

CALEDONIAN MARITIME ASSETS LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR TO 31 MARCH 2020

COMPANY NUMBER: SC001854



ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

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Chair's Statement for the year ended 31 March 2020

Scotland's ferry and harbour infrastructure is as unique as the country's geography.

Scotland has 10,250 miles of coastline, including its numerous islands. The west coast, in particular, is heavily indented, with long headlands, separated by sea lochs.

Consequently, serving island and coastal communities with ferry transport requires a somewhat unique approach. The vessels required to ply these routes have to meet passenger and freight demand; operational requirements, such as speed, draft, capacity and accessibility; as well as geographical and environmental factors, such as the diverse coastline with deep and narrow sheltered sea lochs, shallow bays, estuaries and open stretches of sea that have little shelter from waves and storms.

That said, for reasons of efficiency and resilience, it is Transport Scotland's policy that vessels should offer a level of interchangeability across the network.

Therefore CMAL's approach is not one-size-fits-all, but it is not bespoke either.

CMAL's new three-year corporate plan, 2020-2023 includes plans to add six major and eight minor vessels to the fleet in the next decade. It is an ambitious and challenging plan to lower the average age of the fleet. It will require significant investment and it will take time.

This is a long-term approach to deliver both an improved fleet and modern harbour infrastructure, most of which was originally built several decades ago. Marine and maritime projects by their very nature rarely allow for quick fixes.

However, owing to the complex funding arrangements for ferry services in Scotland, it is difficult to secure the long-term funding commitments necessary. Like every single public sector organisation in Scotland, CMAL must bid annually for what it needs to do its job, even for projects that stretch over multiple years.

As a board, we are confident that CMAL has the knowledge, expertise, and the drive to make it happen.

During the past year, the board and I have continued to support the CMAL team with ongoing issues surrounding the delay to the two dual fuel vessels. The company has spent a substantial amount of time on matters associated with the Dual Fuel Contracts at the shipyard, attendance at the Rural Economy and Connectivity (REC) Committee inquiry into construction and procurement of ferries in Scotland, and responding to a large volume of FOIs and media enquiries.

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Chair's Statement for the year ended 31 March 2020 (cont'd)

The Contractor failure at Ferguson Marine Engineering has been very challenging and has taken significant management time that could have otherwise been spent on other projects – our continued desire is to deliver multiple contracts both effectively and efficiently for the benefit of the Island Communities that we serve. Attendance at the REC Committee afforded CMAL the forum to set out the key facts surrounding the contractor failure and explain the inaccuracies that had been reported by others.

I am glad to say that, despite the ongoing distraction of these issues, CMAL has continued to deliver on its responsibilities throughout the year to improve Scotland's ferry and harbour infrastructure.

During the year 2019/20, we spent £52 million on ferries and £13 million on harbour maintenance and upgrade to ensure our assets continue to be fit-for-purpose, safe, reliable, and efficient.


CMAL has also contributed significantly to the wider maritime landscape, playing a key role in sustainability projects focused on the use of hydrogen as a maritime fuel. One project involved a feasibility study into the use of hydrogen produced from local wind farms to power future ferry services operating in the Western Isles and across the west coast of Scotland. CMAL also continues to contribute to the Hyseas project, which aims to develop the world's first sea-going vehicle and passenger ferry fuelled by hydrogen.

This part of CMAL's role is vital as governments around the world strive to achieve zero carbon economies. The environmental impact of the global shipping industry is significant, and we must endeavour to find ways of reducing emissions by integrating new solutions and technology that are future-proof and sustainable for ships that will be operating for 20 years or more.

Scotland's islands are home to some of the most remote and geographically dispersed communities in Europe. Ferries are an essential part of Scotland's transport network to enable these communities to survive and thrive, not to mention the wider economic impact of tourism and business.

On the whole, ferry services in Scotland are good. We know there are frustrations in some areas, largely driven by reliability, ultimately fuelled by years of insufficient investment in the network.

As we head into 2020/21, even with the disruption caused by Covid-19, CMAL is taking steps towards delivery of its corporate plan and a more reliable and resilient future for ferry services. I look forward to continuing to be part of that.



Erik Østergaard OBE
Chair

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Aithris a' Chathraiche do dheireadh bliadhna 31 Màrt 2020

Tha bun-structar aiseagan is chalaidean na h-Alba cho fa leth ri cruinn-eòlas na dùthcha.

Tha 10,250 mìle de dh'oirthir ann an Alba a' gabhail a-steach a lionmhorachd de dh'eileanan. Tha an costa an iar gu h-àraid làn gheodhaichean, le rubhannan fada air an sgaradh le lochan mara.

Mar thoradh air an sin, tha frithealadh choimhearsnachdan eileanan is oirthir ag iarraidh modh-obrach a tha caran eadar-dhealaichte. Feumaidh na soithichean a tha riatanach airson nan slighean sin iomairt, a bhith a' coileanadh iarrtasan luchd-siubhal agus bathair; riatanasan obrachaidh mar luaths, dreachd, comas-lìonaidh agus ruigsinneachd; a thuilleadh air feartan cruinn-eòlasach agus àrainneachdail leithid an oirthir eadar-mheasgte de lochan mara fàsach caol agus domhainn, bàghan eu-domhainn, inbhirean agus sìnidhean fosgailte de mhuir anns a bheil glè bheag de fhasgadh bho thuinn agus stoirmean.

An dèidh sin a ràdh, airson adhbharan èifeachdais is fulangais, is e poileasaidh Chòmhdhail Alba gum bu chòir soithichean a' tabhach ìre de cho-mhalairteachd tarsainn an lìonraidh.

Mar sin, chan e aon mheud freagarrach do na h-uile, an dòigh-obrach a tha aig CMAL idir, ach chan eil e a dh'aon ghnothaich nas mò.

Tha plana corporra ùr trì-bliadhna 2020-2023 aig CMAL a' gabhail a-steach phlanaichean gu sia prìomh shoithichean agus ochd nas lugha a chur ris a' chabhlach san ath dheichead. Is e plana àrd-amasail is dùbhlach a th' ann gus aois chuibheasach a' chabhlaich isleachadh. Bidh feum aige air inbheisteadh mòr agus bheir e ùine.

Is e modh-obrach fad-amaill a tha seo gus an dà chuid cabhlach leasaichte agus bun-structar chalaidean nua-aimsireil a liubhairt, leis a' mhòr-chuid air an togail grunn dheicheadan air ais. Chan eil nàdar phròiseactan mara a' leigeil le cùisean a leasachadh gu luath.

Ach, mar thoradh air na rèiteachaidhean maoinachaidh toinnte do sheirbheisean aiseig ann an Alba, tha e doirbh na dealasan maoinachaidh fad-amaill a tha riatanach fhaotainn. Coltach ris gach buidheann eile san roinn pobhlaich ann an Alba, feumaidh CMAL tagradh gach bliadhna airson na tha dhìth gus a chuid obrach a dhèanamh, fiù airson pròiseactan a tha a' sìneadh thairis air iomadh bliadhna.

Mar bhòrd, tha sinn misneachail gu bheil an t-eòlas, ealantas agus an dìongmhaltas aig CMAL a bheir air tachairt.

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Aithris a' Chathraiche do dheireadh bliadhna 31 Màrt 2020 (a' leantainn)

Tron bhliadhna a dh'fhalbh, tha mi fhìn 's am bòrd air cumail oirnn a' cur taic ri sgioba CMAL le cùisean leantainneach mu thimcheall na dàil anns an dà shoitheach dà-chonnaidh. Tha an companaidh air ùine shusbainteach a chaitheamh air cùisean co-cheangailte ris na Cùmhnantan Connaidh Dùbailte sa ghàrradh-iarainn, làthaireachd aig cùis-rannsachaidh Comataidh an Eaconamaidh Dhùthchail is Ceangailteachd (REC) air togail agus faotainn aiseagan ann an Alba, agus a' freagairt tomad mhòr de cheistean saorsa fiosrachaidh (FOIs) agus mheadhanan.

Tha fàilligeadh Innleadaireachd Mara Fhearghasdan air a bhith glè dhùbhlanach agus air ùine stiùiridh chudromach a thoirt suas a dh'fhaodadh a bhith air a chaitheamh air pròiseactan eile – is e ar rùn leantainneach ioma-chùmhnantan a liubhairt an dà chuid gu h-èifeachdach agus gu buadhach airson buannachd nan Coimhearsnachdan Eileanach a tha sinn a' frithealadh. Thug làthaireachd aig Comataidh REC fòram do CMAL gus prìomh fhìrinn na cùise mu thimcheall fàilligeadh a' chunradair a chur an cèill agus na mearachdan a bha air an aithris le càch a mhìneachadh agus a chur ceart.

Tha mi toilichte a ràdh, a dh'aindeoin a' bhuairidh leantainnich mu na cùisean sin, gu bheil CMAL air cumail air adhart a' liubhairt air a dhleastanasan tron bhliadhna a thaobh bun-structar aiseagan is chalaidean na h-Alba a leasachadh.

Rè na bliadhna 2019/20, chosg sinn £52 millean air aiseagan agus £13 millean air leasachadh is ùrachadh air calaidhean gus a dhèanamh cinnteach gu bheil ar so-mhaoinean a' leantainn air adhart freagarrach don adhbhar, sàbhailte, earbsach agus èifeachdach.

Tha CMAL air cuideachadh gu mòr leis an dealbh-mara nas fharsainghe, a' gabhail prìomh àite ann am pròiseactan seasmhachd a tha cuimsichte air haidreadsan a chleachdadh mar chonnadh mara. An lùib aon phròiseact bha sgrùdadh iomchaidheachd air cleachdadh haidreadsan air a thoradh bho thuathanasan gaoithe ionadail, airson seirbheisean aiseig ag obair sna h-Eileanan an Iar agus air feadh oirthir an iar na h-Alba, a chumhachdachadh san àm ri teachd. Tha CMAL a' leantainn air adhart cuideachd a' cur ri pròiseact Hyseas, a tha ag amas air a' chiad soitheach mara is aiseag thaistealaich san t-saoghal a leasachadh, a tha air a connachadh le haidreadsan.

Tha am pàirt seo de dhleatanas CMAL deatamach agus riaghaltasan air feadh na cruinne-cè a' strì ri eaconamaidheadh neoini càrboin a choileanadh. Tha buaidh chudromach àrainneachdail aig a' ghnìomhachas loingeis chruinneil, agus feumaidh sinn feuchainn ri dòighean a lorg air sgaoilidhean a lùghdachadh le bhith ag amalachadh fhuasglaidhean ùra agus teicneòlas a bhios earbsach mu choinneamh an ama ri teachd agus seasmhach do shoithichean a bhios ag obair airson 20 bliadhna no barrachd.

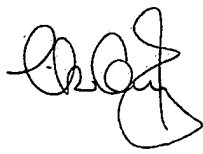
Tha eileanan Alba nan dachaigh do chuid de na coimhearsnachdan as iomallaiche agus as sgapte gu cruinn-eòlasach san Roinn Eòrpa. Tha aiseagan nam pàirt dheatamaich de lionra còmhdaidh na h-Alba gus a dhèanamh comasach do na coimhearsnachdan sin soirbheachadh agus a bhith beò, gun luaidh air buaidh eaconamach fharsaing turasachd agus gnothachas.

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Aithris a' Chathraiche airson deireadh bliadhna 31 Màrt 2020 (a' leantainn)

Gu h-iomlan tha seirbheisean aiseig matha ann an Alba. Tha fios againn gu bheil trioblaidean ann an cuid de dh'àiteachan a tha gu mòr air an stiùireadh tro earbsa agus air am biadhadh tro bhliadhnaichean de dhroch inbheistidh san lionra.

Mar a tha sinn a' dol air adhart tron bhliadhna 2020/21, fiù leis a' bhuaireadh air adhabharachadh le Covid-19, tha CMAL a' gabhail cheumannan a dh'ionnsaigh liubhairt air a phlana chorporra agus àm teachdail nas earbsaich agus nas fhualanagaich do sheirbheisean aiseig. Tha mi a' coimhead air adhart ri bhith nam phàirt dhen sin.



Erik Østergaard OBE
Cathraiche

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CEO's Statement for the year ended 31 March 2020

When our financial year 2019-2020 ended, we were getting to grips with the lockdown forced upon us by the coronavirus pandemic.

It truly was an unprecedented moment as the economy ground to a near halt with thousands of businesses and organisations across the country closing their doors and shutting down.

CMAL was no exception to that and we had to cease operations on harbour upgrade and repair projects across our network. Twelve weeks of operational construction activity was lost, which means, unfortunately, project timelines have slipped. However, we are confident our team of engineers, working with our contractors and suppliers, will do everything possible to make up for lost time. We expect most harbour projects to complete as close to the original timescales as possible.

Our entire team continued to work during the lockdown, with our IT infrastructure supporting everyone to work from home, safely and securely. We are used to mobile and remote working, since our teams spend a large portion of their time visiting the harbour network or at shipyards and dry dock.

A core part of our role involves planning and designing new and upgraded ferry and harbour infrastructure. Before a project is 'shovel-ready', there are months of project planning activity by our vessels and harbours teams. Our engineers and architects usually spend around 12 to 18 months scoping and specifying a project on paper, before tendering and thereafter construction can begin.

The process for vessel builds and harbour infrastructure projects requires consultation with Transport Scotland, as the policy maker, and Calmac or Serco Northlink Ferries, as the current ferry operators, as well as island communities and other ferry passengers. The marine environment requires a substantial volume of planning permission and consents. And of course, all projects require funding and, as a public sector body, we must create compelling bids to secure budget from the Scottish Government through our sponsor Transport Scotland.

We were pleased to secure funding for a new vessel for Islay, which will be the next ferry for the Clyde and Hebrides Ferry Service (CHFS), replacing the MV Hebridean Isles. In September 2019, we appointed a naval architecture consultancy to assist our vessels team with design development. We are engaging with the local community in Islay as part of the design process to establish key requirements, but we anticipate the vessel will be developed with a clear focus on freight. The Islay route is one of the busiest services for freight on the CHFS network, and the incoming ferry will support the island's growing demand. Sufficient passenger accommodation will also be designed to meet anticipated passenger demand.

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CEO's Statement for the year ended 31 March 2020 (cont'd)

New vessels are also being planned for the Gourock to Dunoon route. It has been evident that significant investment has been required in vessel and harbour infrastructure serving this route and project planning finally got underway in early 2019. The Gourock Harbour Infrastructure & Vessels Project, a partnership between CMAL, Transport Scotland, CalMac and Argyll & Bute Council, will deliver a modern, reliable and resilient passenger ferry service. The project covers the redevelopment of Gourock Ferry Terminal, works to harbour infrastructure at Dunoon and two new passenger-only vessels.

The project is in the very early stages and is likely to reach completion in four years. In the meantime, we are delivering a £2.5 million project to extend the life of the existing linkspan at Gourock to improve the reliability of the ferry service and reinstate the alternative mainland port.

New linkspans have been installed at Coll and Tiree during the year in a £3.6 million project to improve the long-term resilience of infrastructure. At Tiree, we are also investing in repairs to return the old pierhead to operational use.

We made a significant investment in vessels when we purchased MV Loch Seaforth in October 2019, making it a permanent part of our fleet. The £36 million deal secures the long-term future of the vessel for the Western Isles following a five-year lease agreement with Lloyds Banking Group, which financed the vessel build.

As we head into the new financial year, we published a three-year corporate plan, outlining what we hope to achieve by 2023. A key priority is reducing the average age of the vessel fleet from 23 years to 16 years, which we plan to achieve by replacing 17 vessels in the fleet within the next decade: six major vessels and eight minor vessels, three passenger-only vessels for the Gourock-Dunoon-Kilcreggan routes, as well as the two dual fuel ferries currently under construction.

The two dual fuel ferries form part of this approach and, along with island communities and Calmac, we desperately await their completion. Unfortunately, the delivery timescales for the vessels have been extended to spring 2022 for MV Glen Sannox and winter 2022/23 for Hull 802. Our vessels team continues to work closely with the new team at the Scottish Government-owned shipyard, Ferguson Marine (Port Glasgow) Limited.

Our challenge for future years is to ensure that we secure sufficient funding streams to accelerate the replacement of the ferry fleet and continued renewal of port infrastructure. Ferries are lifeline services for Scotland's islands; they need safe, reliable, and efficient services. We know what needs to be done and it is our aim to achieve all of it, or as much as we can within fiscal parameters.

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CEO's Statement for the year ended 31 March 2020 (cont'd)

I continue to be impressed by the dedication, expertise and, in recent times, the resilience of the team at CMAL. Throughout this past year, they have overcome challenges and performed under pressure from external scrutiny. I look forward to working with them further in the months ahead to improve Scotland's ferry infrastructure.

There remains much to be done in the short, medium and long term and our team is looking forward to the challenge.

A handwritten signature in black ink, appearing to read 'KH', with a long horizontal stroke extending to the right.

Kevin Hobbs
Chief Executive

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Aithris an CEO do dheireadh bliadhna 31 Màrt 2020

Nuair a thàinig a' bhliadhna ionmhasail 2019-2020 againn gu crìch, bha sinn a' fàs cleachdte ris a' ghlasadh a chaidh a sparradh oirnn tro ghalar mòr-sgaoilte a' choròna-bhìorais.

B' e mòmaid gun ro-shampall a bh' ann agus an eaconamaidh a' slaodachadh leis na mìltean de ghnothachasan is bhuidhnean air feadh na dùthcha a' glasadh an dorsan agus a' dùnadh sìos.

Cha robh CMAL dad diofraichte agus bha againn ri obair air ùrachadh ar calaidhean agus pròiseactan càraidh a stad, tarsainn an lìonra againn. Chaidh dusan seachdain de ghnìomhachd an lùib obair togail a chall, a tha a' ciallachadh gu mì-fhortanach, gu bheil loidhnichean-tìmh pròiseactan air dheireadh. Ach, tha sinn misneachail gun dèan ar sgioba de dh'innleadairean, ag obair còmhla ri ar cunnradairean agus ar solaraichean, nas urrainn dhaibh gus an ùine a chailleadh a dhèanamh suas. Tha sinn a' sùileachadh gum bi a' mhòr-chuid de na pròiseactan chaidhean crìochnaichte cho faisg 's a ghabhas a dhèanamh air an àm thùsail.

Chùm an sgioba againn air fad ag obair tro àm a' ghlasaidh, le ar bun-structar IT a' cur taic ris gach neach ag obair bhon taigh, gu sàbhailte agus gu tèarainte. Tha sinn cleachdte ri obair ghluasadach agus air astar, oir tha na sgiobaidhean againn a' caitheamh pàirt mhòr de an ùine a' tadhal air an lìonra chaidhean no air gàrraidhean-iarainn agus doca tioram.

Tha prìomh phàirt de ar dleastanas an lùib planadh agus dealbhadh bun-structar aiseagan is chaidhean ùra agus ùraichte. Mus bi pròiseact deiseil airson tòiseachadh a' togail, tha mìosan de ghnìomhachd planaidh gan cur seachad air a' phròiseact le ar sgiobaidhean shoithichean is chaidhean. Bidh ar n-innleadairean agus ar n-aitirean gu h-àbhaisteach a' caitheamh mu 12 gu 18 mìosan a' sgrùdadh 's a' sònrachadh pròiseact air pàipear, ro thairgseachadh agus faodaidh obair tòiseachadh às dèidh sin.

Tha am pròiseas an lùib pròiseactan co-cheangailte ri togail shoithichean agus bun-structar chaidhean ag iarraidh co-chomhairleachadh le Còmhdaidh Alba mar neach-dèanamh phoileasaidhean, agus Aiseagan Calmac no Serco Northlink, mar luchd-obrachaidh làithreach nan aiseagan, a thuilleadh air coimhearsnachdan nan eilean agus taistealaich aiseagan eile. Tha an àrainneachd mhara ag iarraidh meud shusbainteach de chead planaidh agus aontaidhean. Agus tha feum aig pròiseactan uile air maoinachadh, agus mar bhuidheann san roinn phoblaich, feumaidh sinn tairgsean làidir a chruthachadh airson buidseat fhaotainn bho Riaghaltas na h-Alba tro ar sponsair Còmhdaidh Alba.

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Aithris an CEO do dheireadh bliadhna 31 Màrt 2020 (a' leantainn)

Bha sinn toilichte maoinachadh fhaotainn airson an t-soithich ùir againn a' dol a dh'Ìle, agus is i sin an ath aiseag do Sheirbheisean Aiseig Chluaidh is Innse Gall (CHFS), ag ionadachadh MV Hebridean Isles. San t-Sultain 2019, dh'fhastaidh sinn seirbheis co-chomhairleachadh ann an ailtireachd mhara gus ar sgioba shoithichean a chuideachadh le leasachadh dealbhaidh. Tha sinn a' conaltradh leis a' choimhearsnachd ionadail ann an Ìle mar phàirt den phròiseas dealbhaidh gus prìomh riatanasan a stèidheachadh, ach tha sinn an dùil gun tèid an t-soitheach a leasachadh le cuimse shoilleir air cargu. Is e slighe Ìle aon de na seirbheisean as dripeile airson cargu ann an lìonra CHFS, agus cuiridh an aiseag ùr taic ri iarrtas a tha a' sìor fhàs san eilean. Thèid àite gu leòr do thaistealaich a dhealbhadh cuideachd gus an t-iarrtas a thathar a' sùileachadh a thaobh taistealaich, a choileanadh.

Tha soithichean ùra gam planadh don t-slighe eadar Gurraig agus Dùn Omhain. Tha e air a bhith follaiseach gu bheil inbheisteachd cudromach air a bhith a dhìth ann am bun-structar shoithichean is chalaidean a' frithealadh na slighe seo, agus thòisich planadh air a' phròiseact mu dheireadh thall tràth ann an 2019. Bidh Pròiseact Shoithichean is Bun-structar Cala Ghurraig, com-pàirteachas eadar CMAL, Còmhdhail Alba, CalMac agus Comhairle Earra-Ghàidheal is Bhòid, a' liubhairt seirbheis aiseige a bhios nua-aimsireil, earbsach agus fulangach. Tha am pròiseact a' còmhdach an ath-leasachaidh air Port Aiseig Ghurraig, obair air bun-structar a' chalaidean aig Dùn Omhain agus dà aiseag ùr do thaistealaich a-mhàin.

Tha am pròiseact aig ìre glè thràth le coltas a chrìochnachadh ann an ceithir bliadhna. San eadar-ama, tha sinn a' liubhairt pròiseact £2.5 millean gus beatha an alt-aiseig a th' ann an Gurraig a leudachadh gus earbsachd na seirbheis aiseige a leasachadh agus am port eile air tìr-mòr ath-stèidheachadh.

Chaidh altan-aiseig ùra a stàlachadh ann an Colla agus Tiriodh tron bhliadhna ann am pròiseact £3.6 millean gus fulangas fad-ama a' bhun-structair a leasachadh. Ann an Tiriodh, tha sinn cuideachd a' tasgadh ann an càraidhean air a' chidhe gus an t-seann cheann a-muigh air a' chidhe a thilleadh gu bhith ga obrachadh a-rithist.

Rinn sinn tasgadh cudromach ann an soithichean nuair a cheannaich sinn MV Loch Seaforth san Dàmhair 2019, ga dèanamh mar phàirt mhaireannaich den chabhlach againn. Tha an t-aonta de £36 millean a' tòirt tèarainteachd don t-soitheach sna h-Eileanan an Iar mu choinneamh an ama ri teachd, a' leantainn air aonta lios còig bliadhna le Buidheann Bancaidh Lloyds, a chuir ionmhas ri togail an t-soithich.

Mar a bha sinn a' dol a-steach don bhliadhna ionmhais ùir, dh'fhoillsich sinn plana corporra trì-bliadhna, a' mìneachadh na tha sinn an dòchas a choileanadh ro 2023. Is e am prìomhachas aois chuibheasach a' chabhlaich shoithichean a lùghdachadh bho 23 bliadhna gu 16 bliadhna, a tha sinn a' planadh a choileanadh le bhith ag ionadachadh 17 soitheach sa chabhlach taobh a-staigh an ath dheichead: sia soithichean mòra agus ochd soithichean beaga, trì soithichean do thaistealaich a-mhàin do na slighean eadar Gurraig, Dùn Omhain, Cille Chreagain, a thuilleadh air an dà aiseag dà-chonnadh a tha gan togail gu làithreach.

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Aithris an CEO do dheireadh bliadhna 31 Màrt 2020 (a' leantainn)

Tha an dà aiseag dà-chonnadh a' dèanamh suas pàirt den mhodh-obrach seo, agus còmhla ri coimhearsnachdan nan eilean agus Calmac, tha fadachd mhòr oirnn gus am bi iad crìochnaichte. Gu mì-fhortanach, tha na raointean-ama airson an crìochnachadh air an leudachadh gu earrach 2022 airson MV Gleann Sannaig agus an geamhradh 2022/23 do Hull 802. Tha ar sgioba shoithichean a' leantainn orra ag obair gu dlùth leis an sgioba ùr aig a' ghàrradh-iarainn ann an seilbh Riaghaltas na h-Alba, Ferguson Marine (Port Ghlaschu) Earranta.

Is e ar dùbhlann sna bliadhnaichean a tha romhainn, dèanamh cinnteach gum faigh sinn gu leòr sruthan airgid gus ionadachadh air a' chabhlach aiseagan a ghreasad, còmhla ri ath-nuadhachadh leantainneach air bun-structar phuirt. Tha aiseagan nan seirbheisean beatha do dh'eileanan na h-Alba; feumaidh iad seirbheisean a tha sàbhailte, earbsach agus èifeachdach. Tha fios againn dè a tha againn ri dhèanamh agus is e ar n-amas na tha sin uile a choileanadh, no nas urrainn dhuinn taobh a-staigh pharamadairean ionmhais.

Tha mi a' leantainn air adhart air mo bheò-ghlacadh leis an dìcheall, an ealantas agus o chionn ghoirid le fulangas sgioba CMAL. Tron bhliadhna a dh'fhalbh, tha iad air dèiligeadh ri dùbhlain agus air gnìomhadh fo chuideam sgrùdaidh bhon taobh a-muigh. Tha mi a' coimhead air adhart ri bhith ag obair còmhla riutha barrachd sna mìosan a tha romhainn, gus bun-structar aiseagan na h-Alba a chur am feabhas.

Tha mòran fhathast ri dhèanamh sa gheàrr-ama, meadhan-ama agus san fhad-ama agus tha an sgioba againn a' coimhead air adhart ris an dùbhlann.



Kevin Hobbs
Àrd-Oifigear

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Strategic Report

The Directors have pleasure in submitting their Strategic Report and Financial Statements for the year ended 31 March 2020.

Structure

Caledonian Maritime Assets Limited ("the Company") 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 the Clyde and Western Isles areas and 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 80% 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 £43,857,000 (2019: £46,773,000). Profit for the financial year prior to impairment was £8,357,000 and the application of this exceptional item resulted in a net loss after tax of £4,082,000 (2019: profit of £3,012,000). 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.

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 £5,580,000 were made to these schemes during the year.

Capital Investment in the year was £52m for Vessels and £13m on Ports Infrastructure. The MV Loch Seaforth was purchased in October 2019 following a five-year lease agreement with Lloyds Banking Group, which financed the vessel build.

During the year works were completed at the Lochaline Ferry Terminal to replace the aligning structure and new linkspans at Coll and Tiree. A revised programme of work is in place at Tiree Old Pierhead to reintroduce this facility.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Strategic Report (cont'd)

Business Review (cont'd)

The NEWBUILD contracts for the two dual fuel vessels were novated during the reporting period to Ferguson Marine (Port Glasgow) Ltd; a company owned by Scottish Ministers. The Shipyard has developed a revised programme for the delivery of the vessels and presented this to the Company in August 2020.

A Memorandum of Agreement is in place with Scottish Ministers which confirms that the Vessels will be completed at no additional cost to the Company and the contract price remains at £97m. There were no contractual milestone payments due or paid in the financial year to 31 March 2020.

In accordance with International Accounting Standard 38 'Impairment of Assets', the Directors have considered impairment to the carrying value of Work-In-Progress at 31 March 2020 for the Glen Sannox and Hull 802. As a result of the review, an impairment of £12.4m has been applied to the assets under construction. As the Vessel build progresses toward delivery, at the original contract price, then it is considered that this impairment will be reversed in future years.

On 30 January, the World Health Organisation (WHO) announced Coronavirus as a global health emergency. On 11 March 2020, it announced that Coronavirus was a global pandemic.

The Scottish and UK governments announced a "lockdown" due to COVID-19 on 23 March 2020, resulting in all but essential CMAL infrastructure projects/works being stopped with sites generally being made safe by 27 March. An emergency timetable was introduced by ferry operators on both the Clyde & Hebrides and Northern Isles services.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people, contractors, and suppliers (such as social distancing and working from home) and assessing the requirement of construction projects. To support our Tenants, the Company introduced rent-free periods which will continue until the end of financial year 2020/21.

The easing of lockdown restrictions started in the first week of June 2020, with the Company implementing and instructing a measured return to site works over several weeks, in line with Scottish Government and construction industry guidance.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Strategic Report (cont'd)

Business Review (cont'd)

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people and communities.

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. This includes the Skye Triangle infrastructure to upgrade Harbour facilities at Tarbet (Harris), Lochmaddy and Uig. A contractor has been awarded for Tarbet (Harris) and the project is underway.

Maintenance of harbour infrastructure is a high priority and several major maintenance projects will be delivered over the coming year to ensure that the harbours are fully operational for the communities served.

An Outline Business Case is progressing for the replacement Islay Vessel and associated harbour works.

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.

Potential impacts of COVID-19 will continue to be risk assessed and monitored by Directors.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Strategic Report (cont'd)

Business Continuity

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.

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.

A handwritten signature in black ink, appearing to read 'Kevin Hobbs', with a long horizontal flourish extending to the left.

Kevin Hobbs
Director

4 November 2020

Municipal Buildings
Fore Street
Port Glasgow
PA14 5EQ

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Directors' Report

The Directors have pleasure in submitting their Report and Financial Statements for the year ended 31 March 2020.

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 2022 (Chair)
M McNeill*x	- Appointment period to 30 April 2021
P Croucher**x	- Appointment period to 31 July 2022
G Wood*x	- Appointed 1 October 2019, Appointment period to 30 September 2022
K P Hobbs	- Chief Executive
J Anderson	- Director of Vessels
G M Bruton	- Director of Finance
R A M Muirhead	- Director of Port Infrastructure & Planning, Appointed 1 October 2019
L E Spencer	- Director of Harbours, Retired 14 June 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.

One meeting of the Remuneration Committee was held during the year.

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 2020

Directors' Report (cont'd)

Employees

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

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.

Auditor

Following the acquisition of Scott-Moncrieff Chartered Accountants by Azets, Scott-Moncrieff Chartered Accountants resigned as auditor and were replaced by Azets Audit Services Limited, trading as Azets Audit Services, a company owned by Azets.

By order of the Board



Kevin Hobbs
Director

4 November 2020

Municipal Buildings
Fore Street
Port Glasgow
PA14 5EQ

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

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 2020, the Board comprised of four Non-Executive Directors (including the Chairman) plus four Executive Directors. The gender balance of the Board comprises 6 male and 2 female Directors.

The Board functions effectively and efficiently and is considered to be 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 2020

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 mis-statement 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 2020

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.

Due to changes required by the 2019 Ethical Auditing Standard, the Company has recently tendered for a new Internal Audit provider and an award of contract is anticipated in Autumn 2020.

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Statement on Internal Control (cont'd)

Internal Control (cont'd)

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.

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 auditor and are of the view that these are such that the independent status of the auditor is not breached.

Going Concern

On 30 January, the World Health Organisation (WHO) announced Coronavirus as a global health emergency. On 11 March 2020, it announced that Coronavirus was a global pandemic. The Scottish and UK governments announced a "lockdown" due to Covid-19 on 23 March 2020, resulting in all but essential CMAL infrastructure projects/works being stopped and the introduction of an emergency timetable for ferry travel.

The Company has reviewed the impact of Covid-19 and it is not expected to have an ongoing significant impact. Directors have determined that there is no material uncertainty that casts doubt on the Company's ability to continue as a going concern. It expects that COVID-19 might have some impact, though not significant, in relation to expected future performance and timescales for the completion of capital projects, or the effects on some future asset valuations.

Based on 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 2020

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 2020

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 2020 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 2020 and of its loss 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.

Emphasis of matter – other property and investment properties

We draw attention to note 5, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the company's other property and investment property portfolio. As noted by the third party valuer, the outbreak has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the other property and investment property portfolio. Our opinion is not modified in respect of this matter.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

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

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.

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 2020

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 22, 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 2020

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. 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.

Allison Gibson

Allison Gibson (Senior Statutory Auditor)
for and on behalf of Azets Audit Services, Statutory Auditor
Chartered Accountants
 25 Bothwell Street
 Glasgow
 G2 6NL

4 November 2020

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Statement of Comprehensive Income
For the year ended 31 March 2020

		2020	2019
	Note	£'000	£'000
Revenue	6	43,857	46,773
Cost of sales		(27,347)	(33,839)
Gross profit		16,510	12,934
Administrative expenses		(4,321)	(4,193)
Other income	7	4,899	-
Other losses	7	(3,889)	(217)
Impairment	7, 10	(12,439)	-
Operating profit		760	8,524
Interest receivable	7	72	34
Interest payable	7	(4,507)	(3,813)
Other finance costs	7, 21	(2,050)	(948)
		(6,485)	(4,727)
(Loss)/profit on ordinary activities before taxation		(5,725)	3,797
Taxation			
Tax credit/(charge) for the year	8	1,643	(785)
(Loss)/profit for the financial year		(4,082)	3,012
Other comprehensive income/(expense)			
Actuarial gain/(loss) recognised in the pension scheme	21	28,069	(48,355)
Tax movement relating to the actuarial gain/(loss)	21	(2,892)	7,309
Other employers' costs to pension deficit		(3,258)	(4,134)
Gain on revaluation of property, plant & equipment	10	3,729	-
Other comprehensive income/(expense) for the year, net of tax		25,648	(45,180)
Total comprehensive income/(expense) for the year		21,566	(42,168)
(Loss/)profit attributable to: Owners of the company		(4,082)	3,012
Total comprehensive income/(expense) attributable to: Owners of the company		21,566	(42,168)

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 2020

Statement of Financial Position

As at 31 March 2020

	Note	2020 £'000	2019 £'000
Assets			
<i>Non-current assets</i>			
Property, plant & equipment	10	409,193	392,574
Investment property	10	1,941	1,848
Right of use assets	11	4,185	-
Investments	12	-	-
Total non-current assets		415,319	394,422
<i>Current assets</i>			
Trade and other receivables	13	13,096	7,280
Cash at bank and in hand	17	23,561	14,436
Total current assets		36,657	21,716
Total assets		451,976	416,138
Equity and liabilities			
<i>Capital and reserves</i>			
Called up share capital	20	15,000	15,000
Capital contribution reserve		13,800	13,800
Revaluation reserve		65,558	67,836
Retained earnings		(26,092)	(49,936)
Total equity attributable to owners of the Company		68,266	46,700
<i>Non-current liabilities</i>			
Other payables	15	231,396	200,871
Capital grants	18	71,567	70,728
Right of use liability	16	3,819	-
Net pension liability	21	55,204	79,195
Deferred tax provision	19	4,407	6,491
Total non-current liabilities		366,393	357,285
<i>Current liabilities</i>			
Trade and other payables	14	16,857	12,153
Right of use liability	16	460	-
Total current liabilities		17,317	12,153
Total liabilities		383,710	369,438
Total equity and liabilities		451,976	416,138

These Financial Statements were authorised for issue by the Board of Directors on 4 November 2020 and were signed on its behalf by:



Erik Østergaard OBE
Chairman

The notes form part of these financial statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital £'000	Capital contribution reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Total £'000
Balance at 31 March 2018	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)	-
Balance at 31 March 2019	15,000	13,800	(49,936)	67,836	46,700
Loss for the year	-	-	(4,175)	93	(4,082)
Other comprehensive income for the year	-	-	21,919	3,729	25,648
Excess of depreciation on revaluation	-	-	6,100	(6,100)	-
Balance at 31 March 2020	15,000	13,800	(26,092)	65,558	68,266

The loss 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 2020

Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Revenue receipts		43,807	46,766
Other income receipts		4,899	-
		<u>48,706</u>	<u>46,766</u>
Cash payments for:			
Cost of sales		(9,157)	(18,211)
Pension deficit		(5,392)	(9,031)
Direct pay costs		(2,679)	(2,547)
General operating and administrative expenses		(1,516)	(1,266)
		<u>(18,744)</u>	<u>(31,055)</u>
Cash generated by operating activities		<u>29,962</u>	<u>15,711</u>
Interest paid		(4,573)	(3,813)
		<u>25,389</u>	<u>11,898</u>
Cash flows from investing activities			
Interest received		72	34
Cash receipts in respect of capital grants		14,294	7,693
Cash receipts from sale of assets		-	312
Payments to acquire property, plant and equipment		(57,619)	(32,709)
Net cash (used in) investing activities		<u>(43,253)</u>	<u>(24,670)</u>
Cash flows from financing activities			
Loans received		37,957	19,321
Loans repaid		(8,225)	(5,651)
Right of use liability payments		(2,743)	-
Net cash generated by financing activities	22	<u>26,989</u>	<u>13,670</u>
Net increase in cash and cash equivalents	22	<u>9,125</u>	<u>898</u>
Cash and cash equivalents at the beginning of the year	22	14,436	13,538
Cash and cash equivalents at the end of the year	22	<u>23,561</u>	<u>14,436</u>
Comprising:			
Cash and bank balances		<u>23,561</u>	<u>14,436</u>

The notes form part of these financial statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

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 12.

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. The following standards have not had any impact on the amounts reported in these financial statements:

IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 9	Financial Instruments
IAS 19	Employee Benefits

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

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

(a) Adoption of new and revised standards (cont'd)

The following standard has had a material impact on the amounts reported in these financial statements:

IFRS 16	Leases
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IFRS 16 'Leases' came into force for accounting periods beginning on or after 1 January 2019, thus the standard was implemented as at 1 April 2019. The 'modified retrospective approach' was chosen which means the standard is applied as at 1 April 2019, with no restatement of the prior year comparatives. The Company has operating leases relating to vessels, property and motor vehicles. At 1 April 2019 'right of use' assets have been recognised in respect of these leases for £20,789,998 with a finance lease liability of £20,789,998 recognised. Thus, there is no impact to equity.

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:

Amendment to IFRS 16	Leases – Covid-19 Related Rent Concessions
IAS 1	Presentation of Financial Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS39	Financial Instruments: Recognition and Measurement
IFRS 7	Financial Instruments: Disclosures
IFRS 9	Financial Instruments

The Directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments. 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.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

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. All other decreases are charged to the income statement. 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, are 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. All other decreases are charged to the income statement. When revalued assets are sold the amounts included in other comprehensive income are transferred to net earnings.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

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. All other decreases are charged to the income statement. 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. An impairment review of assets under construction is undertaken at the end of each reporting period and any impairment charge identified is incorporated into the financial statements. 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 2020

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.

Impairment of assets

As impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the assets recoverable amount exceeds its carrying amount.

(c) Right of use assets

IFRS 16 requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments discounted using the interest rate implicit in the lease.

A lessee recognises depreciation of the right-of-use asset using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

The lease asset is shown separately on the face of the statement of financial position.

(d) Investments

Fixed asset investments are carried at cost.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

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

(e) Capital grants

Capital grants are deferred and taken to the income statement over the anticipated lives of the relevant assets. If the relevant asset has a revaluation loss when it is first revalued, a proportion release is made from capital grants to the income statement.

(f) 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.

(g) 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.

(h) Interest income

Interest income is recognised using the effective interest method.

(i) 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.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

4. Summary of significant accounting policies (cont'd)**(i) Current and deferred tax (cont'd)**

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.

(j) 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.

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.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

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

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.

(k) 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, which are initially measured at fair value.

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.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

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

(l) 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.

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.

(m) 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.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

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

(m) Derivative financial instruments (cont'd)

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.

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.

(n) 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.

(o) Share capital

Ordinary shares are classified as equity.

(p) Going concern

On the basis of the information available to them, and taking into account the impact of Covid-19, 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 2020

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:

Other property and investment properties

Other property which is used in support of lifeline ferry services and investment properties which are surplus to requirement for supporting lifeline ferry services are stated at fair value at the reporting date. Gains and losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise, whilst gains and losses arising from changes in fair value of other property are included in other comprehensive income in the period in which they arise. As noted by the third party valuer, the outbreak of COVID-19 has caused extensive disruptions to businesses and economic activities. The uncertainties created have increased the estimation uncertainty over the value of other property and investment properties at the balance sheet date. This has been taken into consideration in determining the carrying value of other property and investment properties, which can be found at note 10.

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 21.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

6. Revenue

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

	2020	2019
	£'000	£'000
Vessel charter fee	21,746	24,295
Harbour access charge raised against operator	17,303	17,609
Property & equipment licence fee from operator	147	145
Revenue from harbour dues	253	231
Rental income from properties not required for harbour operations	253	269
Revenue grants received	3,993	4,056
Other cost recoveries and contributions	162	168
	<u>43,857</u>	<u>46,773</u>

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

CalMac Ferries Ltd operates 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 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.

The contract for the Northern Isles Ferry Service to the Shetland and Orkney Isles was awarded by Scottish Ministers on 30 June 2020 to Serco Ltd NorthLink Ferries. The contract has been awarded for a period of 6 years and fees are charged in line with the new contract.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

7. (Loss)/profit on ordinary activities before tax

The (loss)/profit is stated after (charging)/crediting:	2020	2019
	£'000	£'000
Auditor's remuneration		
- Audit of these Financial Statements	(25)	(26)
- Other services relating to internal audit and accounting	(20)	(1)
Depreciation of property, plant and equipment (Note 10)	(20,890)	(19,168)
Depreciation of right of use assets (Note 11)	(2,903)	-
Impairment (Note 10)	(12,439)	-
Staff costs (Note 9)	(2,889)	(2,836)
Interest received on bank balances	72	34
Operating lease costs - land & buildings	-	(448)
Release of capital grants (Note 18)	6,360	3,445
(Loss)/gain on disposal of fixed assets and investments	(781)	27
Other income	4,899	-
Interest payable – loans	(4,215)	(3,615)
Interest on pension deficit contributions	(44)	(198)
Interest on right of use assets	(248)	-
	<u>(4,507)</u>	<u>(3,813)</u>
Other finance costs - interest on pension scheme assets (Note 21)	5,924	5,357
- interest on pension scheme liabilities (Note 21)	(7,974)	(6,305)
	<u>(2,050)</u>	<u>(948)</u>
Other losses - loss on revaluation of property plant and equipment and investment property (Note 10)	(17,392)	(217)
- release of capital grants on revaluation (Note 18)	13,503	-
	<u>(3,889)</u>	<u>(217)</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

8. Taxation

	2020	2019
	£'000	£'000
The tax (credit)/charge for the year is made up as follows:		
Corporation Tax		
UK corporation tax on (loss)/profit for the year at 19% (2019: 19%)	62	-
Deferred Tax		
Increase in deferred tax provision (Note 19)	(2,084)	469
Deferred tax in relation to pensions	379	316
Total deferred tax charge	(1,705)	785
Tax (credit)/charge on (loss)/profit on ordinary activities	(1,643)	785
The tax assessed for the period differs from the standard rate of corporation tax of 19% (2019: 19%)		
The differences are explained below:		
(loss)/Profit on ordinary activities before tax	(5,725)	3,797
UK corporation tax at 19% (2019: 19%)	(1,088)	721
Effects of:		
Expenses not allowable for tax purposes	285	1,449
Non-taxable income/gains	(76)	(333)
Adjustments in deferred tax in relation to pensions	(468)	333
Rolled over capital gains	-	53
Fixed asset differences	(2,182)	-
Adjustments in respect of prior periods	642	-
Other adjustments	25	-
Impact of change in tax rate	1,219	(1,438)
	(1,643)	785

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

9. Employee information

	2020	2019
	£'000	£'000
Staff Costs (including Directors)		
Wages & salaries	1,777	1,637
Social security costs	224	211
On-going pension contributions	695	772
Pension contributions towards past deficits – other schemes (see below)	4	3
Staff related costs	<u>395</u>	<u>409</u>
	<u>3,095</u>	<u>3,032</u>
Employee costs included above allocated to capital projects	206	196

This represents provisions and payments made towards past deficits in industry-wide schemes as described in Note 21.

	2020	2019
	No.	No.
Employee numbers		
Average number of employees, including Directors		
Administrative	34	33

	2020	2019
	£'000	£'000
Directors' remuneration		
Non-executive directors' emoluments	55	59
Non-executive directors' pension costs	-	-
Executive directors' emoluments	418	433
Executive directors' pension costs	<u>112</u>	<u>121</u>
	<u>585</u>	<u>613</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 2020. No bonus payments were made in the financial year.

National insurance contributions made on behalf of the Executive Directors were £51,621 (2019: £49,673).

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

5 directors are members of defined benefit pension schemes (2019: 4 directors).

The emoluments of the highest paid director were £126,925 (2019: £116,827). £32,403 (2019: £31,905) 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 2020

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
COST OR VALUATION	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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 1 April 2019	1,848	15,008	218,917	201,946	356	99,898	537,973
Additions	-	-	635	37,970	-	25,913	64,518
Transfers	-	293	10,857	7,826	-	(18,976)	-
Disposals	-	-	(10,205)	-	-	-	(10,205)
Revaluation (decrease)/increase	93	(8,378)	99	-	-	-	(8,186)
Balance as at 31 March 2020	1,941	6,923	220,303	247,742	356	106,835	584,100
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as 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 at 1 April 2019	-	517	128,288	14,443	303	-	143,551
Disposals	-	-	(9,392)	-	-	-	(9,392)
Depreciation expense/impairment	-	412	4,676	15,762	40	12,439	33,329
Revaluation	-	(929)	6,407	-	-	-	5,478
Balance as at 31 March 2020	-	-	129,979	30,205	343	12,439	172,966
Carrying Amounts							
Balance as at 31 March 2019	1,848	14,491	90,629	187,503	53	99,898	394,422
Balance as at 31 March 2020	1,941	6,923	90,324	217,537	13	94,396	411,134
Carrying amount under cost model							
Balance as at 31 March 2019	-	17,791	68,182	142,393	53	99,898	328,888
Balance as at 31 March 2020	-	17,274	74,092	176,667	13	94,396	362,442

Included in the cost of Assets in Construction is £8,396,896 (2019: £6,054,142) of interest arising on the financing of new vessels. Interest has been calculated at rates ranging from 1.88% to 3.25% (2019: 1.88% to 3.25%).

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

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

Investment property assets were valued at 31 March 2020 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:

	2020	2019
	£'000	£'000
Investment properties		
Land	812	780
Buildings	1,129	1,068
	<u>1,941</u>	<u>1,848</u>

Other property assets were valued at 31 March 2020 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:

	2020	2019
	£'000	£'000
Other property assets		
Land	3,603	3,472
Buildings – freehold	3,290	11,536
Buildings – leasehold	30	
	<u>6,923</u>	<u>15,008</u>

Piers, slipways and linkspan facilities were valued at 31 March 2020 by Jacobs, Consulting Engineers, on a depreciated replacement cost basis and the cost/valuation is as follows:

	2020	2019
	£'000	£'000
Piers and slipways	171,510	173,689
Linkspan facilities	48,793	45,228
	<u>220,303</u>	<u>218,917</u>

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

	2020	2019
	£'000	£'000
Vessels	<u>247,742</u>	<u>201,946</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

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

Capital commitments	2020	2019
	£'000	£'000
No provision has been made in these accounts for:		
Outstanding capital commitments contracted for amounting to	25,896	21,409
Capital Grants receivable in respect of these commitments amounting to	17,099	-

11. Right of use assets

	Other property £'000	Vessels £'000	Motor vehicles £'000	Total £'000
COST				
At 1 April 2019	-	-	-	-
Transitional adjustment to IFRS 16	4,450	16,273	67	20,790
Additions	-	-	151	151
Disposals	-	(16,273)	-	(16,273)
At 31 March 2020	<u>4,450</u>	<u>-</u>	<u>218</u>	<u>4,668</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 April 2019	-	-	-	-
Transitional adjustment to IFRS 16	-	-	-	-
Depreciation charge for the year	(418)	(2,420)	(65)	(2,903)
Disposals	-	2,420	-	2,420
At 31 March 2020	<u>(418)</u>	<u>-</u>	<u>(65)</u>	<u>(483)</u>
Carrying amounts				
Balance as at 31 March 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31 March 2020	<u>4,032</u>	<u>-</u>	<u>153</u>	<u>4,185</u>

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.5%.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

12. 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 2020 is £2 (2019: £2).

13. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	344	775
Prepayments and accrued income	12,752	6,505
	<u>13,096</u>	<u>7,280</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 (2019: £9,050) was held against receivables.

14. Trade and other payables

	2020 £'000	2019 £'000
Loans (Note 15)	9,439	7,685
Trade payables	1,812	790
Other creditors and accruals	5,544	3,678
Corporation tax	62	-
	<u>16,857</u>	<u>12,153</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 2020

Notes to the Accounts (cont'd)

15. Other payables

	2020	2019
	£'000	£'000
Unsecured vessel loans not wholly repayable within five years, repayable in half-yearly instalments	231,916	202,184
Less repayable within twelve months (Note 14)	(9,439)	(7,685)
	<u>222,477</u>	<u>194,499</u>
Other creditors	8,919	6,372
	<u>231,396</u>	<u>200,871</u>
Instalments on the loans included above are repayable as follows:		
between one and two years	10,693	8,335
between two and five years	34,874	30,252
after five years	176,910	155,912
	<u>222,477</u>	<u>194,499</u>

Unless authorised by Scottish Ministers, the Company can borrow only from Scottish Ministers. At 31 March 2020, the Company had 15 loans outstanding (2019: 14) 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. Six loans are repayable on an annuity basis; three 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.

16. Right of use asset liability

Instalments on the right of use asset liability are repayable as follows:

	2020	2019
	£'000	£'000
Within 1 year	460	-
Between one and two years	446	-
Between two and five years	913	-
After five years	2,460	-
	<u>4,279</u>	<u>-</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

16. Right of use asset liability (cont'd)

The lease liability is secured on the related underlying assets. The undiscounted maturity analysis of the lease liability as at 31 March 2020 is as follows:

	2020	2019
	£'000	£'000
Within 1 year	585	-
Between one and two years	561	-
Between two and five years	1,183	-
After five years	3,029	-
	<u>5,358</u>	<u>-</u>

The Company has a number of property, vessel and motor vehicle leases. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions.

At 1 April 2019 the Company leased a vessel which had a lease term of eight years from the delivery of the vessel in October 2014. In October 2019 the Company purchased the vessel, making it a permanent part of the fleet.

The Company has elected not to recognise right of use assets and lease liabilities for leases that are short-term and/or leases of low value items.

The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For details of the interest expense in relation to leasing liabilities, refer to Note 7.

Total cash outflows in respect of leasing liabilities in the year to 31 March 2020 is £2,743,436.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

17. 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	
							Interest rate		maturity	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000	%	%	Years	Years
Loans	231,916	202,184	-	-	231,916	202,184	2.95	3	20	21
Cash	(23,561)	(14,436)	-	-	-	-	-	-	-	-
Net Borrowing	208,355	187,748	-	-	231,916	202,184	2.95	3	20	21

All the Company's borrowings are at fixed rates of interest. The fair value of these loans at 31 March 2020 ascertained through discounting the future cash flows at the National Loans Fund rate was £237,697,060 (2019: £211,815,100).

(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 headroom as determined by the above mentioned forecasts. At the reporting date the Company held money market funds of £Nil (2019: £Nil) and other liquid assets of £23,561,000 (2019: £14,436,000).

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

17. 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.

	Within 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	Over 5 years £'000
At 31 March 2020				
Borrowings	9,899	11,139	35,787	173,370
Trade & other payables	7,241	8,919	-	-
At 31 March 2019				
Borrowings	7,685	8,335	30,252	155,912
Trade & other payables	4,372	6,372	-	-

(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 2020

Notes to the Accounts (cont'd)

17. Financial risk management (cont'd)

Capital risk management (cont'd)

The Company charters its vessels to the operator of the Clyde & Hebrides (CHFS) lifeline ferry services, CalMac Ferries Ltd and Serco Northlink (NIFS), both of whom have a public service contract with Scottish Ministers. The CHFS contract is due to expire on 30 September 2024. The NIFS contract was awarded from 30 June 2020 and is due to expire on June 2026 at which time it will be re-let. There are no capital grants associated with these vessels.

18. Capital grants

	2020	2019
	£'000	£'000
Balance at 1 April	70,728	64,966
Grants received and receivable	20,702	9,207
Released to statement of comprehensive income	(6,360)	(3,445)
Released to other losses – revaluation	(13,503)	-
Balance at 31 March	<u>71,567</u>	<u>70,728</u>

19. Provisions for liabilities and charges

	2020	2019
	£'000	£'000
Deferred tax		
The main components of deferred tax at 19% (2019: 17%) are:		
Accelerated capital allowances	6,576	9,295
Other timing differences	(931)	(969)
Trading losses	(1,238)	(1,883)
Rolled over capital gains	0	48
Balance at 31 March	<u>4,407</u>	<u>6,491</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

20. Share capital

	2020	2019
	£'000	£'000
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.

21. Pension arrangements

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

	2020	2019
	£'000	£'000
On-going contributions		
Company scheme	650	752
Other schemes	15	15
Contributions towards past deficits		
Other schemes	4	3
	669	770

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 2020

Notes to the Accounts (cont'd)

21. 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 2018 was updated to 31 March 2020 by a qualified independent actuary. The amounts recognised in the statement of financial position are as follows:

	2020 £'000	2019 £'000
Present value of funded liabilities	(316,478)	(322,713)
Fair value of scheme assets	248,325	227,297
Deficit	(68,153)	(95,416)
Related deferred tax asset	12,949	16,221
Net liability	<u>(55,204)</u>	<u>(79,195)</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

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

	2020 £'000	2019 £'000
Current service cost	674	532
Past service cost	-	220
Net financing cost	2,050	948
	<u>2,724</u>	<u>1,700</u>

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

	2020 £'000	2019 £'000
Staff costs	674	752
Other finance costs	2,050	948
	<u>2,724</u>	<u>1,700</u>
Actual return on scheme assets	<u>4,283</u>	<u>13,678</u>

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

	2020 £'000	2019 £'000
Opening cumulative other comprehensive (expense)	(114,399)	(66,044)
Remeasurements:		
- actuarial (losses)/gains– asset remeasurement	(4,208)	8,321
- actuarial (losses)/gains arising from changes in demographic assumptions	(1,846)	2,838
- actuarial gains/(losses) arising from changes in financial assumptions	31,776	(52,023)
- actuarial gains/(losses) arising from experience	2,347	(7,491)
Closing cumulative other comprehensive (expense)	<u>(86,330)</u>	<u>(114,399)</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

Changes in the present value of the defined benefit liabilities

	2020	2019
	£'000	£'000
At 1 April	322,713	244,870
Current service cost – Caledonian Maritime Assets Ltd	674	532
Past service cost	-	220
Current service cost - Others	24,883	18,824
Employee contributions	2,936	2,940
Interest cost	7,974	6,305
Actuarial losses/(gains) arising from changes in demographic assumptions	1,846	(2,838)
Actuarial (gains)/losses arising from changes in financial assumptions	(31,776)	52,023
Actuarial (gains)/losses arising from experience	(2,347)	7,491
Benefits paid	(10,425)	(7,654)
At 31 March	<u>316,478</u>	<u>322,713</u>

Changes in the fair value of the scheme assets

	2020	2019
	£'000	£'000
At 1 April	227,297	198,490
Interest income on assets	5,924	5,357
Re-measurement (losses)/gains	(4,208)	8,321
Employer contributions	26,801	19,843
Employee contributions	2,936	2,940
Benefits paid	(10,425)	(7,654)
At 31 March	<u>248,325</u>	<u>227,297</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

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

	2020	2019
	%	%
Equities	38.0	43.1
LDI	25.9	22.0
Bonds	6.1	7.9
Property	5.2	5.9
Other	24.8	21.1

Principal actuarial assumptions at the year-end were:

	2020	2019
	%	%
Discount rate at 31 March	2.25	2.50
RPI Inflation	2.40	3.20
Future salary increases – 2019/20	-	4.20
Future salary increases – 2021/20	3.40	-
Future pension increases	Derived from RPI assumptions	Derived from RPI assumptions

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

Post retirement mortality assumptions are as follows: -

2020	2019
SAPS S2 "Heavy" with scaling factors of 95% for males and 115% for females, future mortality improvements are in line with the CMI_2019 model with a smoothing factor of $S_k = 7.75$ with parameter A equal to 0% and long-term rate of improvement underpin of 1.5% p.a.	SSAPS 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 $S_k = 7.5$ with parameter A equal to 0% and long-term rate of improvement underpin of 1.5% p.a.

<u>Sensitivity</u>	<u>Impact on defined benefit liability</u>
Discount rate -0.1%	Increases the liability by +2.0%
RPI inflation +0.1%	Increases the liability by +1.6%
Mortality scaling factor reduced by 10%	Increases the liability by +2.6%

Historical pension scheme information

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

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Present value of defined benefit liabilities	(316,478)	(322,713)	(244,870)	(242,783)	(183,473)
Fair value of scheme assets	248,325	227,297	198,490	178,573	142,052
Deficit	(68,153)	(95,416)	(46,380)	(64,210)	(41,421)
Experience adjustment on scheme liabilities	2,347	(7,491)	(807)	(723)	(5,376)
Re-measurement (losses)/gains on scheme assets	(4,208)	8,321	2,658	19,531	(8,146)

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

The Company expects to contribute approximately £5,277,313 to this defined benefit plan in the next financial year.

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 (MNOF) and in the Merchant Navy Ratings' Pension Fund (MNRPF). Both MNOF and MNRPF are industry-wide defined benefit pension schemes.

The MNOF 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 MNOF) (ERP (for the MNOF)), a defined contribution plan established within the MNOF. The 2018 valuation of the MNOF scheme showed a funding shortfall of £73 million. The value as at 31 March 2018 of the outstanding deficits arising from the earlier year's 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 2020

Notes to the Accounts (cont'd)

21. 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 was fully paid as at 31 March 2020.

The Trustees of the MNOPF 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 MNOPF and MNRPF as if they were defined contribution schemes.

22. Net debt reconciliation

	At 1 April 2019 £'000	Cash flows £'000	Other changes £'000	At 31 March 2020 £'000
Bank and cash in hand	14,436	9,125	-	23,561
Other loans repayable within one year	(7,685)	8,225	(9,979)	(9,439)
Right of use asset liability within one year	-	-	(460)	(460)
Other loans repayable after one year	(194,499)	(37,957)	9,979	(222,477)
Right of use asset liability after one year	-	2,743	(6,562)	(3,819)
Net debt	(187,748)	(17,864)	(7,022)	(212,634)

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

23. 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 vehicles and office equipment. The introduction of IFRS16 Leases for the reporting period beginning 1 April 2019 has changed the treatment of Operational Leases and the relevant recognition of these Right of Use assets is shown at Note 11.

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

Land and buildings	2020 £'000 Land	2020 £'000 Buildings	2019 £'000 Land	2019 £'000 Buildings
Payable within one year	-	-	265	192
After one year but less than five	-	-	851	661
After more than five years	-	-	1,427	379
	<u>-</u>	<u>-</u>	<u>2,543</u>	<u>1,232</u>
Other			2020 £'000	2019 £'000
Payable within one year			-	4,970
After one year but less than five			-	12,288
			<u>-</u>	<u>17,258</u>

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

Property, plant and equipment	2020 £'000 Investment property	2020 £'000 Vessels	2019 £'000 Invest- ment property	2019 £'000 Vessels
Receivable within one year	264	20,979	260	15,552
After one year but less than five	822	88,569	804	47,236
After more than five years	918	1,664	547	-
	<u>2,004</u>	<u>111,212</u>	<u>1,611</u>	<u>62,788</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2020

Notes to the Accounts (cont'd)

24. 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:

	2020	2019
	£'000	£'000
Capital grants received and receivable (Note 18)	20,702	9,207
Capital grants due at 31 March	10,681	4,273
Grant in aid received and receivable	3,993	4,045
Loans received and receivable	37,957	19,492
Project management fees & other charges	60	60
Project management fees & other charges payable at March	29	10
Loans repaid	8,225	5,821
Interest paid and payable	4,215	3,628
Interest on vessel new build	2,343	2,316
Balance of loans due at 31 March	231,916	202,184

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:

	Sold to/ (purchased from)		Owed by/ (owed to)	
	David MacBrayne Group		David MacBrayne Group	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Vessel leasing charges	16,508	18,273	-	-
Harbour access charges	17,303	17,159	847	653
Property & equipment licence	161	144	9	-
Rent	156	158	2	-
Repair & other costs recoveries	386	237	277	56
Vessel upgrades, modifications & repairs	(9,766)	(4,825)	(2,959)	(449)
Ferry travel costs	(9)	(11)	-	-
New vessel builds project supervision & costs	-	(678)	-	-
Pier operations	(5,318)	(4,744)	-	(436)

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Notes to the Accounts (cont'd)

24. 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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Services of Finance Director	57	61	28	16

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Company Number SC001854

Registered Office Municipal Buildings
Fore Street
Port Glasgow
PA14 5EQ

Auditors Azets Audit Services

Solicitors Addleshaw Goddard LLP

Bankers Royal Bank of Scotland