



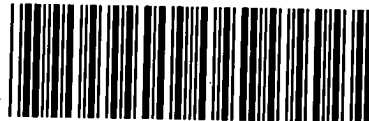
CALEDONIAN MARITIME ASSETS LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR TO 31 MARCH 2022

COMPANY NUMBER: SC001854

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ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Contents

|  |         |
|--|---------|
| Chair's Statement                        | Page 1  |
| CEO's Statement                          | Page 5  |
| Strategic Report                         | Page 10 |
| Directors' Report                        | Page 13 |
| Statement on Internal Control            | Page 17 |
| Statement of Directors' Responsibilities | Page 21 |
| Independent Auditor's Report             | Page 22 |
| Statement of Comprehensive Income        | Page 26 |
| Statement of Financial Position          | Page 27 |
| Statement of Changes in Equity           | Page 28 |
| Statement of Cash Flows                  | Page 29 |
| Notes to the Accounts                    | Page 30 |

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Chair's Statement for the year ended 31 March 2022

This is my first annual report as Chair of CMAL's board, after taking over from Erik Østergaard in January 2022. Erik stepped down from the board of CMAL after serving for 14 years, including seven as Chair. I would like to thank him for his leadership and commitment to CMAL during that time and I look forward to continuing to work with him in his new role as Chair of David MacBrayne Limited (DML).

I have been a board member at CMAL for eight years and it is a privilege to have been appointed interim Chair in January 2022 and confirmed in this role in September 2022, despite the challenges we currently face. Only a matter of weeks after my appointment, Audit Scotland published its report into the arrangements around the contract to design and build two dual fuel ferries. The CMAL board welcomed the report, which we believe was fair and balanced, which found that the failure to deliver the vessels on time and budget rested principally with the shipyard. Nevertheless, CMAL has taken the opportunity to reflect and to identify lessons learned and opportunities for improvement. The result is a more robust approach to vessel procurement, including improved financial due diligence on bidders and consultation with third- party naval architects to support concept designs and conduct additional technical assessments. Learnings are being applied across harbours projects and other contracts too, strengthening processes company-wide.

We are acutely aware of the repercussions of the delay of the build of MV Glen Sannox and Hull 802, the impact on island communities and the frustrations and challenges which have been caused. These are replacement vessels and are intended to bring much needed improvement in resilience to the fleet. While CMAL is no longer the contracting party with Ferguson Marine (Port Glasgow) we continue to support the shipyard and Scottish Government to ensure the vessels are delivered as quickly as possible and we have seconded one of our senior project managers to the yard.

Despite the considerable amount of management time which continues to be expended on these two vessels and the disruption brought by the pandemic, the CMAL team has been able to continue progressing vital infrastructure work in other areas. A number of projects have been completed successfully, all within budget, including the first phase of the redevelopment at Tarbert Ferry Terminal on Harris to install a new pier. I would like to pay tribute to Kevin Hobbs and his team for their effort and commitment.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Chair's Statement for the year ended 31 March 2022 (cont'd)

Looking forward, the Scottish Government's commitment to invest £580m over the next five years is highly welcome. Historically, like all publicly funded organisations, CMAL's funding approvals have been granted on an annual basis. This has made strategic planning of major, multi-year infrastructure projects, such as vessel design and build and harbour upgrades, challenging. A longer-term commitment to investment means more effective planning can be conducted and more projects can get underway, enabling the team to accelerate plans to replace vessels and upgrade harbour infrastructure. However, the Board has been clear with Scottish Government that significantly more future funding is still required.

Currently, projects are at various stages to replace 14 CHFS vessels: seven small, four major (including the two dual fuel ferries and the vessels for Islay being built in Turkey), and three passenger-only ships. From 2026 we will add a further three small and four major, as well as two freight ferries for the Northern Isles Ferry Service (NIFS). If further funding is committed by Scottish Government, it may be possible to accelerate these timescales.

In parallel, major harbour upgrade projects are in detailed planning for Gourock and Port Ellen on Islay. A local, Stornoway-based contractor was appointed to build the new terminal building at Tarbert Ferry Terminal and, so far, its work standard and progress is impressive.

The nature of shipbuilding and harbour infrastructure means, unfortunately, there are no quick fixes for the well-publicised issues on the network. We continue to look at second-hand tonnage, but very little comes on the market which is suitable for our marine and harbour conditions. While we now have long-term committed funding for new projects, these projects require months or, in some cases, years of planning before cutting steel or breaking ground. We are, effectively, playing catch up to renew vessels and replace life-expired harbour infrastructure. But momentum is building and CMAL's team is committed to doing the best it can with the resources available.

As we head into a new financial year, there is a renewed sense of optimism with COVID-19 and its associated barriers hopefully behind us. However, we are not immune to the political, economic and social challenges which the world currently faces. As a relatively small organisation, CMAL has a huge responsibility and a lot of work to do. The team has the full support of the Board to deliver its essential work to transform the fleet and harbours. I am confident improvements will be delivered and ferry and harbour infrastructure will be transformed for the good and benefit of Scotland's communities and economy.



Morag McNeill  
Chair

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Aithris a' Chathraiche airson na bliadhna a chrìochnaich air 31 Màrt 2022

Seo a' chiad aithisg bhliadhnail agam mar Chathraiche air bòrd CMAL, às dèidh dhomh gabhail thairis bho Erik Østergaard san Fhaoilleach 2022. Leig Erik dheth a dhreuchd air bòrd CMAL às dèidh 14 bliadhna de sheirbheis, a' gabhail a-steach seachd bliadhna mar Chathraiche. Bu mhath leam taing a thoirt dha airson a cheannas agus a dhealas do CMAL rè na h-ùine sin agus tha mi a' dèanamh fiughair ri bhith ag obair còmhla ris na dhreuchd ùr mar Chathraiche Dàibhidh Mac a' Bhruthainn Earranta (DML).

Tha mi air a bhith nam bhall de bhòrd CMAL fad ochd bliadhna agus bha e na urram dhomh a bhith air m' fhadhadh mar Chathraiche eadar-amail san Fhaoilleach 2022, agus air mo dhaingneachadh san dreuchd san t-Sultain 2022, a dh'aindeoin nan dùbhlain a tha romhainn an-dràsta. Dìreach beagan sheachdainean às dèidh dhomh a bhith air mo chur san dreuchd, dh'fhoillsich Sgrùdadh Alba an aithisg aca air na h-ullachaidhean timcheall air a' chùmhnannt gus dà aiseag dà-chonnaidh a dhealbhadh agus a thogail. Chuir Bòrd CMAL fàilte air an aithisg, a bha cothromach nar beachd, agus a cho-dhùin gur e an gàrradh-shoithichean bu chòireach gu sònraichte gun robh na soithichean air dheireadh agus gun deach iad thairis air a' bhuidseat. A dh'aindeoin sin, tha CMAL air an cothrom a ghabhail gus meòrachadh agus gus na leasan a chaidh ionnsachadh agus na cothroman leasachadh aithneachadh. Mar thoradh air seo, tha dòigh-obrach nas treasa ann a thaobh solarachadh shoithichean, a' gabhail a-steach dicheall ionmhais iomchaidh air luchd-tairgse agus co-chomhairle le ailtirean cabhlaich treas-phàrtaidh gus taic a chumail ri dealbhadh bun-bheachd agus measaidhean teicnigeach a bharrachd a dhèanamh. Thathar a' cur na dh'ionnsaich sinn an sàs ann am pròiseactan chalachan agus ann an cùmhnanntan eile cuideachd, a' neartachadh phròiseasan air feadh na companaidh.

Tha sinn gu math mothachail air a' bhuaidh a th' aig an dàil air togail an MV Gleann Shannaig agus Hull 802, air a' bhuaidh air coimhearsnachdan eileanach agus air na duilgheadasan agus na dùbhlain a tha air èirigh mar thoradh air seo. Bidh na soithichean ùra seo a' dol an àite seann shoithichean agus thathar ag amas air piseach a thoirt air ath-leumachd a' chabhlaich, rud air a bheil feum nach beag. Ged nach eil CMAL na phàrtaidh cùmhnannt le Ferguson Marine (Port Ghlaschu) tuilleadh, tha sinn a' cumail oirnn a' toirt taic dhan ghàrradh-shoithichean agus do Riaghaltas na h-Alba gus dèanamh cinnteach gun tèid na soithichean a libhrigeadh cho luath 's a ghabhas agus tha sinn air aon de na prìomh mhanaidsearan pròiseict shoithichean againn a thoirt dhan ghàrradh air fo-fhadhadh.

A dh'aindeoin na h-ùine mhòr a bhios stiùirichean fhathast a' caitheamh air an dà shoitheach sin agus air an ùpraid a dh'adhbharaich an galar lèir-sgaoilte, bha e comasach do sgioba CMAL leantainn air adhart le obair bun-structair deatamach ann an raointean eile. Chaidh grunn phròiseactan a chrìochnachadh gu soirbheachail, uile taobh a-staigh buidseit, a' gabhail a-steach a' chiad ire den ath-leasachadh aig Port-aiseig an Tairbeirt anns na Hearadh gus cidhe ùr a thogail. Bu mhath leam Kevin Hobbs agus an sgioba aige a mholadh airson an cuid obrach agus an dealais.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

A' coimhead air adhart, tha sinn a' cur fàilte mhòr air gealltanas Riaghaltas na h-Alba £580m a thasgadh thar nan còig bliadhna a tha romhainn. Gu h-eachdraidheil, chaidh cead maoineachaidh CMAL a thoirt seachad gach bliadhna mar a thachras leis a h-uile buidheann a bhios a' faighinn maoineachadh poblach. Tha planadh ro-innleachdail air pròiseactan bun-structair mòra, ioma-bliadhna, leithid dealbhadh shoithichean agus togail shoithichean agus ùrachadh cala, air a bhith dùbhlach mar thoradh air seo. Tha gealltanas gus tasgadh san fhad-ùine a' ciallachadh gun gabh planadh nas èifeachdaiche a dhèanamh agus gun urrainnear tòiseachadh air barrachd phròiseactan, a' toirt cothrom dhan sgioba planaichean a chur air dòigh gus soithichean ùra a chur air dòigh agus bun-structar cala ùrachadh. Ach, tha am Bòrd air innse gu soilleir do Riaghaltas na h-Alba gu bheil feum fhathast air mòran a bharrachd maoineachaidh san àm ri teachd.

Tha pròiseactan a' dol air adhart aig diofar ìrean aig an àm seo gus 14 soithichean a chur an àite seann shoithichean air cùmhnan Aiseagan Chluaidh is Innse Gall: seachd soithichean beaga, ceithir soithichean mòra (a' gabhail a-steach an dà aiseag dà-chonnaidh agus na soithichean airson Ìle a thathar a' togail anns an Tuirc), agus trì soithichean luchd-siubhail a-mhàin. Bho 2026, cuiridh sinn trì soithichean beaga agus ceithir prìomh shoithichean eile ri seo, a bharrachd air dà aiseag bathair airson Seirbheis Aiseig nan Eilean a Tuath. Ma thèid barrachd maoineachaidh a ghealltainn le Riaghaltas na h-Alba, dh'fhaodadh gum bi e comasach na clàran-ama sin a ghiorrachadh.

Aig an aon àm, tha pròiseactan mòra gus calachan ùrachadh aig ìre dealbhaidh mhionaideach airson Gurraig agus Port Ilein ann an Ìle. Chaidh cunradair ionadail, stèidhichte ann an Steòrnabhagh, fhastadh gus an togalach ùr aig Tèirmineal Aiseig an Tairbeirt a thogail agus, gu ruige seo, tha an ìre obrach agus an adhartas a rinneadh air leth math. Tha nàdar togail shoithichean agus bun-structar cala a' ciallachadh, gu mì-fhortanach, nach eil fuasglaidhean luath furasta ann airson nan duilgheadasan follaiseach air an lìonra. Tha sinn fhathast a' coimhead air bàtaichean ath-làimhe, ach is e glè bheag a tha a' tighinn air a' mhargaidh a tha iomchaidh airson nan suidheachaidhean mara is cala againn. Ged a tha maoineachadh fad-ùine againn a-nis airson pròiseactan ùra, feumaidh na pròiseactan sin mìosan no, ann an cuid de chùisean, bliadhnaichean de phlanadh mus tèid stàilinn a ghearradh no talamh a bhriseadh. Mar sin, tha dàil ann le bhith a' cur bhàtaichean ùra an àite sheann bhàtaichean agus le bhith a' togail bun-structar cala far a bheil seann chalachan aig deireadh am beatha-obrach. Ach tha cùisean a' gluasad air adhart agus tha sgioba CMAL gu mòr airson a bhith a' dèanamh a dhìcheall leis na so-mhaoinean a tha rim faighinn. Agus sinn a' dol a-steach do bhliadhna ionmhais ùir, tha dòchas às ùr ann agus sinn an dùil gu bheil COVID-19 agus na cnapan-starra co-cheangailte ris a-nis air ar cùlaibh. Ach, chan eil sinn idir saor bho na dùbhlain phoilitigeach, eaconamach agus shòisealta a tha mu choinneamh an t-saoghail an-dràsta. Mar bhuidheann an ìre mhath beag, tha uallach mòr air CMAL agus tòrr obrach againn ri dhèanamh. Tha làn thaic aig an sgioba bhon Bhòrd gus an obair ro-chudromach aca a libhrigeadh gus cruth-atharrachadh a thoirt air a' chabhlach agus na calachan. Tha mi cinnteach gun tèid leasachaidhean a libhrigeadh agus gun tèid cruth-atharrachadh a thoirt air bun-structar aiseig is cala airson leas agus buannachd choimhearsnachdan is eaconamaidh na h-Alba.



Morag McNeill, Cathraiche

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## CEO's Statement for the year ended 31 March 2022

Over the last 12 months, as we have started to emerge from the pandemic, I'm pleased to say that work is back on track across CMAL's vessels and harbours projects.

In February 2021, the Scottish Government published its Investment in Infrastructure Plan, which committed £580m to Scottish ferry infrastructure between 2021/22 and 2025/26. We welcomed this announcement, and it has allowed us to plan and expedite a 10-year investment strategy. We will replace 23 vessels in the fleet, and upgrade and modernise harbours across the network to make them more passenger-friendly, sustainable and robust against climate change.

We recognise the frustration that ferry users have felt due to operational issues and a lack of resilience in the fleet, and we truly sympathise with them. We have initiated several vessel replacement projects to tackle this, the first of which was awarding a contract to build two new vessels for Islay. The new ferries will bring around a 40% increase in vehicle and freight capacity on the routes, ensuring connectivity and exporting opportunities are maximised for the island. The first of these vessels is expected to be delivered by October 2024 and will enter service following sea trials, repositioning and crew familiarisation, while the second vessel will follow in early 2025.

The first phase of the Small Vessel Replacement Plan (SVRP) will deliver seven small vessels. We have appointed ferry design consultancy, NaValue to work with us on concept design, and together we will explore the opportunities to make them as environmentally friendly as possible. Currently, we're planning these vessels to be fully electric, taking advantage of advances in battery technology. Our work will investigate the latest port - charging technologies, and identify onboard electrical energy storage systems capable of being recharged from shore-side electrical power supplies. This is in line with the Scottish Government's climate change commitments, which we are dedicated to meeting. Globally, the maritime industry contributes significantly to carbon emissions and it is incumbent on us to play our part in reducing its impact.

We have started project planning for a replacement for MV Lord of the Isles, which currently serves Mallaig-Lochboisdale, and three new passenger-only vessels for the Dunoon-Gourock-Kilcreggan routes.

Where we can, we will purchase second-hand vessels to provide shorter-term relief and help boost the resilience of the fleet. We have spent a significant amount of time searching the global market for suitable vessels. However, Scotland's coasts and waters bring a unique set of challenges, including wave, tidal and climate conditions. We must also meet UK regulatory and flag state requirements. Combined, these factors mean finding a compatible boat is not easy. However, we were successful this year in acquiring a Norwegian vessel for the route between Oban and Mull. A community renaming competition saw her become MV Loch Frisa, and she will join the fleet in early summer 2022, once modifications are complete. We are committed to continuing the search for suitable second-hand vessels with a view to strengthening resilience as a short term measure pending arrival of new build vessels.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## CEO's Statement for the year ended 31 March 2022 (cont'd)

Our vessels team continues to support HYSEAS III, which aims to build Europe's first sea-going ferry powered by hydrogen fuel cells. Working with our partners on the programme, we have published renderings of what a vessel purely powered by renewable energy may look like. This will provide a blueprint for further development of zero emissions ferry travel, and our next stage will involve seeking approval in principle of the feasibility of the designs from Norwegian classification society, DNV.

The harbours team has overseen the completion of stage one of a multi-million-pound harbour upgrade project at Tarbert (Harris). A new pier structure, marshalling area and linkspan are now in use, and we have appointed local building firm Lewis Builders for phase two of the project, which will see a new terminal building being constructed at the site. We anticipate this will be completed in winter 2022/23 and will provide passengers with a modern, accessible and comfortable terminal. Major harbours upgrades are also at design and planning stages for Gourock and Port Ellen.

While all of this work was keeping our 42-strong team busy, we also participated in an Audit Scotland review on the dual fuel vessels being built at Ferguson Marine. The report was published in early 2022, and it offers a fair and balanced representation of our role in the procurement process, contract management and project management. It makes clear our initial concerns over the award of the contract and early reporting of progress and performance issues. It confirmed that we acted professionally and appropriately in line with our legal obligations under the contract, and the report acknowledges the lengths we went to in the interests of completing the vessels, protecting jobs and supporting the shipyard.

While we are disappointed by further delays with the vessels, we welcomed the appointment of a permanent CEO at the shipyard. We have strengthened collaboration between our senior teams through the secondment of our senior vessels project director, which will provide added experience and expertise and improve decision making. We are confident that outstanding issues can and will be rectified, and the vessels completed to enter service.

We know that uncertainty and disruption across the ferry network is causing problems and frustrations for many. However, rest assured we are doing all we can with the resources we have to improve the resilience and capacity of the network. We begin the new financial year with major harbour upgrade projects in progress and live vessels projects to replace 14 ferries within 5 years and further vessels within a 10 year horizon.



Kevin Hobbs  
Chief Executive

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Aithris an Àrd-oifigeir airson na bliadhna a chrìochnaich air 31 Màrt 2022

Thairis air na 12 mìosan a dh'fhalbh, agus sinn air tòiseachadh air tighinn a-mach às a' ghalar làir-sgaoilte, tha mi toilichte a ràdh gu bheil obair a' dol air adhart mar as còir thairis air pròiseactan shoithichean is calachan CMAL.

Anns a' Ghearran 2021, dh'fhoillsich Riaghaltas na h-Alba am Plana Tasgadh Bun-structair aca, a gheall £580m do bhun-structar aiseagan na h-Alba eadar 2021/22 agus 2025/26. Chuir sinn fàilte air an naidheachd seo, agus tha e air leigeil leinn ro-innleachd tasgaidh 10-bliadhna a phlanadh agus a luathachadh. Gheibh sinn na soithichean ùra an àite 23 seann shoithichean sa chabhlach, agus àrdachaidh is ùraichidh sinn calachan air feadh an lionraidh gus am bi iad nas fheàrr do luchd-siubhail, nas seasmhaiche agus nas treasa an aghaidh atharrachadh na gnàth-shìde.

Tha sinn ag aithneachadh sàrachadh luchd-cleachdaidh nan aiseagan mar thoradh air cùisean obrachaidh agus dìth ath-leumachd sa chabhlach, agus tha co-fhaireachdainn dha-rìreabh againn riutha. Tha sinn air grunn phròiseactan ath-sholarachaidh a thòiseachadh gus dèiligeadh ri seo, agus b' e a' chiad fhear dhiubh sin a bhith a' toirt seachad cùmhnant gus dà shoitheach ùr a thogail do dh'ìle. Bheir na h-aiseagan ùra àrdachadh timcheall air 40% air comas-libhrigidh charbadan is bathair air na slighean sin, a' dèanamh cinnteach gu bheil na ceanglaichean agus cothroman às-mhalairt as motha aig an eilean. Thathar an dùil gun tèid a' chiad fhear de na soithichean sin a libhrigeadh ron Dàmhair 2024 agus gun tèid e a-steach a sheirbheis às dèidh deuchainnean mara, ath-shuidheachadh agus eòlas criutha, agus leanaidh an dàrna soitheach tràth ann an 2025.

Libhrigidh a' chiad ìre de Phlana Ath-sholarachaidh nan Soithichean Beaga seachd soithichean beaga a bhios a' dol an àite seann shoithichean. Tha sinn air comhairlichean dealbhaidh aiseig, NaValue, fhastadh gus obrachadh còmhla rinn air dealbhadh a' bhun-bheachd, agus nì sinn sgrùdadh còmhla air na cothroman gus an dèanamh cho math dhan àrainneachd 's a ghabhas. Aig an àm seo, tha sinn an dùil gum bi na soithichean sin làn dealanach, a' dèanamh feum air adhartas ann an teicneòlas bataraidh. Nì an obair sgrùdadh againn air na teicneòlasan teàirrsidh puirt as ùire agus comharraichidh sinn siostaman stòraidh dealain air bòrd a ghabhas ath-lionadh bho sholarachadh cumhachd dealain ri taobh a' chladaich. Tha seo ann an co-rèir ri gealltanasan atharrachadh gnàth-shìde Riaghaltas na h-Alba, a tha sinn airson coileanadh. Tha gnìomhachas na mara a' cur gu mòr ri eimiseanan carboin gu cruinneil agus tha e mar fhiachaibh oirnn ar pàirt a ghabhail ann a bhith a' lùghdachadh na buaidh aig seo.

Tha sinn air tòiseachadh air planadh pròiseict airson soithichean a thèid a chur an àite MV Rìgh nan Eilean, a tha an-dràsta air slighe Mhalaig-Loch Baghasdail, agus air trì soithichean ùra do luchd-siubhail a-mhàin airson nan slighean bho Dhùn Omhain-Gurraig-Cille Chreagain.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Far an urrainn dhuinn, ceannaichidh sinn soithichean ath-làimhe gus faochadh a thoirt seachad sa gheàrr-ùine agus gus cur ri ath-leumachd a' chabhlaich. Tha sinn air tòrr ùine a chur seachad a' rannsachadh margaidh na cruinne airson soithichean freagarrach. Ach, tha dùbhlain air leth aig costaichean agus uisgeachan na h-Alba, a' gabhail a-steach suidheachadh nan tonn, na tìde-mara agus na gnàth-shìde. Feumaidh sinn cuideachd a bhith a' coileanadh riathanasan riaghlaidh agus stàite-brataich na RA. Còmhla, tha na factaran sin a' fàgail nach eil e furasta bàta freagarrach a lorg. Ach, bha sinn soirbheachail am-bliadhna soitheach fhaighinn à Nirribhidh airson na slighe eadar an t-Òban agus Muile. Chaidh an t-ainm MV Loch Frìosa a chur oirre ann am farpais ath-ainmeachadh coimhearsnachd, agus thèid i dhan chabhlach tràth as t-samhradh 2022, aon uair 's gu bheil na h-atharrachaidhean deiseil. Cumaidh sinn oirnn a' sireadh shoithichean ath-làimhe iomchaidh le sùil cur ri ath-leumachd mar cheum geàrr-ùine gus an tèid soithichean ùra a thogail.

Tha an sgioba shoithichean againn a' cumail orra a' toirt taic do HYSEAS III, a tha ag amas air a' chiad aiseag mara san Roinn Eòrpa a thogail le cumhachd bho cheallan connaidh haidridein. Ag obair còmhla ri ar com-pàirtichean air a' phrògram, tha sinn air aithrisean fhoillseachadh air cò ris a dh'fhaodadh soitheach le cumhachd ath-nuadhachail a bhith coltach. Bheir seo dhuinn plana airson barrachd obair leasachaidh air siubhal aiseig le cothromachadh carboin, agus bidh an ath cheum againn a' gabhail a-steach a bhith a' sireadh aonta ann am prionnsapal mu ion-dhèantachd nan dealbhaidhean bho chomann seòrsachaidh Nirribhidh, DNV.

Tha sgioba nan calachan air ìre a h-aon de phròiseact ùrachadh cala an Tairbeirt (Na Hearadh) a stiùireadh, a chosg na mìltean de notaichean. Thathar a-nis a' cleachdadh cidhe ùr agus àite marasglaidh agus alt-aiseig ùr, agus tha sinn air companaidh togail ionadail Lewis Builders fhastadh airson ìre a dhà den phròiseact, anns an tèid ionad-aiseig ùr a thogail air an làraich. Tha sinn an dùil gun tèid seo a chrìochnachadh sa gheamhradh 2022/23. Bheir e ionad-aiseig ùr-nodha, ruigsinneach agus comhfhurtail dhan luchd-siubhail. Tha ùrachadh mòr air calachan cuideachd aig ìrean dealbhaidh is planaigh airson Gurraig agus Port Ilein.

Fhad 's a bha an obair seo uile a' cumail ar sgioba de 42 neach trang, ghabh sinn pàirt cuideachd ann an ath-sgrùdadh Sgrùdadh Alba air na soithichean dà-chonnaidh a thathar a' togail aig Ferguson Marine. Chaidh an aithisg fhoillseachadh tràth ann an 2022, agus tha i a' toirt seachad aithris chothromach air ar dleasan sa phròiseas solarachaidh, stiùireadh chùmhnanntan agus stiùireadh phròiseactan. Tha i a' cur nan draghan tùsail againn an cèill gu soilleir a thaobh buileachadh a' chùmhnaidh agus aithris thràth air cùisean co-cheangailte ri adhartais agus dèanadas. Dhaingnich i gun robh na rinn sinn proifeasanta agus iomchaidh a rèir ar dleasan laghail fon chùmhnaidh, agus tha an aithisg ag aithneachadh nan oidhirpean mòra a rinn sinn gus na soithichean a chrìochnachadh, gus obraichean a dhìon agus gus taic a thoirt dhan ghàrradh-shoithichean.

Ged a bha an dàil a bharrachd leis na soithichean na bhriseadh dùil, chuir sinn fàilte air Àrd-oifigear maireannach aig a' ghàrradh-shoithichean. Tha sinn air co-obrachadh a neartachadh eadar na h-àrd sgiobaidhean againn tro bhith a' toirt ar n-àrd-stiùiriche pròiseict shoithichean dhan bhuidhinn air fo-fhastadh, a chuireas ris an eòlas agus sgilean gus piseach a thoirt air co-dhùnaidhean. Tha sinn misneachail gun gabh agus gun tèid cùisean a tha fhathast gun fhuasgladh a cheartachadh, agus gun tèid na soithichean a chrìochnachadh airson a dhol a-steach do sheirbheis.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Tha fios againn gu bheil mì-chinnt agus brisidhean seirbheis air feadh lionra nan aiseagan ag adhbharachadh dhuilgheadasan agus dragh do mhòran. Ach, bithibh cinnteach gu bheil sinn a' dèanamh nas urrainn dhuinn leis na goireasan a th' againn gus piseach a thoirt air seasmhachd agus comas an lionra. Tha bliadhna ionmhais ùr a' tòiseachadh le pròiseactan ùrachaidh cala ùra a' dol air adhart agus pròiseactan shoithichean a' dol air adhart gus 14 soithichean a chur an àite seann shoithichean taobh a-staigh còig bliadhna agus soithichean eile a thoirt a-steach taobh a-staigh 10-bliadhna.



Kevin Hobbs  
Àrd-oifigear

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

**Strategic Report**

The Directors have pleasure in submitting their Strategic Report and Financial Statements for the year ended 31 March 2022.

**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 most 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**

The loss for the financial year is £11,253,000 (2021: Loss of £8,936,000).

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. Deficit payments totalling £15.593m were made to these schemes during the year. This includes a one-off capital contribution of £10.9m to the CalMac Pension Scheme made on behalf of the sole shareholder.

Capital Investment in the year was £47.3m for Vessels and £10.7m on Ports Infrastructure.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

**Strategic Report (cont'd)**

The Port Marine Safety Code (the Code) sets out a national standard for every aspect of port marine safety. Its aim is to enhance safety for everyone who uses or works in the UK port marine environment. The Company is fully compliant with the Code.

The Company acts as the duty holder under the Code and is fully committed to working with our harbour operator to provide a safe environment for all people within the limits of all our ports, harbours, and berthing facilities.

Our Operational & Safety Management System (OSMS) sets out the safety management arrangements for maritime and shore-based operations within the Company areas of responsibility, in line with the Code and associated best practice guide. Our OSMS and compliance with the Code is subject to regular internal and external audit. As part of a triennial requirement, in February 2022 we confirmed to the Maritime Coastguard Agency of our compliance with the Code for all our facilities.

As part of our commitment to marine safety, we publish a 3-year Marine Safety Plan on our website ([cmassets.co.uk](http://cmassets.co.uk)). The latest plan (2020 – 2022) has 12 annual objectives that are targeted for the end of September each year.

For the year up to 30 September 2021, we achieved 11 of the 12 objectives. The one objective not achieved was due to Covid-19 restrictions through the latter part of the period.

We are making good progress towards all 12 objectives for the year up to 30 September 2022. A more detailed overview of our performance against the plan will be published following the end of the 3-year reporting period.

**Future Developments**

Future business priorities include the build of the 2 replacement Islay Vessels and the tender programme for the further 2 Major Vessels, 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 Tarbert (Harris), Lochmaddy and Uig.

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

We will be issuing an ITT/tender programme for replacement Islay Vessels and associated harbour works. We continue to progress with the review of requirements for Gourock Dunoon Vessels and Small Vessel Replacement Programme.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Strategic Report (cont'd)

**Business Environment and Principal Risks and Uncertainties**

As a Company we continue to review the potential impacts of COVID-19.

**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.

By order of the Board



**Kevin Hobbs**  
*Director*

21 November 2022

Municipal Buildings  
Fore Street  
Port Glasgow  
PA14 5EQ

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Directors' Report

The Directors have pleasure in submitting their Report and Financial Statements for the year ended 31 March 2022.

The information regarding the principal activity, business review, business environment and principal risks and uncertainties, and future developments 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 are as follows:

|                |     |  |
|----------------|-----|--|
| E Østergaard   | xx  | Chair, 1 April – 31 December 2021 (Resigned) |
| M McNeill      | xx  | Interim Chair, 1 January – 30 September 2022 |
|                | xx  | Chair 1 October 2022                         |
| P Croucher     | **x |  |
| G Woods        | *x  |  |
| M MacLennan    | *x  | Appointed 1 October 2022                     |
| K P Hobbs      |     | Chief Executive                              |
| J Anderson     |     | Director of Vessels                          |
| H Ferguson     |     | Director of Finance                          |
| R A M Muirhead |     | Director of Port Infrastructure & Planning   |
|                |     |  |

\* - 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 2022

## Directors' Report (cont'd)

**Employees**

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

**Streamlined Energy and Carbon Reporting Requirements (SECR)**

SECR requires the Company to disclose its UK Energy and Carbon Emissions from 1st April 2020. In addition, the push toward a low carbon economy underlies the need to have stronger arrangements to evaluate the environmental impact and costs.

We are playing our part in the journey towards net zero emissions. The maritime sector is estimated to contribute circa 3% of emissions globally. It is essential the next generation of vessels and future harbours are environmentally-friendly and sustainable. CMAL is actively playing its part in driving down emissions from both vessel and port infrastructure assets.

*Seeking alternative fuels to power ferries*

Within our fleet, we have already taken innovative action by exploring alternatives to marine diesel oil. Our vessels engineers are responsible for introducing the world's first diesel-electric hybrid ferries, with MV Hallaig, MV Lochinvar and MV Catriona. And, we have two dual fuel vessels under construction that will be able to operate on liquefied natural gas (LNG), a cleaner fuel compared to diesel.

We continue to seek new ways to power vessels by adopting further advances in battery technology and electrifying our fleet.

Importantly, our vessels team are involved in ground-breaking projects to use carbon-free fuels. We are a partner in the Hyseas III project to design Europe's first sea-going vehicle and passenger ferry powered by hydrogen fuel cells.

We are also working with the University of Strathclyde to conduct a study into the operational and commercial viability of ammonia, hydrogen, and inland electricity as maritime fuels.

*Building more sustainable harbours*

Our harbours engineers, surveyors and project managers are equally committed to designing and building greener, more sustainable infrastructure. We investigate improved solutions which can be implemented across our network to facilitate lifeline services for years to come.

Implementing measures to reduce our carbon output through harbours is not a one-size-fits-all approach. Our harbours are in some of the most remote parts of the country, which can impact accessibility and make the distribution of resources challenging. Although sometimes the natural environment and rural setting can offer opportunities too.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Directors' Report (cont'd)

**Streamlined Energy and Carbon Reporting Requirements (SECR) (continued)**

*Building more sustainable harbours (continued)*

As technological advances allow, we will adopt new technologies for both vessels and harbours that will further reduce, if not eliminate, harmful emissions.

Our green credentials

- World's first diesel-electric hybrid vessels
- UK's first LNG ferry design
- Hyseas III partner
- £30,000 research project with University of Strathclyde on carbon-free fuels
- Biomass boiler and solar panels at Brodick Ferry Terminal, Arran
- Reed beds at Portavadie provide a low-cost, zero energy wastewater treatment system
- Air source heating system at Tarbert Ferry Terminal

*UK Energy Use and Emissions*

As the Company has not consumed more than 40,000kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Energy costs in respect of our Harbours, Ports and Vessels are incurred by the Operators (CalMac Ferries Ltd and Serco Northlink Ltd) and as such no disclosure is included in this report.

**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**

Azets Audit Services is the appointed auditor of the Company.

CALEDONIAN MARITIME ASSETS LIMITED

Registered No SC001854

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Directors' Report (cont'd)

By order of the Board

A handwritten signature in black ink, appearing to read 'KHobbs', with a long, sweeping horizontal stroke extending to the left.

**Kevin Hobbs**  
*Director*

21 November 2022

Municipal Buildings  
Fore Street  
Port Glasgow  
PA14 5EQ

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

**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 2022, the Board comprised of three Non-Executive Directors (including the Interim Chair and one vacancy), plus four Executive Directors. The gender balance of the Board comprises 5 male and 2 female Directors.

The Board functions effectively and efficiently and is 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 Interim Chair ensures that all Directors receive clear, accurate and timely information on all relevant matters.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

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 Chair. The Chair's performance is assessed by the Scottish Government. The Chief Executive Officer's performance is assessed by the Chair; 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 Chair 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 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 2022

**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 Chair of the Audit and Risk Committee is appointed by the Board and will not normally be the Board Chair. 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.

In line with best practice, The Audit and Risk committee meets annually with the auditors in the absence of the Executive Directors and continues to receive positive feedback in connection with internal controls and adequacy of suitably qualified and experienced employees within the key finance and risk management functions. The Board have approved the engagement of Wylie & Bisset LLP to provide an internal audit function. During the year audits were carried out on Corporate Governance, Financial Controls and Cyber Resilience, with further audits during 2022 on Workforce Planning and Business Continuity. The internal audit resource will make recommendations to contribute to the continuous improvement of governance, risk management and internal control processes within the Company.

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

**Identification and Monitoring of Business Risks**

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Statement on Internal Control (cont'd)

Major Corporate Information Systems

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

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

Going Concern

Directors have determined that there is no material uncertainty that casts doubt on the Company's ability to continue as a going concern.

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 2022

## 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 accounting standards 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 Financial Reporting Standards (IFRSs) as adopted by the UK 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 2022

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

We have audited the financial statements of Caledonian Maritime Assets Limited (the 'company') for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and 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 UK.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the UK; 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 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 FRC's Ethical Standard, and we have fulfilled our other 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 opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

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

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

**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 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 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.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

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

As explained more fully in the Statement of Directors' Responsibilities, 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.

**Auditors' 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 a Report of the Auditor 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.

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**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 a Report of the Auditor 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 (Senior Statutory Auditor)**

**for and on behalf of Azets Audit Services, Statutory Auditor**

Chartered Accountants

Titanium 1

King's Inch Place

Renfrew

PA4 8WF

Date: 22 November 2022

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Statement of Comprehensive Income  
For the year ended 31 March 2022

|  | Note         | 2022<br>£'000   | 2021<br>£'000  |
|--|--------------|-----------------|----------------|
| <b>Revenue</b>   | <b>6</b>     | <b>42,999</b>   | <b>39,535</b>  |
| Cost of sales  |              | (31,181)        | (25,975)       |
| <b>Gross profit</b>  |              | <b>11,818</b>   | <b>13,560</b>  |
| Administrative expenses                                      |              | (4,688)         | (4,759)        |
| Other losses   | <b>7</b>     | (55)            | (8,710)        |
| <b>Operating profit</b>                                      |              | <b>7,075</b>    | <b>91</b>      |
| Interest receivable  | <b>7</b>     | 2               | 14             |
| Interest payable   | <b>7</b>     | (4,317)         | (4,608)        |
| Other finance costs  | <b>7, 21</b> | (581)           | (946)          |
|  |              | (4,896)         | (5,540)        |
| <b>Profit /(loss) on ordinary activities before taxation</b> |              | <b>2,179</b>    | <b>(5,449)</b> |
| <b>Taxation</b>  |              |                 |                |
| Tax charge for the year                                      | <b>8</b>     | (13,432)        | (3,487)        |
| <b>(Loss) for the financial year</b>                         |              | <b>(11,253)</b> | <b>(8,936)</b> |
| <b>Other comprehensive income</b>                            |              |                 |                |
| Actuarial gain/(loss) recognised in the pension scheme       | <b>21</b>    | 42,137          | (4,297)        |
| Tax movement relating to the actuarial gain/(loss)           |              | 286             | (5,721)        |
| Other employers' costs to pension deficit                    |              | (11,933)        | (5,431)        |
| Gain on revaluation of property, plant & equipment           | <b>10</b>    | -               | 37,493         |
| Other comprehensive income for the year, net of tax          |              | 30,490          | 22,044         |
| <b>Total comprehensive income for the year</b>               |              | <b>19,237</b>   | <b>13,108</b>  |
| (Loss) attributable to:                                      |              |                 |                |
| Owners of the company  |              | (11,253)        | (8,936)        |
| Total comprehensive income attributable to:                  |              |                 |                |
| Owners of the company  |              | 19,237          | 13,108         |

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 2022

## Statement of Financial Position

As at 31 March 2022

|  | Note | 2022<br>£'000         | 2021<br>£'000         |
|--|------|-----------------------|-----------------------|
| <b>Assets</b>                                      |      |                       |                       |
| <i>Non-current assets</i>                          |      |                       |                       |
| Property, plant & equipment                        | 10   | 380,252               | 348,882               |
| Investment property                                | 10   | 1,877                 | 1,932                 |
| Right of use assets                                | 11   | 3,735                 | 3,675                 |
| Investments  | 12   | -                     | -                     |
| Total non-current assets                           |      | <u>385,864</u>        | <u>354,489</u>        |
| <i>Current assets</i>                              |      |                       |                       |
| Trade and other receivables                        | 13   | 18,240                | 20,688                |
| Cash at bank and in hand                           | 17   | 54,651                | 19,363                |
| Total current assets                               |      | <u>72,891</u>         | <u>40,051</u>         |
| <b>Total assets</b>                                |      | <u><b>458,755</b></u> | <u><b>394,540</b></u> |
| <b>Equity and liabilities</b>                      |      |                       |                       |
| <i>Capital and reserves</i>                        |      |                       |                       |
| Called up share capital                            | 20   | 15,000                | 15,000                |
| Capital contribution reserve                       |      | 66,639                | 55,739                |
| Revaluation reserve                                |      | 85,962                | 97,193                |
| Retained earnings                                  |      | (14,151)              | (44,619)              |
| Total equity attributable to owners of the Company |      | <u>153,450</u>        | <u>123,313</u>        |
| <i>Non-current liabilities</i>                     |      |                       |                       |
| Other payables                                     | 15   | 148,418               | 129,816               |
| Capital grants                                     | 18   | 94,129                | 76,370                |
| Right of use liability                             | 16   | 3,502                 | 3,272                 |
| Net pension liability                              | 21   | -                     | 36,504                |
| Deferred tax provision                             | 19   | 13,874                | 9,259                 |
| Total non-current liabilities                      |      | <u>259,923</u>        | <u>255,221</u>        |
| <i>Current liabilities</i>                         |      |                       |                       |
| Trade and other payables                           | 14   | 44,954                | 15,455                |
| Right of use liability                             | 16   | 428                   | 551                   |
| Total current liabilities                          |      | <u>45,382</u>         | <u>16,006</u>         |
| Total liabilities                                  |      | <u>305,305</u>        | <u>271,227</u>        |
| <b>Total equity and liabilities</b>                |      | <u><b>458,755</b></u> | <u><b>394,540</b></u> |

These Financial Statements were authorised for issue by the Board of Directors on 21 November 2022 and were signed on its behalf by:



Morag McNeill  
Chair

The notes form part of these financial statements.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Statement of Changes in Equity

For the year ended 31 March 2022

|   | Share<br>capital<br>£'000 | Capital<br>contribution<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Revaluation<br>reserve<br>£'000 | Total<br>£'000 |
|---|---------------------------|---|-------------------------------|---------------------------------|----------------|
| Balance at 31 March 2020                | 15,000                    | 13,800                                      | (26,092)                      | 65,558                          | 68,266         |
| Loss for the year                       | -                         | -   | (8,939)                       | 3                               | (8,936)        |
| Other comprehensive income for the year | -                         | -   | (15,449)                      | 37,493                          | 22,044         |
| Excess of depreciation on revaluation   | -                         | -   | 5,861                         | (5,861)                         | -              |
| Transfer of Hull 801 & 802              | -                         | 12,439                                      | -                             | -                               | 12,439         |
| Contribution to Calmac Pension scheme   | -                         | 29,500                                      | -                             | -                               | 29,500         |
| Balance at 31 March 2021                | 15,000                    | 55,739                                      | (44,619)                      | 97,193                          | 123,313        |
| Loss for the year                       | -                         | -   | (11,253)                      | -                               | (11,253)       |
| Other comprehensive income for the year | -                         | -   | 30,490                        | -                               | 30,490         |
| Excess of depreciation on revaluation   | -                         | -   | 11,231                        | (11,231)                        | -              |
| Contribution to Calmac Pension scheme   | -                         | 10,900                                      | -                             | -                               | 10,900         |
| Balance at 31 March 2022                | <u>15,000</u>             | <u>66,639</u>                               | <u>(14,151)</u>               | <u>85,962</u>                   | <u>153,450</u> |

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 2022

## Statement of Cash Flows

For the year ended 31 March 2022

|   | Note | 2022<br>£'000   | 2021<br>£'000   |
|---|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                 |      |                 |                 |
| Revenue receipts  |      | 38,306          | 40,248          |
| Other income receipts                                       |      | 311             | 9               |
|   |      | <u>38,617</u>   | <u>40,257</u>   |
| Cash payments for:  |      |                 |                 |
| Cost of sales   |      | (3,291)         | (9,295)         |
| Pension deficit   |      | (15,445)        | (33,762)        |
| Direct pay costs  |      | (3,422)         | (3,343)         |
| General operating and administrative expenses               |      | (1,482)         | (1,050)         |
|   |      | <u>(23,640)</u> | <u>(47,450)</u> |
| Cash generated by/(used in) operating activities            |      | 14,977          | (7,193)         |
| Interest paid   |      | (4,317)         | (4,608)         |
| Tax paid  |      | (32)            | -               |
| Net cash generated by/(used in) operating activities        |      | <u>10,628</u>   | <u>(11,801)</u> |
| <b>Cash flows from investing activities</b>                 |      |                 |                 |
| Interest received   |      | 2               | 14              |
| Cash receipts in respect of capital grants                  |      | 23,129          | 14,413          |
| Cash receipts from sale of assets                           |      | -               | 86,979          |
| Payments to acquire property, plant and equipment           |      | (27,392)        | (28,838)        |
| Net cash (used in)/generated by investing activities        |      | <u>(4,261)</u>  | <u>72,568</u>   |
| <b>Cash flows from financing activities</b>                 |      |                 |                 |
| Loans received  |      | 27,294          | 1,760           |
| Loans repaid  |      | (8,816)         | (95,764)        |
| Right of use liability payments                             |      | (457)           | (461)           |
| Capital contribution received                               |      | 10,900          | 29,500          |
| Net cash generated by/(used in) financing activities        | 22   | <u>28,921</u>   | <u>(64,965)</u> |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | 22   | <u>35,288</u>   | <u>(4,198)</u>  |
| Cash and cash equivalents at the beginning of the year      | 22   | 19,363          | 23,561          |
| <b>Cash and cash equivalents at the end of the year</b>     | 22   | <u>54,651</u>   | <u>19,363</u>   |
| Comprising:   |      |                 |                 |
| Cash and bank balances                                      |      | 54,651          | 19,363          |

The notes form part of these financial statements.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## 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 10.

**2. Statement of compliance**

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) including standards and interpretations issued by the International Accounting Standards Board as adopted by the UK, and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

**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.

**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:

| <b>Title</b>  | <b>Implementation</b> |
|---|-----------------------|
| Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) | 1 January 2021        |
| COVID-19 Related Rent Concessions (Amendment to IFRS 16)  | 1 April 2021          |
| COVID 19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)                      | 1 April 2021          |

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

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

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

| <b>Title</b>   | <b>Implementation</b> |
|--|-----------------------|
| Onerous Contract Cost of Fulfilling a Contract (Amendments to IAS 37)  | 1 January 2022        |
| Annual Improvements to IFRS Standards 2018-2020  | 1 January 2022        |
| Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)                                   | 1 January 2022        |
| Reference to the Conceptual Framework (Amendments to IFRS 3)   | 1 January 2022        |
| IFRS 17 Insurance Contracts and Amendments to IFRS 17  | 1 January 2023        |
| Classification of liabilities as current or non-current (Amendments to IAS 1)  | 1 January 2023        |
| Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)                                | 1 January 2023        |
| Definition of Accounting Estimate (Amendments to IAS 8)  | 1 January 2023        |
| Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes) | 1 January 2023        |
| Initial Application of IFRS 17 and IFRS 9 Comparative Information (Amendments to IFRS 17)                            | 1 January 2023        |
| Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)  | 1 January 2024        |

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.

**(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.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

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

**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.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

**4. Summary of significant accounting policies (cont'd)****(b) Property, plant and equipment and investment property (cont'd)****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 2022

## 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**

An 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 asset's 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 leased asset is shown separately on the face of the statement of financial position.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

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

Fixed asset investments are carried at cost.

**(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 release is made from capital grants to the income statement in proportion to the loss.

**(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.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

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

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 substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

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

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

**(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.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

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

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

The Company also participates in an industry wide defined contribution scheme. The costs of these schemes are written off to the Income Statement on an accruals basis.

**(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 the 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 2022

## 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 2022

## 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 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 2022

## Notes to the Accounts (cont'd)

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

International Accounting Standard 16 (IAS 16) 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:

**Investment properties**

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.

**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 2022

## Notes to the Accounts (cont'd)

**6. Revenue**

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

|   | <b>2022</b>          | <b>2021</b>          |
|---|----------------------|----------------------|
|   | <b>£'000</b>         | <b>£'000</b>         |
| Vessel charter fee  | 21,490               | 20,853               |
| Harbour access charge raised against operator                     | 16,334               | 14,059               |
| Property & equipment licence fee from operator                    | 84                   | 153                  |
| Revenue from harbour dues   | 148                  | 112                  |
| Rental income from properties not required for harbour operations | 243                  | 157                  |
| Revenue grants received   | 4,442                | 3,993                |
| Other cost recoveries and contributions                           | <u>258</u>           | <u>208</u>           |
|   | <b><u>42,999</u></b> | <b><u>39,535</u></b> |

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 (PSC) for lifeline ferry services in the Clyde and Western Isles and Serco Ltd Northlink Ferries operates the PSC for the Northern Isles Ferry Service to the Shetland and Orkney 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.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

**7. Profit/(loss) on ordinary activities before tax**

| <b>The profit/(loss) is stated after (charging)/crediting:</b>                                       | <b>2022</b>    | <b>2021</b>    |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| Auditor's remuneration   |                |                |
| - Audit of these Financial Statements  | (31)           | (38)           |
| - Other services relating to accounting  | -              | (3)            |
| Depreciation and impairment of property, plant and equipment (Note 10)                               | (23,147)       | (21,547)       |
| Release of capital grant on impairment   | 3,510          | -              |
| Depreciation of right of use assets (Note 11)  | (500)          | (510)          |
| Staff costs (Note 9)   | (3,583)        | (3,436)        |
| Interest received on bank balances   | 2              | 14             |
| Release of capital grants (Note 18)  | 6,871          | 17,640         |
| (Loss) on disposal of fixed assets   | (35)           | (1)            |
| Interest payable – loans   | (4,167)        | (4,440)        |
| Interest on right of use assets  | (150)          | (168)          |
|  | <u>(4,317)</u> | <u>(4,608)</u> |
| Other finance costs - interest on pension scheme assets (Note 21)                                    | 7,161          | 6,142          |
| - interest on pension scheme liabilities (Note 21)   | (7,742)        | (7,088)        |
|  | <u>(581)</u>   | <u>(946)</u>   |
| Other losses - loss on revaluation of property plant and equipment and investment property (Note 10) | (55)           | (8,710)        |

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

**8. Taxation**

|  | <b>2022</b>          | <b>2021</b>         |
|--|----------------------|---------------------|
|  | <b>£'000</b>         | <b>£'000</b>        |
| The tax charge for the year is made up as follows:   |                      |                     |
| <b>Corporation Tax</b>   |                      |                     |
| UK corporation tax on profit/(loss) for the year at 19% (2021: 19%)                                  | (32)                 | 32                  |
| Adjustments in respect of prior periods  | -                    | (62)                |
| <b>Total corporation tax charge</b>  | <u>(32)</u>          | <u>(30)</u>         |
| <b>Deferred Tax</b>  |                      |                     |
| Increase in deferred tax provision (Note 19)   | 4,615                | 4,852               |
| Deferred tax in relation to pensions   | 8,849                | (1,335)             |
| <b>Total deferred tax charge</b>   | <u>13,464</u>        | <u>3,517</u>        |
| <b>Tax charge/(credit) on profit/(loss) on ordinary activities</b>                                   | <u><b>13,432</b></u> | <u><b>3,487</b></u> |
| The tax assessed for the period differs from the standard rate of corporation tax of 19% (2021: 19%) |                      |                     |
| The differences are explained below:   |                      |                     |
| <b>Profit/(Loss) on ordinary activities before tax</b>   | <u>2,179</u>         | <u>(5,449)</u>      |
| UK corporation tax at 19% (2021: 19%)  | 414                  | (1,035)             |
| Effects of:  |                      |                     |
| Expenses not allowable for tax purposes  | 46                   | 128                 |
| Non-taxable income/gains   | (73)                 | (68)                |
| Adjustments in deferred tax in relation to pensions  | 3,326                | (7,570)             |
| Fixed asset differences  | 1,305                | 10,516              |
| Adjustments in respect of prior periods  | (184)                | (819)               |
| Other adjustments  | 2,238                | 2,335               |
| Impact of change in tax rate   | 6,360                | -                   |
|  | <u><b>13,432</b></u> | <u><b>3,487</b></u> |

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

**9. Employee Information**

|   | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| Staff Costs (including Directors)                                       |              |              |
| Wages & salaries  | 2,436        | 2,065        |
| Social security costs   | 287          | 270          |
| On-going pension contributions  | 834          | 1,022        |
| Pension contributions towards past deficits – other schemes (see below) | 1            | 2            |
| Staff related costs   | 295          | 255          |
|   | <u>3,853</u> | <u>3,614</u> |
| Employee costs included above allocated to capital projects             | 270          | 178          |

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

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>No.</b>  | <b>No.</b>  |
| Employee numbers                                 |             |             |
| Average number of employees, including Directors |             |             |
| Administrative                                   | 46          | 40          |

| <b>Directors' remuneration</b>         | <b>2022</b>  | <b>2021</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Non-executive directors' emoluments    | 60           | 62           |
| Non-executive directors' pension costs | -            | -            |
| Executive directors' emoluments        | 403          | 416          |
| Executive directors' pension costs     | 111          | 116          |
|  | <u>574</u>   | <u>594</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 2022. No bonus payments were made in the financial year.

National insurance contributions made on behalf of the Executive Directors were £47,010 (2021: £50,784).

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

4 directors are members of defined benefit pension schemes (2021: 5 directors).

The emoluments of the highest paid director were £128,147 (2021: £122,347).

£32,950 (2021: £32,703) 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 2022

## Notes to the Accounts (cont'd)

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

|  | Investment<br>property | Other<br>property | Piers,<br>slipways<br>&<br>linkspan<br>facilities | Vessels  | Office<br>equipment<br>& vehicles | Payments<br>on account<br>and assets<br>in<br>construc-<br>tion | TOTAL    |
|--|------------------------|-------------------|---|----------|-----------------------------------|---|----------|
| <b>COST OR VALUATION</b>                       | £'000                  | £'000             | £'000   | £'000    | £'000                             | £'000   | £'000    |
| Balance as at 1 April 2020                     | 1,941                  | 6,923             | 220,303   | 247,742  | 356                               | 106,835   | 584,100  |
| Additions                                      | -                      | -                 | 512   | -        | -                                 | 29,587  | 30,099   |
| Transfers                                      | (11)                   | 11                | 8,436   | 8,519    | -                                 | (16,955)  | -        |
| Disposals                                      | (1)                    | -                 | (1,921)   | -        | -                                 | (97,653)  | (99,575) |
| Revaluation (decrease)/increase                | 3                      | -                 | -   | (31,150) | -                                 | -   | (31,147) |
| Balance as at 1 April 2021                     | 1,932                  | 6,934             | 227,330   | 225,111  | 356                               | 21,814  | 483,477  |
| Additions                                      | -                      | 2                 | 394   | -        | -                                 | 57,666  | 58,062   |
| Transfers                                      | -                      | 1,419             | 20,207  | 7,433    | -                                 | (29,059)  | -        |
| Disposals                                      | -                      | (36)              | (2,128)   | -        | -                                 | -   | (2,164)  |
| Revaluation decrease                           | (55)                   | -                 | -   | -        | -                                 | -   | (55)     |
| Balance as at 31 March 2022                    | 1,877                  | 8,319             | 245,803   | 232,544  | 356                               | 50,421  | 539,320  |
| <b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b> |                        |                   |   |          |                                   |   |          |
| Balance as at 1 April 2020                     | -                      | -                 | 129,979   | 30,205   | 343                               | 12,439  | 172,966  |
| Disposals                                      | -                      | -                 | (1,921)   | -        | -                                 | -   | (1,921)  |
| Depreciation and impairment<br>expense         | -                      | 170               | 4,079   | 29,724   | 13                                | (12,439)  | 21,547   |
| Revaluation                                    | -                      | -                 | -   | (59,929) | -                                 | -   | (59,929) |
| Balance at 1 April 2021                        | -                      | 170               | 132,137   | -        | 356                               | -   | 132,663  |
| Disposals                                      | -                      | (1)               | (2,128)   | -        | -                                 | -   | (2,129)  |
| Depreciation and impairment<br>expense         | -                      | 223               | 7,556   | 18,878   | -                                 | -   | 26,657   |
| Balance as at 31 March 2022                    | -                      | 392               | 137,565   | 18,878   | 356                               | -   | 157,191  |
| <b>Carrying Amounts</b>                        |                        |                   |   |          |                                   |   |          |
| Balance as at 31 March 2021                    | 1,932                  | 6,764             | 95,193  | 225,111  | -                                 | 21,814  | 350,814  |
| Balance as at 31 March 2022                    | 1,877                  | 7,927             | 108,238   | 213,666  | -                                 | 50,421  | 382,129  |
| <b>Carrying amount under cost model</b>        |                        |                   |   |          |                                   |   |          |
| Balance as at 31 March 2021                    | -                      | 16,789            | 80,334  | 160,278  | -                                 | 21,814  | 279,215  |
| Balance as at 31 March 2022                    | -                      | 17,725            | 93,179  | 159,983  | -                                 | 50,421  | 321,308  |

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Notes to the Accounts (cont'd)

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

Investment property assets were valued at 31 March 2022 and 31 March 2021 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:

|                       | 2022<br>£'000 | 2021<br>£'000 |
|-----------------------|---------------|---------------|
| Investment properties |               |               |
| Land                  | 830           | 830           |
| Buildings             | 1,047         | 1,102         |
|                       | <u>1,877</u>  | <u>1,932</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:

|                       | 2022<br>£'000 | 2021<br>£'000 |
|-----------------------|---------------|---------------|
| Other property assets |               |               |
| Land                  | 3,609         | 3,607         |
| Buildings - freehold  | 3,588         | 3,297         |
| Buildings - leasehold | 1,122         | 30            |
|                       | <u>8,319</u>  | <u>6,934</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:

|                     | 2022<br>£'000  | 2021<br>£'000  |
|---------------------|----------------|----------------|
| Piers and slipways  | 195,345        | 175,348        |
| Linkspan facilities | 50,458         | 51,982         |
|                     | <u>245,803</u> | <u>227,330</u> |

Vessels were valued at 31 March 2021 by Simonship AB, shipbrokers of Stockholm, Sweden on a market value basis and the cost/valuation is as follows:

|         | 2022<br>£'000  | 2021<br>£'000  |
|---------|----------------|----------------|
| Vessels | <u>232,544</u> | <u>225,111</u> |

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

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

| Capital commitments  | 2022<br>£'000 | 2021<br>£'000 |
|--|---------------|---------------|
| No provision has been made in these accounts for:                            |               |               |
| Outstanding capital commitments contracted for amounting to                  | 64,125        | 3,407         |
| Capital Grants/Loans receivable in respect of these commitments amounting to | 64,039        | 1,778         |

**11. Right of use assets**

|  | Other<br>property<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|--|----------------------------|----------------------------|----------------|
| <b>COST</b>                                    |                            |                            |                |
| At 1 April 2021                                | 4,329                      | 335                        | 4,664          |
| Additions                                      | -                          | 19                         | 19             |
| Disposals                                      | -                          | (59)                       | (59)           |
| Rent review adjustment                         | 551                        | -                          | 551            |
| At 31 March 2022                               | 4,880                      | 295                        | 5,175          |
| <b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b> |                            |                            |                |
| At 1 April 2021                                | 828                        | 161                        | 989            |
| Depreciation charge for the year               | 424                        | 76                         | 500            |
| Disposals                                      | -                          | (49)                       | (49)           |
| Rent review adjustment                         | -                          | -                          | -              |
| At 31 March 2022                               | 1,252                      | 188                        | 1,440          |
| <b>Carrying amounts</b>                        |                            |                            |                |
| Balance as at 31 March 2021                    | 3,501                      | 174                        | 3,675          |
| Balance as at 31 March 2022                    | 3,628                      | 107                        | 3,735          |

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 2022

## 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 2022 is £2 (2021: £2).

**13. Trade and other receivables**

|                                | 2022<br>£'000 | 2021<br>£'000 |
|--------------------------------|---------------|---------------|
| Trade receivables              | 320           | 192           |
| Prepayments and accrued income | 17,888        | 20,496        |
| Corporation tax                | 32            | -             |
|                                | <b>18,240</b> | <b>20,688</b> |

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. There is no general provision held against receivables for 2022 (2021 £Nil).

**14. Trade and other payables**

|                              | 2022<br>£'000 | 2021<br>£'000 |
|------------------------------|---------------|---------------|
| Loans (Note 15)              | 8,943         | 8,816         |
| Trade payables               | 2,834         | 3,192         |
| Other creditors and accruals | 33,177        | 3,415         |
| Corporation tax              | -             | 32            |
|                              | <b>44,954</b> | <b>15,455</b> |

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 2022

## Notes to the Accounts (cont'd)

**15. Other payables**

|   | <b>2022</b>           | <b>2021</b>           |
|---|-----------------------|-----------------------|
|   | <b>£'000</b>          | <b>£'000</b>          |
| Unsecured vessel loans not wholly repayable within five years, repayable in half-yearly instalments | 156,390               | 137,912               |
| Less repayable within twelve months (Note 14)   | (8,943)               | (8,816)               |
|   | <u>147,447</u>        | <u>129,096</u>        |
| Other creditors   | 971                   | 720                   |
|   | <u><b>148,418</b></u> | <u><b>129,816</b></u> |
| Instalments on the loans included above are repayable as follows:                                   |                       |                       |
| between one and two years   | 9,073                 | 8,943                 |
| between two and five years  | 29,995                | 27,623                |
| after five years  | 108,379               | 92,530                |
|   | <u><b>147,447</b></u> | <u><b>129,096</b></u> |

Unless authorised by Scottish Ministers, the Company can borrow only from Scottish Ministers. At 31 March 2022, the Company had 14 loans outstanding (2021: 12) all repayable to Scottish Ministers at interest rates ranging from 1.78% to 4.93%. Seven 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. Seven loans are repayable on an annuity basis, four loans over 25 years, one loan over 16 years, one loan over 10 years and one loan over 8 years 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:

|                            | <b>2022</b>         | <b>2021</b>         |
|----------------------------|---------------------|---------------------|
|                            | <b>£'000</b>        | <b>£'000</b>        |
| Within 1 year              | 428                 | 551                 |
| Between one and two years  | 349                 | 395                 |
| Between two and five years | 839                 | 821                 |
| After five years           | 2,314               | 2,056               |
|                            | <u><b>3,930</b></u> | <u><b>3,823</b></u> |

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## 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 2022 is as follows:

|                            | <b>2022</b>         | <b>2021</b>         |
|----------------------------|---------------------|---------------------|
|                            | <b>£'000</b>        | <b>£'000</b>        |
| Within 1 year              | 566                 | 601                 |
| Between one and two years  | 465                 | 508                 |
| Between two and five years | 1,127               | 1,091               |
| After five years           | <u>3,027</u>        | <u>2,805</u>        |
|                            | <b><u>5,185</u></b> | <b><u>5,005</u></b> |

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

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 2022 is £617,036.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## 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 Interest rate |             | Period until maturity |             |
|---------------|----------------|----------------|----------------|----------|----------------|----------------|--------------------------------|-------------|-----------------------|-------------|
|               | 2022           | 2021           | 2022           | 2021     | 2022           | 2021           | 2022                           | 2021        | 2022                  | 2021        |
|               | £'000          | £'000          | £'000          | £'000    | £'000          | £'000          | %                              | %           | Years                 | Years       |
| Sterling      |                |                |                |          |                |                |                                |             |                       |             |
| Loans         | 156,390        | 137,912        | -              | -        | 156,390        | 137,912        | 3.02                           | 3.07        | 17.6                  | 17.6        |
| Cash          | (54,651)       | (19,363)       | -              | -        | -              | -              | -                              | -           | -                     | -           |
| Net Borrowing | <b>101,739</b> | <b>118,549</b> | <b>-</b>       | <b>-</b> | <b>156,390</b> | <b>137,912</b> | <b>3.02</b>                    | <b>3.07</b> | <b>17.6</b>           | <b>17.6</b> |

All the Company's borrowings are at fixed rates of interest. The fair value of these loans at 31 March 2022 ascertained through discounting the future cash flows at the National Loans Fund rate was £152,134,269 (2021: £148,203,567).

**(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 (2021: £Nil) and other liquid assets of £54,651,000 (2021: £19,363,000).

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## 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.

|                         | <b>Within<br/>1 year<br/>£'000</b> | <b>Between<br/>1-2 years<br/>£'000</b> | <b>Between<br/>2-5 years<br/>£'000</b> | <b>Over<br/>5 years<br/>£'000</b> |
|-------------------------|------------------------------------|--|--|-----------------------------------|
| <b>At 31 March 2022</b> |                                    |  |  |                                   |
| Borrowings              | 9,371                              | 9,422                                  | 30,834                                 | 110,693                           |
| Trade & other payables  | 35,792                             | 927                                    | -                                      | -                                 |
| <b>At 31 March 2021</b> |                                    |  |  |                                   |
| Borrowings              | 9,367                              | 9,338                                  | 28,444                                 | 94,586                            |
| Trade & other payables  | 6,476                              | 720                                    | -                                      | -                                 |

**(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 2022

## 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 Ltd Northlink (NIFS), both of whom have a public service contract with Scottish Ministers. The CHFS contract is due to expire on 30 September 2024 and the NIFS contract on June 2026.

**18. Capital grants**

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>£'000</b>  | <b>£'000</b>  |
| Balance at 1 April  | 76,370        | 71,567        |
| Grants received and receivable                                  | 24,630        | 22,443        |
| Released to statement of comprehensive income - general release | (3,361)       | (17,640)      |
| Released to statement of comprehensive income - impairment      | (3,510)       | -             |
| Balance at 31 March   | <u>94,129</u> | <u>76,370</u> |

**19. Provisions for liabilities and charges**

|   | <b>2022</b>   | <b>2021</b>  |
|---|---------------|--------------|
|   | <b>£'000</b>  | <b>£'000</b> |
| Deferred tax  |               |              |
| The main components of deferred tax at 25% (2021: 19%) are: |               |              |
| Accelerated capital allowances                              | 18,296        | 14,162       |
| Other timing differences                                    | (4,422)       | (5,072)      |
| Trading losses  | -             | 169          |
| Balance at 31 March   | <u>13,874</u> | <u>9,259</u> |

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Notes to the Accounts (cont'd)

**20. Share capital**

|  | <b>2022</b>  | <b>2021</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Authorised, allotted, issued, and fully paid – 1.5 million ordinary shares of £10 each | 15,000       | 15,000       |

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

**21. Pension arrangements**

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

|  | <b>2022</b>  | <b>2021</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| <b>On-going contributions</b>              |              |              |
| Company scheme                             | 792          | 983          |
| <b>Contributions towards past deficits</b> |              |              |
| Other schemes                              | 1            | 2            |
|  | <b>793</b>   | <b>985</b>   |

**Company defined benefit scheme**

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

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

A full actuarial valuation was undertaken at 6 April 2021. 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 0.9% p.a. until 2030 and 0.1% p.a. thereafter

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

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

## c) 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 scheme assets as £338.6 million. The 2021 actuarial valuation identified a shortfall in funding of £4.9 million.

Scottish Ministers, as shareholder of the Company, provided an additional £10.9m in March 2022 (2021: £29.5m) for the sole purpose of reducing the deficit on the pension scheme. This payment of the £10.9m in March 2022 was sufficient to remove the deficit at 6 April 2021.

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.

These additional contributions have been reflected in the roll-forward valuation of the scheme as at 31 March 2022. 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. The Company was instructed to act on the behalf of the shareholder and facilitate the payment to the Fund.

The next actuarial valuation is due on 6 April 2024.

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 2021 was updated to 31 March 2022 by a qualified independent actuary. The amounts recognised in the statement of financial position are as follows:

|                                     | <b>2022</b>  | <b>2021</b>     |
|-------------------------------------|--------------|-----------------|
|                                     | <b>£'000</b> | <b>£'000</b>    |
| Present value of funded liabilities | (375,441)    | (380,228)       |
| Fair value of scheme assets         | 380,046      | 335,161         |
| Unrecognised surplus                | (4,605)      | -               |
| Deficit                             | -            | (45,067)        |
| Related deferred tax asset          | -            | 8,563           |
| Net asset/(liability)               | -            | <b>(36,504)</b> |

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Notes to the Accounts (cont'd)

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

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

|                      | <b>2022</b>  | <b>2021</b>  |
|----------------------|--------------|--------------|
|                      | <b>£'000</b> | <b>£'000</b> |
| Current service cost | 804          | 623          |
| Past service cost    | -            | 380          |
| Net financing cost   | 581          | 946          |
|                      | <u>1,385</u> | <u>1,949</u> |

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

|                                | <b>2022</b>   | <b>2021</b>   |
|--------------------------------|---------------|---------------|
|                                | <b>£'000</b>  | <b>£'000</b>  |
| Staff costs                    | 804           | 1,003         |
| Other finance costs            | 581           | 946           |
|                                | <u>1,385</u>  | <u>1,949</u>  |
| Actual return on scheme assets | <u>16,596</u> | <u>39,606</u> |

Changes in the amounts recognised in other comprehensive income are as follows:

|  | <b>2022</b>     | <b>2021</b>     |
|--|-----------------|-----------------|
|  | <b>£'000</b>    | <b>£'000</b>    |
| Opening cumulative other comprehensive (expense)                           | (90,627)        | (86,330)        |
| Remeasurements:  |                 |                 |
| - actuarial gains – asset remeasurement                                    | 9,435           | 33,464          |
| - actuarial (losses)/gains arising from changes in demographic assumptions | (3,396)         | 6,524           |
| - actuarial gains/(losses) arising from changes in financial assumptions   | 43,453          | (48,153)        |
| - actuarial (losses)/gains arising from experience                         | (2,750)         | 3,868           |
| - effect of unrecognised surplus   | (4,605)         | -               |
| Closing cumulative other comprehensive (expense)                           | <u>(48,490)</u> | <u>(90,627)</u> |

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

Notes to the Accounts (cont'd)

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

Changes in the present value of the defined benefit liabilities

|  | <b>2022</b>    | <b>2021</b>    |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| At 1 April   | 380,228        | 316,478        |
| Current service cost – Caledonian Maritime Assets Ltd                    | 804            | 623            |
| Past service cost  | -              | 380            |
| Current service cost - Others  | 29,160         | 23,067         |
| Employee contributions   | 3,477          | 3,556          |
| Interest cost  | 7,742          | 7,088          |
| Actuarial losses/(gains) arising from changes in demographic assumptions | 3,396          | (6,524)        |
| Actuarial (gains)/losses arising from changes in financial assumptions   | (43,453)       | 48,153         |
| Actuarial losses/(gains) arising from experience                         | 2,750          | (3,868)        |
| Benefits paid  | (8,663)        | (8,725)        |
| At 31 March  | <b>375,441</b> | <b>380,228</b> |

Changes in the fair value of the scheme assets

|                           | <b>2022</b>    | <b>2021</b>    |
|---------------------------|----------------|----------------|
|                           | <b>£'000</b>   | <b>£'000</b>   |
| At 1 April                | 335,161        | 248,325        |
| Interest income on assets | 7,161          | 6,142          |
| Re-measurement gains      | 9,435          | 33,464         |
| Employer contributions    | 33,475         | 52,399         |
| Employee contributions    | 3,477          | 3,556          |
| Benefits paid             | (8,663)        | (8,725)        |
| At 31 March               | <b>380,046</b> | <b>335,161</b> |

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## 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:

|          | <b>2022</b> | <b>2021</b> |
|----------|-------------|-------------|
|          | <b>%</b>    | <b>%</b>    |
| Equities | 36.1        | 42.6        |
| LDI      | 21.2        | 18.2        |
| Bonds    | 4.6         | 5.6         |
| Property | 4.1         | 3.9         |
| Other    | 34.0        | 29.7        |

Principal actuarial assumptions at the year-end were:

|                           | <b>2022</b>                        | <b>2021</b>                        |
|---------------------------|------------------------------------|------------------------------------|
|                           | <b>%</b>                           | <b>%</b>                           |
| Discount rate at 31 March | 2.70                               | 2.05                               |
| RPI Inflation             | 3.10                               | 2.80                               |
| Future salary increases   | 4.10                               | 3.80                               |
| Future pension increases  | Derived<br>from RPI<br>assumptions | Derived<br>from RPI<br>assumptions |

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

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

Post retirement mortality assumptions are as follows: -

| <b>2022</b>                                  | <b>2021</b>                               |
|--|---|
| SAPS S3 "Heavy" with scaling factors of:     | SAPS S2 "Heavy" with scaling factors of   |
| - Active males/females: 94%/110%             | 95% for males and 115% for females,       |
| - Deferred males/females: 94%/106%           | future mortality improvements are in line |
| - Pensioner males/females: 93%/105%          | with the CMI_2020 model with a            |
| Future mortality improvements are in         | smoothing factor of $S_k = 7.75$ with     |
| linewith the CMI_2021 projection model       | parameter A equal to 0% and long-term     |
| with a smoothing factor of $S_k = 7.00$ with | rate of improvement underpin of           |
| parameter A equal to 0.25% and long-         | 1.25%p.a                                  |
| term rate of improvement underpin of         |   |
| 1.25% p.a.                                   |   |

SensitivityImpact on defined benefit liability

|   |                                  |
|---|----------------------------------|
| Discount rate -0.1%                     | Increases the liability by +2.5% |
| RPI inflation +0.1%                     | Increases the liability by +2.0% |
| Mortality scaling factor reduced by 10% | Increases the liability by +2.9% |

## Historical pension scheme information

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

|  | <b>2022</b>  | <b>2021</b>     | <b>2020</b>     | <b>2019</b>     | <b>2018</b>     |
|--|--------------|-----------------|-----------------|-----------------|-----------------|
|  | <b>£'000</b> | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>    |
| Present value of defined benefit liabilities   | (375,441)    | (380,228)       | (316,478)       | (322,713)       | (244,870)       |
| Fair value of scheme assets                    | 380,046      | 335,161         | 248,325         | 227,297         | 198,490         |
| Unrecognised surplus                           | (4,605)      | -               | -               | -               | -               |
| Surplus/(deficit)                              | -            | <b>(45,067)</b> | <b>(68,153)</b> | <b>(95,416)</b> | <b>(46,380)</b> |
| Experience adjustment on scheme liabilities    | (2,750)      | 3,868           | 2,347           | (7,491)         | (807)           |
| Re-measurement gains/(losses) on scheme assets | 9,435        | 33,464          | (4,208)         | 8,321           | 2,658           |

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

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

The Company expects to contribute approximately £5,511,929 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 2021 triennial valuation of the MNOF scheme showed a funding surplus of £58 million. The Trustee has agreed no contributions will be paid to the Fund by participating employers.

The next triennial valuation of the Fund will be undertaken at 31 March 2024.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## 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 2020, carried out by the Fund actuary, showed that the scheme was in deficit by £96 million. The valuation showed that the market value of assets was 93% of the value of benefits accruing to members allowing for future increases (2017 valuation, deficit of £221 million, 84% funding level).

The triennial valuation at 31 March 2020 showed a deficit of £96m which includes a £70m reserve for the administration costs and ill health enhanced retirement benefit liabilities relating to Project Greenwich.

A settlement agreement was reached by all participating parties in respect to the ill health retirement benefits and Trustees are actively pursuing the identification of members impacted by the outcome of the settlement and until this exercise is complete it is not possible to identify the quantum of benefits that may be due.

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.

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

**22. Net debt reconciliation**

|  | <b>At 1 April 2021</b> | <b>Cash flows</b> | <b>Other</b>   | <b>At 31</b>     |
|--|------------------------|-------------------|----------------|------------------|
|  | <b>£'000</b>           | <b>£'000</b>      | <b>changes</b> | <b>March</b>     |
|  |                        |                   | <b>£'000</b>   | <b>2022</b>      |
|  |                        |                   |                | <b>£'000</b>     |
| Bank and cash in hand                        | 19,363                 | 35,288            | -              | 54,651           |
| Other loans repayable within one year        | (8,816)                | 8,816             | (8,943)        | (8,943)          |
| Right of use asset liability within one year | (551)                  | 457               | (334)          | (428)            |
| Other loans repayable after one year         | (129,096)              | (27,294)          | 8,943          | (147,447)        |
| Right of use asset liability after one year  | (3,272)                | -                 | (230)          | (3,502)          |
| <b>Net debt</b>                              | <b>(122,372)</b>       | <b>17,267</b>     | <b>(564)</b>   | <b>(105,669)</b> |

**23. Other financial commitments**

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

| <b>Property, plant and equipment</b> | <b>2022</b>       | <b>2022</b>    | <b>2021</b>       | <b>2021</b>    |
|--------------------------------------|-------------------|----------------|-------------------|----------------|
|                                      | <b>£'000</b>      | <b>£'000</b>   | <b>£'000</b>      | <b>£'000</b>   |
|                                      | <b>Investment</b> | <b>Vessels</b> | <b>Investment</b> | <b>Vessels</b> |
|                                      | <b>property</b>   |                | <b>property</b>   |                |
| Receivable within one year           | 258               | 22,332         | 236               | 21,624         |
| After one year but less than five    | 703               | 46,262         | 899               | 68,609         |
| After more than five years           | 811               | -              | 749               | -              |
|                                      | <b>1,772</b>      | <b>68,594</b>  | <b>1,884</b>      | <b>90,233</b>  |

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## 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:

|  | <b>2022</b>  | <b>2021</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Capital grants received and receivable (Note 18) | 24,630       | 22,443       |
| Capital grants due at 31 March                   | 11,434       | 18,711       |
| Grant in aid received and receivable             | 4,226        | 3,993        |
| Grant in aid due at 31 March                     | 4,226        | -            |
| Loans received and receivable                    | 27,294       | 1,760        |
| Project management fees & other charges          | 100          | 100          |
| Cost recharges                                   | 738          | -            |
| Loans repaid                                     | 8,816        | 95,764       |
| Interest paid and payable                        | 4,167        | 4,440        |
| Interest on vessel new build                     | -            | 2,278        |
| Balance of loans due at 31 March (Note 15)       | 156,390      | 137,912      |
| Value of vessels transferred                     | -            | 85,214       |
| Contribution to Calmac pension scheme            | 10,900       | 29,500       |
| Trade debtor balances due at 31 March            | 91           | -            |

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

|  | <b>Sold to/ (purchased from)</b> |              | <b>Owed by/ (owed to)</b>    |              |
|--|----------------------------------|--------------|------------------------------|--------------|
|  | <b>David MacBrayne Group</b>     |              | <b>David MacBrayne Group</b> |              |
|  | <b>2022</b>                      | <b>2021</b>  | <b>2022</b>                  | <b>2021</b>  |
|  | <b>£'000</b>                     | <b>£'000</b> | <b>£'000</b>                 | <b>£'000</b> |
| Vessel leasing charges                   | 15,933                           | 15,485       | -                            | -            |
| Harbour access charges                   | 16,333                           | 14,141       | 285                          | 174          |
| Property & equipment licence             | 84                               | 153          | -                            | -            |
| Rent                                     | 150                              | 149          | -                            | -            |
| Repair & other costs recoveries          | 258                              | 204          | 253                          | 147          |
| Vessel upgrades, modifications & repairs | (7,661)                          | (5,598)      | (2,989)                      | (1,925)      |
| Ferry travel costs                       | (10)                             | (4)          | -                            | -            |
| Cost recoveries                          | (4)                              | (2)          | (4)                          | (1)          |
| Pier operations                          | (5,767)                          | (5,831)      | (3)                          | (568)        |

## ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

## Notes to the Accounts (cont'd)

**25. Contingent liability**

The Merchant Navy Ratings Pension Fund (MNRPF) is a closed scheme. Fund Trustees advised in October 2021 that following a governance exercise to ensure that benefits are paid in line with trust deeds and relevant legislation that some "mis-alignments" have been discovered. The Trustees and its advisers are investigating this matter with both representative beneficiaries and employers' advisers. The Trustees have set in place some workstreams to identify the nature of the "mis-alignment" and possible net cost to employers.

It is noted that the Company may have a liability in respect of any additional deficit contributions payable resulting from this work, however it is not yet possible to determine the liability that may be attributable to the Company or the timeframe for settlement.

**26. Post Balance Sheet Event**

The Scottish Government confirmed on 24 October 2022 that additional funding of up to £115m would be made available to the Company to accelerate plans to replace ferries and associated minor port improvements.

A contract notice has been issued for the detailed design and build for 2 new vessels to the same design as the Islay vessels which are currently under construction and these vessels shall be identical sister ships. The tender was advertised via Public Contracts Scotland on 27 October 2022 with a tender response deadline of 6 December 2022 and a contract award anticipated by mid-January 2023. The total contract value for the vessels is estimated to be in the region of £90m-£100m.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2022

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