure that they are able to deliver the benefits to the communities on Arran and the Skye Triangle routes. During the coming year, our vessels team will continue to remain focused on moving this project towards completion when the yard is under the new ownership of Scottish Ministers.

Of course, there have also been achievements and successes.

Remaining with vessels, we boosted our fleet when we purchased the three passenger ferries serving the Northern Isles with loan funding from the Scottish Government. Later in the financial year, we also purchased two freight ferries, bringing all five NorthLink ferries under our ownership. The deals are significant because they secure the vessels for Scottish waters and strengthen lifeline ferry provision for Orkney and Shetland.

Our harbour infrastructure has also been enhanced in the last financial year. The £6 million project to reconstruct the slipways at Colintrave and Rhubodach and create a larger vehicle queuing area at Colintrave was completed in October 2018. Passengers travelling to and from the Isle of Bute now have a more resilient ferry service because the new slipways have been designed to provide increased flexibility around tide levels.

At Oban, one of the UK's busiest harbours, we have installed a new linkspan, completing the project one week ahead of schedule, and expanded the marshalling area to alleviate queuing on the public highway during busy periods. Throughout the year, our harbours team has progressed planning and design activity to support the upgrade of harbour infrastructure at the Skye triangle ports at Tarbert (Harris), Lochmaddy and Uig. This is a significant project that has involved a lot of community engagement and partnership working with local authorities in each area.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## CEO's Statement for the year ended 31 March 2019 (cont'd)

The harbours team has also managed the procurement of several other harbour upgrade projects, including bids to re-purpose the old terminal building at Brodick on Arran. An outstanding bid from Arran Picture-House means the local community will soon have access to a two-screen, 100+ seater cinema.

I was delighted when our harbours team was recognised for their work on Arran with the award of UK Port Infrastructure Project of the Year for the £30 million upgrade of Brodick Ferry Terminal.

In September 2018, the Director of Vessels, Jim Anderson joined me in front of the Scottish Parliament's Rural Economy and Connectivity Committee (REC) to answer questions on investment in ferry infrastructure in Scotland. We welcomed the opportunity to share our views with the Committee on this topic, which has been passionately debated among those with an interest.

Investment in vessels and port infrastructure must continue with some pace in order to ensure that the lifeline services are maintained. We will continue to work closely with Transport Scotland and CalMac Ferries to make our recommendations on investment and bid for funding to deliver what we can.

I'd like to thank the CMAL team for their ongoing hard work and dedication. Despite some pressures and criticism in the media, they have demonstrated resilience and remained committed to delivering.

Looking ahead to next year, I am optimistic there will be some positive developments for ferry infrastructure in Scotland.



Kevin Hobbs  
Chief Executive



## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Aithris an Àrd-Oifigeir airson deireadh bliadhna 31 Màrt 2019

Tha a' bhliadhna mu dheireadh air mòran dhùbhlain a nochdadh.

Bidh neach sam bith a tha an sàs ann an seirbheisean aiseig mothachail don dàil ann an liubhairt air an dà shoitheach connaidh dhùbailte.

Ro dheireadh na bliadhna ionmhasail 2018/19, bha e a' fàs soilleir nach deigheadh ceann-latha liubhairt eile a choileanadh, a' ciallachadh dàil eile ann an crìochnachadh air an dà shoitheach. Is e briseadh-dùil mòr a tha seo dhuinn mar a bha do choimhearsnachdan nan eilean. Tha sinn air leth mothachail don fheum air seasmhachd a' chabhlaich a neartachadh gus cuideam air a' chompanaidh CalMac aotromachadh, agus seirbheis earbsach a sholarachadh do choimhearsnachdan nan eilean.

Tha crìoch air an dà shoitheach anabarrach cudromach gus a dhèanamh cinnteach gu bheil iad comasach air na buannachdan do na coimhearsnachdan ann an Eilean Arainn agus slighean Triantan an Eilein Sgitheanaich, a libhrigeadh. Tron bhliadhna a tha romhainn, bidh ar sgioba shoithichean cuimsichte air a' phròiseact seo a ghluasad gu crìch nuair a bhios an gàrradh-shoithichean ann an seilbh ùr Mhinistearan na h-Alba.

Gun teagamh, tha coileanaidhean is soirbheachaidhean air a bhith a' gabhail àite cuideachd.

A' fuireach aig soithichean, neartaich sinn a' chabhlaich nuair a' cheannaich sinn na trì aiseagan a tha a' seirbheiseachadh nan Eilean aig Tuath, le iasad maoineachaidh bho Riaghaltas na h-Alba. Nas fhaide air adhart sa bhliadhna ionmhasail, cheannaich sinn cuideachd dà aiseag bathair a' toirt nan aiseagan NorthLink uile fo ar sealbh fhìn. Tha na deilichean sin cudromach oir tha iad a' dèanamh nan soithichean tèarainte do dh'uisgeachan na h-Alba, agus a' neartachadh solar aiseagan a tha deatamach do dh'Arcaibh agus Sealtainn.

Tha bun-structar ar calaidhean air a neartachadh sa bhliadhna ionmhasail mu dheireadh cuideachd. Chaidh am pròiseact £6 millean a thaobh ath-thogail air nan laimrigan aig Caol an t-Snàimh agus Rubha Bhodaich agus raon marasglaidh charbadan nas motha a chruthachadh aig Caol an t-Snàimh, a chrìochnachadh san Dàmhair 2018. Tha seirbheis aiseig nas làidire aig sluagh a' siubhal gu agus bho Eilean Bhòid a-nis oir tha na laimrigan ùra air an dealbhadh gus barrachd sùbailteachd a thoirt seachad timcheall air ìrean mara.

San Òban, aon de na calaidhean as gnìomhaiche san RA, tha sinn air alt-aiseig ùr a stèidheachadh, a' cur crìoch air a' phròiseact aon seachdain ron cheann-ama, agus air an raon marasglaidh a leudachadh gus ciuthadh air an rathad mhòr a shaoradh aig amannan trang.

Tron bhliadhna, tha ar sgioba chalaidean air planadh agus gnìomhachd dealbhaidh adhartachadh gus taic a chur ri ùrachadh air bun-structar chalaidean aig puirt triantan an Eilein Sgitheanaich air an Tairbeart (na Hearadh), Loch nam Madadh agus Ùige. Is e pròiseact cudromach a tha seo anns an robh mòran conaltraidh coimhearsnachd an sàs agus obair com-pàirteachais le ùghdarrasan ionadail anns gach sgìre.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Aithris an Àrd-Oifigeir airson deireadh bliadhna 31 Màrt 2019 (a' leantainn)

Tha an sgioba chalaidean air grunn phròiseactan ùrachaidh eile air calaidhean a stiùireadh, a' gabhail a-steach thairgsean airson an t-seann togalaich aig port-aiseig Tràigh a' Chaisteil ann an Eilean Arainn ath-ùrachadh. Tha tairgse air leth bho Thaigh-dhealbh Eilean Arainn a' ciallachadh gum bi cothrom a dh'aithghearr aig a' choimhearsnachd ionadail air taigh-dhealbh de 100 suidheachan agus dà sgrion.

Bha mi fìor thoilichte nuair a fhuair ar sgioba chalaidean aithne airson an cuid obrach ann an Eilean Arainn le duais Pròiseact Bun-structar Puirt na Bliadhna san RA ga bhuileachadh orra, airson an ùrachaidh £30 millean aig Port-aiseig Tràigh a' Chaisteil.

San t-Sultain 2018, thàinig Jim Anderson, an Stiùiriche Shoithichean againn, còmhla rium air beulaibh Comataidh Eaconamaidh Dùthchail is Co-cheangal Riaghaltas na h-Alba (REC), a fhreagairt cheistean mu inbheisteadh ann am bun-structar aiseagan ann an Alba. Chuir sinn fàilte air a' chothrom ar beachdan a thoirt seachad don Chomataidh mun chuspair seo, a tha air a dheasbad gu dìoghrasach am measg iadsan aig a bheil ùidh.

Feumaidh inbheisteadh ann an soithichean agus bun-structar phuirt leantainn air adhart gu sgiobalta gus dèanamh cinnteach gu bheil na seirbheisean deatamach air an cumail suas. Leanaidh sinn ag obair gu dlùth le Còmhdaile Alba agus Aiseagan CalMac airson ar molaidhean a thaobh inbheisteadh agus iarrtas airson maoineachadh a chur air adhart, gus nas urrainn dhuinn a liubhairt.

Bu mhath leam taing a thoirt do sgioba CMAL airson an obair leantainnich agus an dìcheall. A dh'aindeoin cuideaman agus càineadh bho na meadhanan, tha iad air fulangas a thaisbeanadh agus air fuireach dealasach don obair a chrìochnachadh.

A' coimhead air adhart gu an ath-bhliadhna, tha mi dòchasach gum bi leasachaidhean deimhinneach a' tighinn am bàrr airson bun-structar nan aiseagan ann an Alba.



Kevin Hobbs  
Àrd-Oifigear

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

**Strategic Report**

The Directors have pleasure in submitting their Strategic Report and Financial Statements for the year ended 31 March 2019.

**Structure**

Caledonian Maritime Assets Limited operates as a single company. It holds 100% of the share capital of Caledonian MacBrayne Limited, a dormant company incorporated in Scotland. These are the Financial Statements of Caledonian Maritime Assets Limited only.

**Principal Activity**

The principal activity of the Company is the provision, safeguarding and development of ferries and harbours for use by the operator, CalMac Ferries Ltd, in the provision of lifeline ferry services in both the Clyde and Western Isles areas. It also now owns two freight vessels and three passenger vessels chartered to Serco Ltd Northlink for use in the Northern Isles Ferry Service.

Caledonian Maritime Assets Limited generates the majority of its revenues from the operators of the Clyde and Hebrides Ferry Services and the Northern Isles Ferry Services. Operating costs are funded from these revenues.

Scottish Ministers provide 100% loans to fund capital expenditure on vessels. The company makes applications to Scottish Ministers for Grant in Aid funding of up to 75% towards the costs of harbour infrastructure projects, with the balance of funding being found from its own resources.

**Business Review**

During the year the Company generated revenue of £46,773,000 (2018 as restated: £43,320,000), which resulted in a net profit after tax of £3,012,000 (2018 as restated: £6,236,000). It should be noted that any profits are spent on infrastructure projects in subsequent years to support the lifeline services and the communities that we serve.

Work on the two new dual fuel vessels continued to be progressed by Ferguson Marine Engineering Limited (FMEL) at their shipyard in Port Glasgow, until the appointment of Administrators in August 2019. A delivery timeline of summer 2019 for MV Glen Sannox, and spring 2020 for Hull 802 was provided by the shipyard in June 2018 which is no longer achievable. Payments totalling £1,022,903 have been made during the year. All contractual milestone payments have been made on time and are fully up-to-date.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Strategic Report (cont'd)

**Business Review (cont'd)**

The purchase of two freight vessels from private equity owners concluded on 25 March 2019, bringing the entire fleet of five Northlink ferries under the ownership of the Company.

The construction of two new slipways at Colintrave and Rhubodach terminals has been completed and both are now open to passengers.

Work to install a new linkspan at Oban harbour was completed in February 2019, one week ahead of schedule. Simultaneous work to expand the marshalling facilities at the harbour was also completed by end of February, marking the end of the two projects at Oban Harbour, with a combined value of £2.4m.

To improve the safety and management of its ports and harbours high definition CCTV is now installed at the ports and harbours throughout the network. Improvements continue to be made to the electrical and lighting infrastructure at a number of our harbours.

The Company makes contributions to fund the deficits on the CalMac Pension Scheme, the Merchant Navy Officers' Pension Fund and the Merchant Navy Ratings' Pension Fund. Payments totalling £6,366,060 were made to these schemes during the year. A further charge of £887,268 in respect of the Merchant Navy Ratings' Pension Fund 2017 deficit is payable in October 2019 and this has been fully provided for within the Accounts.

**Future Developments**

Future business priorities include managing the dual fuel vessel project to completion, and continued investment in the port and harbour infrastructure necessary to support lifeline ferry services.

The Skye triangle infrastructure project to upgrade harbour facilities at Tarbert (Harris), Lochmaddy and Uig has entered the design stage and it is expected that invitations to tender (ITTs) will be issued late in 2019 to identify contractors.

Maintenance of harbour infrastructure is a high priority and a number of major maintenance projects will be delivered over the coming year to ensure that the harbours are fully operational for the communities served. These include a year-long programme of work at Lochaline Ferry Terminal to replace the aligning structure and create extra marshalling space, and refurbishment of Tiree Ferry Terminal.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Strategic Report (cont'd)

**Business Environment and Principal Risks and Uncertainties**

It is the responsibility of the Directors to consider the risks associated with delivery and cost of any contract. The Directors have closely monitored the situation with the late delivery of the vessels, MV Glen Sannox and Hull 802, which presents a significant risk to the Company. Regrettably, the delay puts additional pressure on the existing fleet, particularly the two vessels that are to be replaced.

Ensuring successful delivery of these design and build contracts by the shipyard remains a high risk for the Company and is a priority for the Directors.

In December 2018, FMEL submitted a claim for compensation. Our legal team analysed the documentation and concluded it does not contain any valid grounds for compensation based on the agreed terms and conditions of the contracts. An official response was provided to FMEL in March 2019, since which time the claim has been pursued no further.

The Directors have been engaged with the Scottish Ministers in the proposed acquisition of the FMEL business and premises, with the fundamental priority of ensuring completion of the two vessels as soon as practicable.

We have reviewed all potential claims with the benefit of legal and expert advice and have concluded that there are no contingent liabilities to be noted in the accounts.

As pressures on public finances continue, the Company strives to achieve greater value for money by further developing robust procurement processes across its purchasing activities.

Failure to recruit and retain highly skilled professional staff would have an adverse impact on the company's ability to deliver its goals. Having appropriate reward and support packages in place, assists in the attraction and retention of staff.

In our endeavours to provide communities with safe, efficient and reliable ferries and harbour infrastructure, we contribute significantly to the Scottish Government's strategic objectives of a Wealthier and Fairer, Smarter, Healthier, Safer and Stronger and Greener Scotland.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

Strategic Report (cont'd)

**Strategy**

The strategy for the Company is detailed within the Chair's Statement and the CEO's Statement.

In the opinion of the Directors, the state of affairs of the Company is satisfactory.



**Kevin Hobbs**  
*Director*

20 November 2019

Municipal Buildings  
Fore Street  
Port Glasgow  
PA14 5EQ

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

**Directors' Report**

The Directors have pleasure in submitting their Report and Financial Statements for the year ended 31 March 2019.

The information regarding the principal activity, business review, business environment, future developments, strategy, and risk and mitigation is shown in the Strategic Report and not the Directors' Report.

**Directors and their Interests**

The Directors who served during the year and up to the date of approval of the Financial Statements, and where appropriate, their respective terms of office are as follows:

E Østergaard xx	- Appointment period to 30 April 2020 (Chair)
M McNeill*x	- Appointment period to 30 April 2020
P Croucher**x	- Appointed 1 August 2017, Appointment period to 31 July 2020
A Graham*x	- Appointed 1 August 2017, Resigned 28 February 2019
G Wood*x	- Appointed 1 October 2019, Appointment period to 30 September 2022
K P Hobbs	- Chief Executive
J Anderson	- Director of Vessels
L E Spencer	- Director of Harbours, Retired 14 June 2019
G M Bruton	- Director of Finance
R A M Muirhead	- Director of Port Infrastructure & Planning, Appointed 1 October 2019

\* - Member of Audit and Risk Committee

\*\* - Chairman of Audit and Risk Committee

x – Member of Remuneration Committee

xx – Chairman of Remuneration Committee

Four meetings of the Audit and Risk Committee were held during the year. All members of the respective committees attended the relevant meetings.

None of the Directors had any beneficial interest in the share capital of the Company at any time during the year.

The Company is wholly owned by the Scottish Ministers.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

**Directors' Report (cont'd)****Employees**

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

**Other Matters**

In December 2018 the Company received a claim for compensation from Ferguson Marine Engineering Ltd (FMEL) in respect of the NEWBUILDCON ship-building contracts between FMEL and the Company in relation to Hull No. 801 (Glen Sannox) and Hull No.802.

With the benefit of legal and expert advice the Directors' conclude that the claim does not contain any valid grounds for compensation based on the agreed terms and conditions of the contract. An official response was provided to FMEL in March 2019 and there has been no further pursuit of the claim by FMEL.

In August 2019 FMEL entered Administration, following which the Joint Administrators, both insolvency practitioners of Deloitte LLP, reached an agreement with Scottish Ministers to transfer the yard into public ownership. A Sale and Purchase Agreement for the FMEL business and yard premises was signed on 1 November 2019.

The NEWBUILDCON in relation to each of Hull No. 801 (Glen Sannox) and Hull No.802 will be novated to Macrocom (1069) Limited, a company wholly owned by the Scottish Ministers.

Following these developments, the Directors' have assessed the relevant terms and confirm that there is no requirement to adjust valuations nor make further provisions to the Accounts.

**Disclosure of Information to the 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.



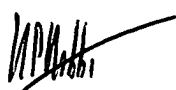
ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

Directors' Report (cont'd)

**Auditor**

Scott-Moncrieff is the appointed auditor of the Company.

By order of the Board

  
**Kevin Hobbs**  
*Director*

20 November 2019

Municipal Buildings  
Fore Street  
Port Glasgow  
PA14 5EQ

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Statement on Internal Control

**Board of Directors**

The Board is the principal decision-making forum for the Company. It has overall responsibility for leading and controlling the Company and is accountable to the Company's sole shareholder, the Scottish Ministers, for financial and operational performance. The Board approves Company strategy and monitors performance.

The Board meets on a regular basis throughout the year. Board meetings are structured to allow open discussion and all Directors participate in discussing the Company's strategic aims and performance and financial and risk management. The Board is supplied with comprehensive information in advance of each Board Meeting, including financial and operational reports covering the Company's business activities. Members of the senior management of the Company regularly attend and make presentations at Board Meetings. A representative of the Company's sole shareholder is entitled to attend each Board Meeting.

**Board Balance and Independence**

At 31 March 2019, the Board comprised of three Non-Executive Directors (including the Chairman) and one vacant position, plus four Executive Directors.

The Board functions effectively and efficiently and is considered to be of an appropriate size in relation to the Company's level of business and associated responsibilities. The Board has a mix of relevant skills and experience such that no undue reliance is placed on any one individual.

The Non-Executive Directors combine broad business and commercial experience, with independent and objective judgement and constructively challenge and assist development of strategic matters.

The balance between Non-Executive and Executive Directors enables the Board to provide clear and effective leadership and maintain the highest standards of integrity and professionalism across the Company's business activities.

**Information, Induction and Professional Development**

The Chairman ensures that all Directors receive clear, accurate and timely information on all relevant matters.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Statement on Internal Control (cont'd)

**Information, Induction and Professional Development (cont'd)**

All Directors are entitled to obtain independent professional advice at the Company's expense.

During their term of office, Directors undertake such professional development as is considered necessary in assisting them to carry out their duties as Directors.

**Performance Evaluation**

The performance of Non-Executive Directors is assessed by the Chairman. The Chairman's performance is assessed by the Scottish Government. The Chief Executive Officer's performance is assessed by the Chairman; the performances of the other Executive Directors are assessed by the Chief Executive Officer.

The Remuneration Committee is appointed by the Board and comprises the Chairman and Non-Executive Directors. The purpose of the committee is to advise the Board and Scottish Government on appropriate compensation arrangements for the Company's full time Directors and staff.

**Relations with Sole Shareholder**

The Company's sole shareholder is the Scottish Ministers. The Scottish Ministers' appointed Assessor is entitled to attend, but not vote, at any meeting of the Company.

**Internal Control**

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness in order to safeguard the Shareholder's investment and the Company's assets. The system is designed to provide reasonable, but not absolute assurance against material misstatement or loss. Procedures are in place to ensure that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Company, which is subject to regular review by the Board. These procedures have been in place throughout this financial year and up to the date of approval of the Annual Report and Financial Statements.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Statement on Internal Control (cont'd)

**Internal Control (cont'd)**

The Key Elements of the System of Internal Control are as follows:

**Control Environment**

The Company's control environment is the responsibility of the Directors. The Company's organisational structure has clear lines of responsibility and effective communication channels, which ensures that best practice in managing risks and controls is consistently applied.

**Audit and Risk Committee**

The Audit and Risk Committee is appointed by the Board from amongst the independent Non-Executive Directors of the Company. The Chairman of the Audit and Risk Committee is appointed by the Board and will not normally be the Board Chairman. It is expected that at least one member of the Committee should have significant, recent, and relevant financial experience.

The Audit and Risk Committee take delegated responsibility on behalf of the Board ensuring that there is a framework for accountability; for examining and reviewing all systems and methods of control, both financial and otherwise, including risk analysis and risk management; and for ensuring the Company is complying with all aspects of law, relevant regulations and good practice.

During the year the Board engaged an internal audit "lite" service. An Internal Controls Review Plan has been developed to provide the Board, through the Audit and Risk Committee, with assurance that will support the preparation of an annual Governance Statement that complies with best practice in corporate governance. The internal audit resource will make recommendations to contribute to the continuous improvement of governance, risk management and internal control processes within the Company.

The Company's external auditors present reports to the Audit and Risk Committee, which include any significant internal control matters which they have identified.

**Identification and Monitoring of Business Risks**

The Company has adopted a risk-based approach to internal control through evaluating the likelihood and impact of risk, and resting responsibility for risk management and control on a designated owner. Procedures include an on-going process of identifying, evaluating and managing the Company's key risks and, where appropriate, enhancing the systems which manage these risks. Regular review of the risks and the risk register is undertaken by the Audit and Risk Committee.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

Statement on Internal Control (cont'd)

**Internal Control (cont'd)**

Major Corporate Information Systems

Throughout the year the Company operated a comprehensive budgeting and financial reporting system. The system provides monthly comparison of actual results with budget, regularly revised forecasts, statement of financial position, cash flow, variance statements and key performance indicators, all of which are regularly reviewed by the Board.

Standard financial control procedures operate throughout the Company to provide assurance on the integrity of the Company's finances, including established procedures for inter alia the authorisation of capital expenditure. The Board has considered the non-audit services provided by the auditors and are of the view that these are such that the independent status of the auditors is not breached.

Going Concern

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 continue to adopt the going concern basis in preparing the Financial Statements.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires directors to prepare the financial statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law. Under company law 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, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

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.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

**Report of the Independent Auditor to the Members of Caledonian Maritime Assets Limited**

We have audited the financial statements of Caledonian Maritime Assets Limited (the 'company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Report of the Independent Auditor to the Members of Caledonian Maritime Assets Limited (cont'd)

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Chair's Statement, the CEO's Statement, the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.



## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

**Report of the Independent Auditor to the Members of Caledonian Maritime Assets Limited (cont'd)****Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Chair's Statement, the CEO's Statement, the Strategic Report or the Directors' Report.

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.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

Report of the Independent Auditor to the Members of Caledonian Maritime Assets Limited (cont'd)

**Auditor's responsibilities for the audit of the financial statements (cont'd)**

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Use of our report**

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.

*Scott - Moncrieff*

**Allison Gibson (Senior Statutory Auditor)**  
**for and on behalf of Scott-Moncrieff, Statutory Auditor**  
25 Bothwell Street  
Glasgow  
G2 6NL

20 November 2019

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Statement of Comprehensive Income

For the year ended 31 March 2019

		2019	Restated 2018
	Note	£'000	£'000
<b>Revenue</b>	<b>6</b>	46,773	43,320
Cost of sales		(33,839)	(26,737)
<b>Gross profit</b>		<u>12,934</u>	<u>16,583</u>
Administrative expenses		(4,193)	(5,773)
Other (losses)/gains	<b>7, 10</b>	(217)	152
<b>Operating profit</b>		<u>8,524</u>	<u>10,962</u>
 Interest receivable	<b>7</b>	34	10
Interest payable	<b>7</b>	(3,813)	(3,116)
Other finance costs	<b>7, 19</b>	(948)	(1,575)
		<u>(4,727)</u>	<u>(4,681)</u>
 <b>Profit on ordinary activities before taxation</b>		3,797	6,281
 <b>Taxation</b>			
Tax(charge) for the year	<b>8</b>	(785)	(45)
<b>Profit for the financial year</b>		<u>3,012</u>	<u>6,236</u>
 <b>Other comprehensive (expense)/income</b>			
Actuarial (loss)/gain recognised in the pension scheme	<b>19</b>	(48,355)	16,933
Tax movement relating to the actuarial (loss)/gain		7,309	(2,810)
Other employers' costs to pension deficit		(4,134)	(2,138)
Gain on revaluation of property, plant & equipment	<b>10</b>	-	16,103
Other comprehensive (expense)/income for the year, net of tax		<u>(45,180)</u>	<u>28,088</u>
 <b>Total comprehensive (expense)/income for the year</b>		<u><u>(42,168)</u></u>	<u><u>34,324</u></u>
 Profit attributable to:			
Owners of the company		<u>3,012</u>	<u>6,236</u>
 Total comprehensive (expense)/income attributable to:			
Owners of the company		<u><u>(42,168)</u></u>	<u><u>34,324</u></u>

None of the company's activities were acquired or discontinued during the above two financial years.

The notes form part of these financial statements.

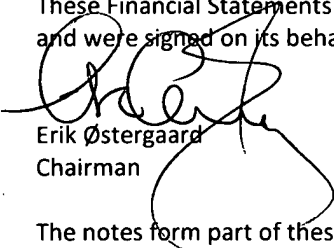
## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Statement of Financial Position

As at 31 March 2019

		2019 £'000	Restated 2018 £'000
<b>Assets</b>	<b>Note</b>		
<i>Non-current assets</i>			
Property, plant & equipment	10	392,574	342,622
Investment property	10	1,848	1,799
Investments	11	-	-
Total non-current assets		<u>394,422</u>	<u>344,421</u>
<i>Current assets</i>			
Assets held for sale		-	285
Trade and other receivables	12	7,280	43,124
Cash at bank and in hand	15	14,436	13,538
Total current assets		<u>21,716</u>	<u>56,947</u>
<b>Total assets</b>		<u>416,138</u>	<u>401,368</u>
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Called up share capital	18	15,000	15,000
Capital contribution reserve		13,800	13,800
Revaluation reserve		67,836	76,089
Retained earnings		(49,936)	(16,021)
Total equity attributable to owners of the Company		<u>46,700</u>	<u>88,868</u>
<i>Non-current liabilities</i>			
Other payables	14	200,871	187,447
Capital grants	16	70,728	64,966
Net pension liability	19	79,195	37,152
Deferred tax provision	17	6,491	6,022
Total non-current liabilities		<u>357,285</u>	<u>295,587</u>
<i>Current liabilities</i>			
Trade and other payables	13	12,153	16,913
Total current liabilities		<u>12,153</u>	<u>16,913</u>
Total liabilities		<u>369,438</u>	<u>312,500</u>
<b>Total equity and liabilities</b>		<u>416,138</u>	<u>401,368</u>

These Financial Statements were authorised for issue by the Board of Directors on 20 November 2019 and were signed on its behalf by:

  
Erik Østergaard  
Chairman

The notes form part of these financial statements.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital £'000	Capital contribution reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Total £'000
Balance at 31 March 2017	15,000	13,800	(36,703)	62,447	54,544
Profit for the year	-	-	6,084	152	6,236
Other comprehensive income for the year	-	-	11,985	16,103	28,088
Excess of depreciation on revaluation	-	-	2,613	(2,613)	-
Balance at 31 March 2018 as restated	15,000	13,800	(16,021)	76,089	88,868
Profit for the year	-	-	3,229	(217)	3,012
Other comprehensive (expense) for the year	-	-	(45,180)	-	(45,180)
Excess of depreciation on revaluation	-	-	8,036	(8,036)	-
<b>Balance at 31 March 2019</b>	<b>15,000</b>	<b>13,800</b>	<b>(49,936)</b>	<b>67,836</b>	<b>46,700</b>

The profit for the year and other comprehensive income for the year is wholly attributable to the owners of the company.

The notes form part of these financial statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

Statement of Cash Flows

For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Revenue receipts		46,766	42,789
Cash payments for:			
Cost of sales		(18,211)	(17,901)
Pension deficit		(9,031)	(5,742)
Direct pay costs		(2,547)	(2,061)
General operating and administrative expenses		(1,266)	(1,508)
		<u>(31,055)</u>	<u>(27,212)</u>
Cash generated by operating activities		<u>15,711</u>	<u>15,577</u>
Interest paid		(3,813)	(3,116)
Net cash generated by operating activities		<u>11,898</u>	<u>12,461</u>
<b>Cash flows from investing activities</b>			
Interest received		34	10
Cash receipts in respect of capital grants		7,693	5,671
Cash receipts from sale of assets		312	512
Payments to acquire property, plant and equipment		(32,709)	(73,672)
Net cash (used in) investing activities		<u>(24,670)</u>	<u>(67,479)</u>
<b>Cash flows from financing activities</b>			
Loans received		19,321	59,449
Loans repaid		(5,651)	(4,110)
Net cash generated by financing activities	20	<u>13,670</u>	<u>55,339</u>
<b>Net increase in cash and cash equivalents</b>	20	<u>898</u>	<u>321</u>
Cash and cash equivalents at the beginning of the year	20	13,538	13,217
<b>Cash and cash equivalents at the end of the year</b>	20	<u><u>14,436</u></u>	<u><u>13,538</u></u>
Comprising:			
Cash and bank balances		<u>14,436</u>	<u>13,538</u>

The notes form part of these financial statements.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts

**1. General information**

Caledonian Maritime Assets Limited is a private limited company incorporated in Scotland. Its ultimate controlling party is the Scottish Ministers. Its registered office and principal place of business is Municipal Buildings, Fore Street, Port Glasgow, PA14 5EQ. The principal activities of the Company are shown on page 9.

**2. Statement of compliance**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board, International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union and the Companies Act 2006 where applicable to companies reporting under IFRSs.

**3. Basis of preparation**

The accounts have been prepared under the historical cost convention modified to account for investment property, land and buildings, piers, slipways and linkspan facilities, and vessels at their fair value.

The Company is preparing its accounts in accordance with International Financial Reporting Standards, as adopted by the European Union.

**4. Summary of significant accounting policies**

The accounting policies adopted in the preparation of these Financial Statements are set out below.

**(a) Adoption of new and revised standards**

The following standards, amendments and interpretations became effective during the year and have been adopted in these financial statements. Their adoption has not had any impact on the amounts reported in these financial statements:

IAS 40	Investment Properties
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**4. Summary of significant accounting policies (cont'd)****(a) Adoption of new and revised standards (cont'd)**

At the year-end the following standards, amendments and interpretations, which have not been applied in these financial statements, were in issue, but not yet effective:

IFRS 9	Financial Instruments
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments

The Directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments other than as noted below. At the year-end there were further standards, amendments and interpretations in issue, but not yet effective, which are not expected to be relevant to the company's operations and are therefore not disclosed separately.

**IFRS16 Leases**

The Standard makes substantial changes to the recognition and measurement of leases by lessees. On adoption of the standard, lessees, with certain exceptions for short term or low value leases, will be required to recognise all leased assets on their balance sheet as "right-of-use assets" with a corresponding lease liability.

The requirements for lessors are substantially unchanged. On application of the standard the disclosures are likely to increase for both lessors and lessees. The standard includes principles on disclosing the nature, amount, timing and variability of lease payments, and cash flows, by providing qualitative and quantitative information.

The Company is currently preparing an evaluation of the impact that the standard will have on its financial statements and this exercise will conclude in financial year 2019/20. Currently, the Company holds operating leases valued at approx. £21 million therefore the implementation of the standard will have a significant impact.

The standard is effective for periods beginning on or after 1 January 2019 and will be implemented for the financial statements ending 31 March 2020.



## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**4. Summary of significant accounting policies (cont'd)****(b) Property, plant and equipment and investment property****Land**

Land is held at fair value and is valued in accordance with the Valuation Standards issued by The Royal Institution of Chartered Surveyors on the basis of existing condition.

Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income. Decreases that offset previous increases on the same asset are charged against other comprehensive income; all other decreases are charged to the income statement. Increases on the same asset that offset previous decreases charged to the income statement, are credited to the income statement to the extent of previous decreases and subsequently to other comprehensive income. When land assets are sold, any amounts included in other comprehensive income in respect of previously recognised surpluses are transferred to net earnings.

**Property**

Property used in support of lifeline ferry services is held on a fair value basis and is valued in accordance with the Valuation Standards issued by The Royal Institution of Chartered Surveyors on the basis of their existing condition.

Increases in the carrying amount arising on revaluation of buildings are credited to other comprehensive income, with the exception of increases on the same asset that offset previous decreases charged to the income statement, which are credited to the income statement to the extent of previous decreases and subsequently to other comprehensive income. Decreases that offset previous increases on the same asset are charged against other comprehensive income. When revalued assets are sold the amounts included in other comprehensive income are transferred to net earnings.

**Plant and equipment**

Harbour infrastructure including piers, slipways, linkspans and associated works are held on a depreciated replacement cost basis. Increases in the replacement cost over the historic cost of the asset, is credited to other comprehensive income. Increases that offset previous decreases on the same asset charged to the income statement are credited to the income statement to the extent of previous decreases and subsequently to other comprehensive income. Decreases that offset previous increases on the same asset are charged against other comprehensive income.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**4. Summary of significant accounting policies (cont'd)****(b) Property, plant and equipment and investment property (cont'd)****Vessels**

Vessels are held on an open market value basis. Increases in the carrying amount arising on revaluation of vessels are credited to other comprehensive income, with the exception of increases that offset previous decreases on the same asset charged to the income statement, which are credited to the income statement to the extent of previous decreases and subsequently to other comprehensive income. Decreases that offset previous increases on the same asset are charged against other comprehensive income. When revalued assets are sold the amounts included in other comprehensive income are transferred to net earnings.

**Depreciation**

Depreciation on assets is calculated using the straight-line method, to allocate their cost or revalued amounts to their residual values over their expected useful lives as follows:

Land - not depreciated

Property, freehold - over their expected useful life up to a maximum of 35 years

Piers, slipways & linkspans - over their expected useful life up to a maximum of 60 years

Vessels - over their expected useful life up to a maximum of 35 years

Office equipment – over 3 years

Vehicles – over 3 years

The asset residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. Gains or losses on disposal are determined by comparing the proceeds from the asset with its carrying amount and are recognised in the income statement.

**Investment property**

Property which is surplus to requirement for supporting lifeline ferry services is held as investment property and is carried at fair value and valued in accordance with the Valuation Standards issued by The Royal Institution of Chartered Surveyors on the basis of their existing condition. Gains or losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise.

**Assets under construction**

Vessels, piers, linkspans and other assets under construction are carried at cost on the basis of payments to account. No depreciation is charged until the asset comes into use. Caledonian Maritime Assets Ltd borrows funds from Scottish Ministers to finance new vessel construction. The directly attributable costs of financing new vessel builds are capitalised and included in the cost of the vessel.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

Notes to the Accounts (cont'd)

**4. Summary of significant accounting policies (cont'd)**

**(b) Property, plant and equipment and investment property (cont'd)**

**Assets held for sale**

When it becomes probable that the carrying amount of an asset will be recovered through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale.

Assets held for sale are carried at the lower of their carrying amount and the fair value less costs to sell. Any impairment of the asset is recognised immediately in the Income Statement and there is no depreciation charged on assets held for sale.

**(c) Investments**

Fixed asset investments are carried at cost.

**(d) Capital grants**

Capital grants are deferred and taken to the income statement over the anticipated lives of the relevant assets.

**(e) Operating lease income**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases are credited to the income statement on a straight-line basis over the period of the lease. Operating lease income relates to vessels and investment property.

**(f) Revenue**

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenue is shown net of value added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the Company and when specific criteria have been met for each of the Company's activities. The Company bases any estimates of income on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**4. Summary of significant accounting policies (cont'd)****(g) Interest income**

Interest income is recognised using the effective interest method.

**(h) Current and deferred tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

**(i) Pensions**

The Company operates a defined benefit scheme. It participates in certain other defined benefit pension schemes and in an industry wide defined contribution scheme. The assets of each Scheme are held separately from those of the Company.

The Company is deemed to be the principal employer for the CalMac Pension Fund and is responsible for funding the scheme deficit. The liability recognised in the Statement of Financial Position in respect of the CalMac Pension Fund is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of the fund assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**4. Summary of significant accounting policies (cont'd)****(i) Pensions (cont'd)**

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Actuarial gains and losses are recognised in other comprehensive income. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the Statement of Financial Position net of the related deferred tax.

The Company participates in another two multi-employer defined benefit pension schemes. It is not possible in the normal course of events for the independent actuary to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the schemes, and in line with IAS 19, the schemes are accounted for as a defined contribution scheme.

The Company also participates in an industry wide defined contribution scheme. The costs of these schemes are written off to the Income Statement on an accruals basis. The assets of the schemes are held separately from those of the Company in independently administered funds.

**(j) Financial assets**

The Company classifies its financial assets in the following categories. The classification depends on the purpose for which the financial assets were acquired. All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transactions costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**4. Summary of significant accounting policies (cont'd)****(j) Financial assets (cont'd)****Loans and receivables:**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

The Company's loans and receivables comprise trade and other receivables in the Statement of Financial Position.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

**Financial assets at Fair Value Through Profit or Loss (FVTPL):**

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss and are included in the "other gains and losses" line in the Statement of Comprehensive Income.

**Derecognition of financial assets:**

The Company derecognises a financial asset only when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

**(k) Financial liabilities**

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

**Other financial liabilities:****Trade payables:**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal cycle of business if longer). If not, they are presented as non-current liabilities.

**Borrowings:**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**4. Summary of significant accounting policies (cont'd)****(k) Financial liabilities (cont'd)****Financial liabilities at FVTPL:**

A financial liability other than a financial liability held for trading may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss, and are included in the "other gains and losses" line in the Statement of Comprehensive Income.

**Derecognition of financial liabilities:**

The Company derecognises a financial liability, when, and only when, the Company's obligations are discharged, cancelled or they expire.

**(l) Derivative financial instruments**

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

**Embedded derivatives:**

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**4. Summary of significant accounting policies (cont'd)****(l) Derivative financial instruments (cont'd)**

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months.

**(m) Cash and cash equivalents**

In the Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

**(n) Share capital**

Ordinary shares are classified as equity.

**(o) Operating lease expenditure**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits of the leased assets are consumed.

**(p) Going concern**

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 continue to adopt the going concern basis in preparing the Financial Statements.



## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**4. Summary of significant accounting policies (cont'd)****(q) Revaluation surplus release**

International Accounting Standard 16 (IAS16) allows for an element of the revaluation surplus included in equity in respect of an item of property, plant and equipment to be transferred directly to retained earnings as the asset is used by an entity. The amount of the surplus transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from the revaluation surplus to retained earnings are not made through profit or loss, but through reserves.

The Directors have chosen to apply this accounting treatment as it better reflects the impact of the asset revaluations and avoids the revaluation reserve being maintained indefinitely.

**5. Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If, in the future, should such estimates and assumptions deviate from actual circumstances, the original estimates and assumptions would be modified as appropriate in the year in which circumstances change.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

**Defined benefit scheme**

The company has a defined benefit scheme. The present value of the scheme's liabilities recognised at the Statement of Financial Position date has been calculated based on key assumptions and estimates of future events as set out in note 19.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**6. Revenue**

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

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Vessel charter fee	24,295	21,012
Harbour access charge raised against operator	17,609	17,522
Property & equipment licence fee from operator	145	145
Revenue from harbour dues	231	239
Rental income from properties not required for harbour operations	269	253
Revenue grants received	4,056	3,993
Other cost recoveries and contributions	168	156
	<b><u>46,773</u></b>	<b><u>43,320</u></b>

All revenue in the year was derived from the principal activity of the company and originated entirely within the United Kingdom.

Following CalMac Ferries Ltd.'s successful tender for the Public Service Contract for lifeline ferry services in the Clyde and Western Isles, revenues from vessel charter fees are charged in line with the new contract terms. Harbour access charges are charged in line with the Company's standard charges for use of its harbours and are shown gross of harbour operating costs.

Serco NorthLink Ferries is the current operator of the Northern Isles Ferry Service to Orkney and Shetland Isles. Revenues from vessel charter fees and revenues are charged based on existing contract terms and is due to expire on 30 October 2019. A preferred bidder for the contract has been selected and currently there is an extended standstill period prior to award.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

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

<b>The profit is stated after (charging)/crediting:</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Auditor's remuneration		
- Audit of these Financial Statements	(26)	(24)
- Other services relating to internal audit and accounting	(1)	(2)
Depreciation of property, plant and equipment (Note 10)	(19,168)	(12,390)
Staff costs (Note 9)	(2,836)	(4,732)
Interest received on bank balances	34	10
Operating lease costs - land & buildings	(448)	(461)
Release of capital grants (Note 16)	3,445	2,851
Gain on disposal of fixed assets and investments	27	490
Interest payable – loans	(3,615)	(2,894)
Interest on pension deficit contributions	(198)	(222)
	<u>(3,813)</u>	<u>(3,116)</u>
Other finance costs - interest on pension scheme assets (Note 19)	5,357	4,621
- interest on pension scheme liabilities (Note 19)	(6,305)	(6,196)
	<u>(948)</u>	<u>(1,575)</u>
Other (losses)/gains - (loss)/gain on revaluation of investment property (Note 10)	(217)	152

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**8. Taxation**

	<b>2019</b>	<b>Restated</b>
	<b>2018</b>	
	<b>£'000</b>	<b>£'000</b>

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

**Corporation Tax**

UK corporation tax on profit for the year at 19% (2018: 19%)

-

-

**Deferred Tax**

Increase in deferred tax provision (Note 17)

469

(532)

Deferred tax in relation to pensions

316

577

Total deferred tax charge

785

45

Tax charge on profit on ordinary activities

785

45

The tax assessed for the period differs from the standard rate of corporation tax of 19% (2018: 19%)

The differences are explained below:

**Profit on ordinary activities before tax**

3,797

6,281

UK corporation tax at 19% (2018: 19%)

721

1,193

Effects of:

Expenses not allowable for tax purposes

1,449

1,178

Non-taxable income/gains

(333)

(350)

Adjustments in deferred tax in relation to pensions

333

(1,678)

Rolled over capital gains

53

-

Other adjustments

-

(298)

Impact of change in tax rate

(1,438)

-

785

45

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**9. Employee information**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Staff Costs (including Directors)		
Wages & salaries	1,637	1,471
Social security costs	211	185
On-going pension contributions	772	496
Pension contributions towards past deficits – other schemes (see below)	3	2,466
Staff related costs	409	337
	<u>3,032</u>	<u>4,955</u>
Employee costs included above allocated to capital projects	<u>196</u>	<u>223</u>

Pension contributions towards past deficits – other schemes

This represents provisions and payments made towards past deficits in industry-wide schemes as described in Note 19.

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Employee numbers		
Average number of employees, including Directors		
Administrative	<u>33</u>	<u>31</u>

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Directors' remuneration</b>		
Non-executive directors' emoluments	59	56
Non-executive directors' pension costs	-	-
Executive directors' emoluments	433	412
Executive directors' pension costs	121	115
	<u>613</u>	<u>583</u>

Performance bonuses for Executive Directors other than the Chief executive, and staff, which were deemed part of the terms and conditions of employment, were withdrawn for 2019. No bonus payments were made in the financial year.

National insurance contributions made on behalf of the Executive Directors were £49,673 (2018: £47,649).

Non-Executive Directors' appointments allow for minimum time commitments per month. Fees paid reflect the actual number of days undertaken on Company business.

4 directors are members of defined benefit pension schemes (2018: 4 directors).

The emoluments of the highest paid director were £116,827 (2018: £112,394). £31,905 (2018: £30,794) was paid into the pension scheme of the highest paid director during the year.

Key management personnel consist of the Executive Directors.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

## 10. Property, plant and equipment and investment property

	Investment property	Other property	Piers, slipways & linkspan facilities	Vessels	Office equipment & vehicles	Payments on account and assets in construc- tion	TOTAL
<b>COST OR VALUATION</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2017	1,655	5,578	193,382	154,743	309	90,176	445,843
Additions	-	-	1,115	15	47	38,102	39,279
Transfers	(8)	28	19	2,352	-	(2,391)	-
Transfer to asset held for sale	-	-	-	(285)	-	-	(285)
Disposals	-	-	-	(58)	-	-	(58)
Revaluation increase/(decrease)	152	-	-	(12,387)	-	-	(12,235)
Balance as at 1 April 2018	1,799	5,606	194,516	144,380	356	125,887	472,544
Additions	-	-	874	54,135	-	14,377	69,386
Transfers	266	9,402	27,267	3,431	-	(40,366)	-
Disposals	-	-	(3,740)	-	-	-	(3,740)
Revaluation decrease	(217)	-	-	-	-	-	(217)
Balance as at 31 March 2019	1,848	15,008	218,917	201,946	356	99,898	537,973
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>							
Balance as at 1 April 2017	-	-	124,311	19,833	124	-	144,268
Disposals	-	-	-	(45)	-	-	(45)
Depreciation expense/impairment	-	104	3,495	8,702	89	-	12,390
Revaluation adjustment	-	-	-	(28,490)	-	-	(28,490)
Balance at 1 April 2018	-	104	127,806	-	213	-	128,123
Disposals	-	-	(3,740)	-	-	-	(3,740)
Depreciation expense/impairment	-	413	4,222	14,443	90	-	19,168
Balance as at 31 March 2019	-	517	128,288	14,443	303	-	143,551
<b>Carrying Amounts</b>							
Balance as at 31 March 2018	1,799	5,502	66,710	144,380	143	125,887	344,421
Balance as at 31 March 2019	1,848	14,491	90,629	187,503	53	99,898	394,422
<b>Carrying amount under cost model</b>							
Balance as at 31 March 2018	-	8,288	41,522	93,730	143	125,887	269,570
Balance as at 31 March 2019	-	17,791	68,182	142,393	53	99,898	328,888

Included in the cost of Assets in Construction is £ 6,054,142 (2018: £3,738,268) of interest arising on the financing of new vessels. Interest has been calculated at rates ranging from 1.88% to 3.25% (2018: 1.88% to 3.25%).

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**10. Property, plant and equipment and investment property (cont'd)**

Investment property assets were valued at 31 March 2018 and 31 March 2019 by Graham & Sibbald, Chartered Surveyors, on a fair value basis as defined by the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors and the valuation is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Investment properties		
Land	780	769
Buildings	1,068	1,030
	<u>1,848</u>	<u>1,799</u>

Other property assets were valued at 31 March 2017 by Graham & Sibbald, Chartered Surveyors, on a fair value basis as defined by the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors and the cost/valuation is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Other property assets		
Land	3,472	3,498
Buildings – freehold	11,536	2,108
	<u>15,008</u>	<u>5,606</u>

Piers, slipways and linkspan facilities were valued at 31 March 2017 by CH2MHill Ltd, Consulting Engineers, on a depreciated replacement cost basis and the cost/valuation is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Piers and slipways	173,689	147,960
Linkspan facilities	45,228	46,556
	<u>218,917</u>	<u>194,516</u>

Ships were valued at 31 March 2018 by Simsonship AB, shipbrokers of Stockholm, Sweden on a market value basis and the cost/valuation is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Vessels	<u>201,946</u>	<u>144,380</u>

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**10. Property, plant and equipment and investment property (cont'd)**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Capital commitments		
No provision has been made in these accounts for:		
Outstanding capital commitments contracted for amounting to	21,409	16,758
Capital Grants receivable in respect of these commitments amounting to	-	-

**11. Investments**

Caledonian Maritime Assets Ltd holds 100% of the issued capital of Caledonian MacBrayne Ltd, a dormant company incorporated in Scotland. The aggregate capital and reserves of the company as at 31 March 2019 is £2 (2018: £2).

**12. Trade and other receivables**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	775	991
Prepayments and accrued income	6,505	42,133
	<u><b>7,280</b></u>	<u><b>43,124</b></u>

All the trade and other receivables above were receivable under normal commercial terms, generally 7 to 30 days. The Directors consider that the carrying value of trade and other receivables approximates to their fair value. A general provision of £9,050 (2018: £8,501) was held against receivables.

**13. Trade and other payables**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Loans (note 14)	7,685	5,812
Trade payables	790	1,751
Other creditors and accruals	3,678	9,350
	<u><b>12,153</b></u>	<u><b>16,913</b></u>

Trade purchases are made under normal commercial terms, generally 30 days, however where practicable, the Company follows the Scottish Government guidelines of paying suppliers within 10 working days of receipt of valid invoice. The Directors consider that the carrying value of trade and other payables approximates to their fair value.



## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

## 14. Other payables

	2019 £'000	2018 £'000
Unsecured vessel loans not wholly repayable within five years, repayable in half-yearly instalments	202,184	188,514
Less repayable within twelve months (note 13)	<u>(7,685)</u>	<u>(5,812)</u>
	194,499	182,702
Other creditors	<u>6,372</u>	<u>4,745</u>
	<b><u>200,871</u></b>	<b><u>187,447</u></b>
Instalments on the loans included above are repayable as follows:		
between one and two years	8,335	7,126
between two and five years	30,252	24,879
after five years	<u>155,912</u>	<u>150,697</u>
	<b><u>194,499</u></b>	<b><u>182,702</u></b>

Unless authorised by Scottish Ministers, the Company can borrow only from Scottish Ministers. At 31 March 2019 the Company had 14 loans outstanding (2018: 11) all repayable to Scottish Ministers at interest rates ranging from 1.78% to 5.25%. Nine loans are repayable by half yearly equal instalments of principal, over periods of 20 or 25 years from the first scheduled repayment date after finalisation of loan drawdown. Five loans are repayable on an annuity basis; two loans over 25 years, one loan over 16 years and two further loans payable over 10 years and 8 years respectively from the first scheduled repayment date after finalisation of loan drawdown.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**15. Financial risk management**

## Financial risk factors

The Company's activities expose it to the financial risks of interest rate risk, liquidity risk and credit risk.

**(a) Interest rate risk profile**

The interest rate profile of the Company's financial liabilities is as follows:

Currency	Total		Floating rates		Fixed rates		Weighted Average		Period until maturity	
							Interest rate			
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000	%	%	Years	Years
Sterling										
Loans	202,184	188,514	-	-	202,184	188,514	3	3	21	22
Cash	(14,436)	(13,538)	-	-	-	-	-	-	-	-
Net Borrowing	<b>187,748</b>	<b>174,976</b>	<b>-</b>	<b>-</b>	<b>202,184</b>	<b>188,514</b>	<b>3</b>	<b>3</b>	<b>21</b>	<b>22</b>

All the Company's borrowings are at fixed rates of interest. The fair value of these loans at 31 March 2019 ascertained through discounting the future cash flows at the National Loans Fund rate was £211,815,100 (2018: £193,510,000).

**(b) Liquidity risk**

Cash flow forecasting is performed in the operation of the Company. The Company monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and, if applicable, external or regulatory legal requirements.

The Company invests surplus cash in interest bearing current accounts, time deposits and money market deposits choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above mentioned forecasts. At the reporting date the Company held money market funds of £Nil (2018: £Nil) and other liquid assets of £14,436,000 (2018: £13,538,000).

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**15. Financial risk management (cont'd)**

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to maturity at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Within 1 year £'000</b>	<b>Between 1-2 years £'000</b>	<b>Between 2-5 years £'000</b>	<b>Over 5 years £'000</b>
<b>At 31 March 2019</b>				
Borrowings	7,685	8,335	30,252	155,912
Trade & other payables	4,372	6,372	-	-
<b>At 31 March 2018</b>				
Borrowings	5,812	7,126	24,879	150,697
Trade & other payables	10,293	4,745	-	-

**(c) Credit risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the company and arises principally from the company's receivables and cash deposits.

At the year-end no significant receivables were past due or considered impaired. Cash and cash equivalents are held with Financial Institutions of high credit rating. Credit risk as assessed by the Directors is considered low.

**(d) Capital risk management**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide benefits for all its stakeholders. The Company has no externally imposed capital requirements. The Directors monitor the Company's capital requirements on an on-going basis within the confines of the public sector funding regime.

The Company does not have any significant foreign currency exposure, nor does it speculate in derivative transactions. It is anticipated that future capital expenditure on vessels will be funded by fixed rate unsecured loans from Scottish Ministers.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**15. Financial risk management (cont'd)**

## Capital risk management (cont'd)

The Company charts its vessels to the operator of the Clyde & Hebrides lifeline ferry services, CalMac Ferries Ltd who have a public service contract with Scottish Ministers. This contract is due to expire on 30 September 2024 at which time it will be re-let.

**16. Capital grants**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	64,966	61,221
Grants received and receivable	9,207	6,596
Released to statement of comprehensive income	(3,445)	(2,851)
Balance at 31 March	<u>70,728</u>	<u>64,966</u>

**17. Provisions for liabilities and charges**

	<b>2019</b>	<b>Restated</b>
	<b>£'000</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax		
The main components of deferred tax at 17% (2018: 19%) are:		
Accelerated capital allowances	9,295	10,274
Other timing differences	(969)	(2,147)
Trading losses	(1,883)	(2,105)
Rolled over capital gains	48	-
Balance at 31 March	<u>6,491</u>	<u>6,022</u>

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**18. Share capital**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Authorised, allotted, issued and fully paid – 1.5 million ordinary shares of £10 each	15,000	15,000

Fully paid ordinary shares, which have a par value of £10, carry one vote per share and carry a right to dividends.

**19. Pension arrangements**

The amount charged to the Statement of Comprehensive Income in respect of employer contributions to pension schemes is:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>On-going contributions</b>		
Company scheme	752	481
Other schemes	15	15
<b>Contributions towards past deficits</b>		
Other schemes	3	2,466
	<b>770</b>	<b>2,962</b>

**Company defined benefit scheme**

The Company operates a contributory defined benefit pension scheme, the CalMac Pension Fund, providing benefits based upon final pensionable salary. The assets of the scheme are held in a separate trustee-administered fund.

The Company is the principal employer in the fund and has guaranteed to the Trustees the funding obligations of the other employers, all of whom are members of the David MacBrayne Group.

A full actuarial valuation was undertaken at 6 April 2018. Assumptions which have the most significant effect on the results of the valuation are those relating to:

- a) RPI Inflation – Bank of England RPI inflation curve less 0.1% p.a.
- b) CPI Inflation – Bank of England RPI inflation curve less 1.1% p.a.
- c) rate of return on investments
  - pre-retirement funds & retirement funds: Bank of England gilt yield curve plus 1.95%

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**19. Pension arrangements (cont'd)**

## d) rate of increase in salaries and pensions

- on pre 2005 non GMP benefits – RPI
- on post 2005 non GMP benefits – RPI capped at 3%;
- on post 1988 GMP benefits – CPI capped at 3%;
- on pre 1988 GMP benefits – 0%

The valuation showed the market value of the schemes assets as £197 million and that the actuarial value of those assets represented 61.3% of the benefits accrued to members. The 2018 actuarial valuation identified a shortfall in funding of £28.1 million.

The Trustees and Caledonian Maritime Assets Limited and participating employers (the employers) have agreed that the employers will pay total contributions of 30.8% of pensionable salaries. In addition, the Board is committed to an annual payment of £4,693,000. The members contribute at a rate of 6.0% of pensionable earnings. The funding plan is expected to achieve 100% of funding level over 6 years from the valuation date.

The next actuarial valuation is due on 6 April 2021.

The information disclosed below is in respect of the CalMac Pension Fund for which the Company is the sponsoring employer. For the purposes of accounting disclosure requirements of IAS19 Employee Benefits, the latest actuarial valuation carried out at 6 April 2015 was updated to 31 March 2019 by a qualified independent actuary. The amounts recognised in the statement of financial position are as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Present value of funded liabilities	(322,713)	(244,870)
Fair value of scheme assets	227,297	198,490
Deficit	(95,416)	(46,380)
Related deferred tax asset	16,221	9,228
Net liability	<u>(79,195)</u>	<u>(37,152)</u>

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**19. Pension arrangements (cont'd)**

The amounts recognised in the Statement of Comprehensive Income are as follows:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Current service cost	532	481
Past service cost	220	-
Net financing cost	948	1,575
	<u>1,700</u>	<u>2,056</u>

The expense is recognised in the following line items in the Statement of Comprehensive Income:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Staff costs	752	481
Other finance costs	948	1,575
	<u>1,700</u>	<u>2,056</u>

Actual return on scheme assets	<u>13,678</u>	<u>7,279</u>
--------------------------------	---------------	--------------

Changes in the amounts recognised in other comprehensive income/(expense) are as follows:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Opening cumulative other comprehensive (expense)	(66,044)	(82,977)
Remeasurements:		
- actuarial gains— asset remeasurement	8,321	2,658
- actuarial gains arising from changes in demographic assumptions	2,838	1,862
- actuarial (losses)/gains arising from changes in financial assumptions	(52,023)	13,220
- actuarial (losses) arising from experience	(7,491)	(807)
Closing cumulative other comprehensive (expense)	<u>(114,399)</u>	<u>(66,044)</u>

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**19. Pension arrangements (cont'd)**

## Changes in the present value of the defined benefit liabilities

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	244,870	242,783
Current service cost – Caledonian Maritime Assets Ltd	532	481
Past service cost	220	-
Current service cost - Others	18,824	15,766
Employee contributions	2,940	2,720
Interest cost	6,305	6,196
Actuarial gains arising from changes in demographic assumptions	(2,838)	(1,862)
Actuarial losses/(gains) arising from changes in financial assumptions	52,023	(13,220)
Actuarial losses arising from experience	7,491	807
Benefits paid	(7,654)	(8,801)
At 31 March	<b><u>322,713</u></b>	<b><u>244,870</u></b>

## Changes in the fair value of the scheme assets

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	198,490	178,573
Interest income on assets	5,357	4,621
Re-measurement gains	8,321	2,658
Employer contributions	19,843	18,719
Employee contributions	2,940	2,720
Benefits paid	(7,654)	(8,801)
At 31 March	<b><u>227,297</u></b>	<b><u>198,490</u></b>



## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**19. Pension arrangements (cont'd)**

The fair value of scheme assets as a percentage of total scheme assets and the return on those assets were:

	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
Equities	43.1	46.5
LDI	22.0	23.5
Bonds	7.9	6.1
Property	5.9	6.5
Other	21.1	17.4

Principal actuarial assumptions at the year-end were:

	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
Discount rate at 31 March	2.50	2.60
RPI Inflation	3.20	3.05
Future salary increases – 2018/19	-	2.95
Future salary increases – 2019/20	4.20	-
Future pension increases	Derived from RPI assumptions	Derived from RPI assumptions

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**19. Pension arrangements (cont'd)**

Post retirement mortality assumptions are as follows:-

<b>2019</b>	<b>2018</b>
SAPS S2 "Heavy" with scaling factors of 95% for males and 115% for females, future mortality improvements are in line with the CMI_2018 model with a smoothing factor of Sk = 7.5 with parameter A equal to 0% and long-term rate of improvement underpin of 1.5% p.a.	SAPS S2 "Heavy" with scaling factors of 95% for males and 115% for females, future mortality improvements are in line with the CMI_2017 model with long-term rate of improvement of 1.5% pa

SensitivityImpact on defined benefit liability

Discount rate -0.1%	Increases the liability by +2.3%
RPI inflation +0.1%	Increases the liability by +2.0%
Mortality scaling factor reduced by 10%	Increases the liability by +3.6%

## Historical pension scheme information

The history of the scheme for the current and prior periods is as follows:

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present value of defined benefit liabilities	(322,713)	(244,870)	(242,783)	(183,473)	(190,694)
Fair value of scheme assets	227,297	198,490	178,573	142,052	135,651
Deficit	<b>(95,416)</b>	<b>(46,380)</b>	<b>(64,210)</b>	<b>(41,421)</b>	<b>(55,043)</b>
Experience adjustment on scheme liabilities	(7,491)	(807)	(723)	(5,376)	1,466
Re-measurement gains/(losses) on scheme assets	8,321	2,658	19,531	(8,146)	4,743

The Company expects to contribute approximately £5,178,518 to this defined benefit plan in the next financial year.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**19. Pension arrangements (cont'd)**

On-going contributions are made to the scheme by companies which are independent of Caledonian Maritime Assets Ltd. These on-going contributions are in respect of employees who transferred from CMAL to the David MacBrayne Group following the corporate restructuring in 2006. These on-going contributions made by other companies are credited to the Statement of Comprehensive Income to the extent necessary to reduce the total current service cost calculated by the scheme actuary, to the current service cost directly attributable to CMAL employees. Contributions in excess of this amount which relate to past deficits are accounted for through the Statement of Other Comprehensive Income. These, and any additional contributions from outside the Company, are accounted for through the Statement of Other Comprehensive Income.

**Other pension schemes**

On corporate restructuring at 30 September 2006, the Company retained responsibility for shortfalls in funding in the Merchant Navy Officers' Pension Fund (MNOFF) and in the Merchant Navy Ratings' Pension Fund (MNRPF). Both MNOFF and MNRPF are industry-wide defined benefit pension schemes.

The MNOFF Post 1978 Section (the New Section) is closed to new members and at 31 March 2016 was closed to future benefit accrual with existing active members being transferred to the Ensign Retirement Plan (for the MNOFF) (ERP (for the MNOFF)), a defined contribution plan established within the MNOFF. The 2015 valuation of the MNOFF showed that the Section had a gross deficit of £320 million at the valuation date and that the market value of the assets of £2,907 million covered 90% of the value of the Section liabilities. Deficit contributions from the 2003, 2006, 2009 and 2012 valuations still to be paid over the period to September 2020 had a present value of £315 million, producing a net deficit of £5 million. The Trustee decided not to collect additional contributions to meet this deficit. In April 2018 a decision to meet this full outstanding liability was agreed and in doing so resulted in a reduction of £0.36m in anticipated interest charges over the period.

The latest finalised valuation of the MNOFF scheme took place at 31 March 2018 and showed a funding shortfall of £73 million. The value as at 31 March 2018 of the outstanding deficits arising from the earlier years valuation (2012 and 2009) was £64 million; allowing for these produces an outstanding shortfall at 31 March 2018 of £9 million.

To eliminate the funding shortfall, the Trustee has agreed no contributions in addition to those arising from the 2009 and 2012 valuations will be paid to the Fund by participating employers. It is expected that the outstanding shortfall will be met by investment returns.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**19. Pension Arrangements (cont'd)**

The MNRPF is a closed scheme and the latest full triennial actuarial valuation as at 31 March 2017, carried out by the Fund actuary, showed that the scheme was in deficit by £221 million. The valuation showed that the market value of assets was 84% of the value of benefits accruing to members allowing for future increases (2014 valuation, deficit of £354 million, 67% funding level).

Following approval by the High Court the Trustees amended the rules of the fund and in July 2015 implemented a new deficit contribution regime which included Former Employers who were not making such contributions, and Current Employers who were doing so.

The MNRPF carried out an actuarial valuation with an effective date of 31 March 2017. This showed that an additional deficit has arisen since March 2014 of £89 million. This new deficit has arisen primarily due to the material reductions in expected future asset returns since 2014, driven by falls in government bond yields which have affected most UK pension schemes.

The additional net deficit arising under the 2017 valuation is to be met by additional contributions from Participating Employers and the Company's share of this deficit amounted to £2,461,842 payable in 2 instalments in October 2018 and October 2019. The liability was provided for in full in the 2018 financial statements and £887k is payable as at 31 March 2019.

The Trustees of the MNOF and MNRPF cannot identify the underlying assets held in the funds in respect of the Company's liabilities. Accordingly, for IAS19 purposes, the Company is accounting for contributions and payments to the MNOF and MNRPF as if they were defined contribution schemes.

**20. Net debt reconciliations**

	At 1 April 2018 £'000	Cash flows £'000	Other changes £'000	At 31 March 2019 £'000
Bank and cash in hand	13,538	898	-	14,436
Other loans repayable within one year	(5,812)	5,812	(7,685)	(7,685)
Other loans repayable after one year	(182,702)	(19,482)	7,685	(194,499)
Net debt	(174,976)	(12,772)	-	(187,748)

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**21. Other financial commitments**

In providing harbour and pier facilities in support of lifeline ferry services, the Company leases land and buildings at various locations throughout the West of Scotland. Other leases are in respect of a vessel, vehicles and office equipment. The Company entered into an operating lease arrangement to procure a new vessel. The lease agreement is for a period of eight years from the delivery of the vessel in October 2014. The Company does not have the option to purchase the leased assets at the expiry of the lease terms.

The total of future minimum lease payments under non-cancellable operating leases which fall due are as noted in the table below.

<b>Land and buildings</b>	<b>2019 £'000</b>	<b>2019 £'000</b>	<b>2018 £'000</b>	<b>2018 £'000</b>
	<b>Land</b>	<b>Buildings</b>	<b>Land</b>	<b>Buildings</b>
Payable within one year	265	192	247	188
After one year but less than five	851	661	879	713
After more than five years	1,427	379	1,485	388
	<u>2,543</u>	<u>1,232</u>	<u>2,611</u>	<u>1,289</u>
<b>Other</b>			<b>2019 £'000</b>	<b>2018 £'000</b>
Payable within one year			4,970	8,723
After one year but less than five			12,288	28,082
			<u>17,258</u>	<u>36,805</u>

As lessor, the Company has minimum lease revenues under non-cancellable operating leases which fall due as noted below:

<b>Property, plant and equipment</b>	<b>2019 £'000</b>	<b>2019 £'000</b>	<b>2018 £'000</b>	<b>2018 £'000</b>
	<b>Investment property</b>	<b>Vessels</b>	<b>Invest- ment property</b>	<b>Vessels</b>
Receivable within one year	260	15,552	235	18,814
After one year but less than five	804	47,236	809	64,908
After more than five years	547	-	625	-
	<u>1,611</u>	<u>62,788</u>	<u>1,669</u>	<u>83,722</u>

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**22. Related party transactions**

The Scottish Ministers are the Company's sole shareholder. The results of the Company are consolidated within Whole of Government Accounts, which are publicly available. Details of transactions with the Scottish Ministers are as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Capital grants received and receivable (note 16)	9,207	6,063
Capital grants due at 31 March	4,273	2,759
Grant in aid received and receivable	4,045	3,993
Loans received and receivable	19,492	59,428
Project management fees & other charges	60	60
Project management fees & other charges payable at March	10	11
Loans repaid	5,821	4,281
Interest paid and payable	3,628	2,703
Interest on vessel new build	2,316	2,072
Balance of loans due at 31 March	202,184	188,514

A significant element of the Company's turnover is generated from our relationship with the Clyde and Hebrides Ferry Services operator, CalMac Ferries Limited and other companies within the David MacBrayne Group which is owned by Scottish Ministers. Transactions entered during the year and balances outstanding at 31 March, with the David MacBrayne Group, are as follows:

	<b>Sold to/ (purchased from)</b>		<b>Owed by/ (owed to)</b>	
	<b>David MacBrayne Group</b>		<b>David MacBrayne Group</b>	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Vessel leasing charges	18,273	17,993	-	1
Harbour access charges	17,159	17,562	653	736
Property & equipment licence	144	145	-	-
Rent	158	146	-	-
Repair & other costs recoveries	237	161	56	33
Vessel upgrades, modifications & repairs	(4,825)	(1,871)	(449)	(596)
Ferry travel costs	(11)	(9)	-	-
New vessel build project supervision & costs	(678)	(293)	-	(293)
Pier operations	(4,744)	(5,002)	(436)	-

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**22. Related party transactions (cont'd)**

The Company's Finance Director also serves as Finance Director for Highlands & Islands Airports Ltd (HIAL) which is owned by Scottish Ministers. Charges for services during the year and the balance outstanding at 31 March are as follows:

	Charge in year		Owed by HIAL	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Services of Finance Director	61	58	16	34

**23. Prior year adjustment****Restated Statement of Financial Position as at 31 March 2018**

	£'000
Capital and reserves per signed financial statements as at 31 March 2018	84,731
Amendment to deferred taxation	4,137
Restated capital and reserves as at 31 March 2018	<u>88,868</u>

**Restated Statement of Comprehensive Income for the year ended 31 March 2018**

	£'000
Profit per signed financial statements for the year ended 31 March 2018	2,099
Amendment to deferred taxation	4,137
Restated profit for the year ended 31 March 2018	<u>6,236</u>

An amendment to the deferred taxation computation as at 31 March 2018 was identified during the current year totalling £4,137,000. A prior year adjustment has been included within these financial statements.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

## Notes to the Accounts (cont'd)

**24. Events after the Reporting Period**

On 9 August 2019 the Directors of Ferguson Marine Engineering Ltd (FMEL) filed notice of their intention to place the shipyard business into administration. On 16 August 2019, Administrators were appointed to FMEL by HCC International Insurance Company plc, the first-ranking charge holder over the business. At that time, the Scottish Ministers entered into a managing agency agreement with the Administrators, to give continuity to the operation of the yard while potential buyers of FMEL were investigated.

Following a marketing period, the Administrators of FMEL reached an agreement with Scottish Ministers to take the shipyard into public ownership. A Sale and Purchase Agreement for the FMEL business and shipyard premises was signed on 1 November 2019.

Macrocom (1069) Ltd, a company wholly owned by Scottish Ministers, shall be the new owners of the shipyard. The legal process of the Novation Agreement relating to the ship-building contracts for each of "Glen Sannox" and Hull 802 is in progress as at 20 November 2019.



ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2019

Company Number SC001854

Registered Office  
Municipal Buildings  
Fore Street  
Port Glasgow  
PA14 5EQ

Auditors Scott- Moncrieff

Solicitors Addleshaw Goddard LLP

Bankers Royal Bank of Scotland