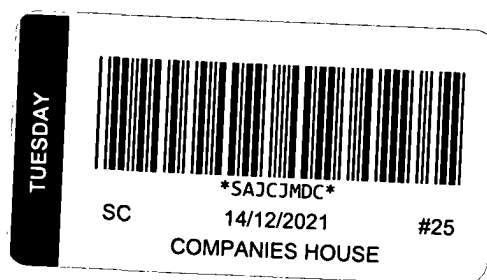


CALEDONIAN MARITIME ASSETS LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR TO 31 MARCH 2021

COMPANY NUMBER: SC001854



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ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Chair's Statement for the year ended 31 March 2021

It has been a remarkable year. Every country, individual, business, and organisation in the world has experienced the detrimental impact of COVID-19, although in different ways and to varying levels of harm and disruption.

My employment role brings me into contact with thousands of transport and logistics companies operating throughout Europe and beyond. I know from my engagement with them over the past year that, without exception, every business has had to implement extraordinary measures in response to the global pandemic.

As chair of CMAL's board, my priority was to ensure the chief executive, Kevin Hobbs and the senior management team had the support they needed to quickly adapt and overcome various challenging scenarios.

Ferries are lifeline services for Scotland's islands. Island communities rely on the essential connection to the mainland to survive - food, fuel, medicine - as well as for work, education, health, and social reasons.

Lockdown restrictions meant travel was not permitted for work or school, but ferries and ports remained active and busy to keep critical supply routes open.

Working under an unprecedented situation, CMAL had to ensure its people were able to do the essential parts of their job while also maintaining their safety and that of suppliers and communities.

I was impressed with the speed, adaptability, and creativity the CMAL team brought to the job to continue meeting their commitments.

Despite the restrictions and delays caused by the global pandemic, both the vessels and harbours teams have continued to deliver vital work across ferry assets and infrastructure – in challenging circumstances.

During the year 2020/21, we have invested £11.7 million in vessels and £18.4 million on harbour upgrade projects and maintenance to ensure our assets continue to support a safe and resilient service.

These figures will increase significantly in the next financial year following a five-year commitment from Scottish Government. This multi-year approach to finance will give clarity of investment for CMAL to plan large-scale capital projects, without the distraction and uncertainty of annual bids and approvals. For too long, funding has been an ever-present challenge.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Chair's Statement for the year ended 31 March 2021 (cont'd)

Of course, we already have our sights on what happens beyond that five-year timeframe too. There is a lot of work to do to modernise the ferry network by replacing ferries and upgrading harbours, many of which were originally built to support very different requirements and operations.

Sustainability is a key consideration. Transport is one of the biggest producers of carbon in Scotland and ferry transport contributes to the overall carbon footprint and emissions. We can see other modes of transport making transformative changes, with electric cars and buses becoming increasingly commonplace. It's vital the maritime industry keeps pace and plays its part.

For CMAL, seeking alternative fuel technology for vessels and environmentally friendly buildings and engineering approaches for harbours has been a priority for years, and we will see this focus grow.

The delayed dual fuel ferry project continued to weigh heavily on the board and senior management throughout the year.

The Rural Economy and Connectivity (REC) Committee published its report on the inquiry into ferry procurement late last year. As part of its work, we were able to provide detailed submission and appear in front of the committee to give a full account of the CMAL position. As a board, we discussed and noted some concerns about the report's balance in terms of fully reflecting the detrimental impact of contractor failure. However, we are also keen to ensure we learn what we can from the situation and implement ways to protect the performance of future contracts.

One of the key recommendations from the board involves the role of independent consultants when selecting shipyards to provide further quality assessment of their capability and capacity. This is already built into the planning process for the new vessel for Islay.

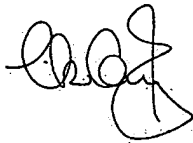
The inquiry report has provided something of a turning point for the CMAL team. While we eagerly await the completion and delivery of MV Glen Sannox and Hull 802, there is a desire to move forward, and look to the future.

There is optimism, drive and commitment within the team about our plans to transform the ferry network. CMAL has a highly professional and experienced team of naval architects, ship designers, marine engineers, and project managers, with the crucial back-up of accounts, procurement, IT and Corporate Services. The team have the skills and capability to identify what is required and to deliver to quality standards.

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Chair's Statement for the year ended 31 March 2021 (cont'd)

Both I and the Board share their enthusiasm and ambitions for the future, and I look forward to continuing to support plans for the coming year and beyond.

A handwritten signature in black ink, appearing to read 'Erik Østergaard', with a stylized flourish at the end.

Erik Østergaard OBE
Chair

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Aithris a' Chathraiche do dheireadh bliadhna 31 Màrt 2021

'S e bliadhna iongantach a th' air a bhith ann. Tha gach dùthaich, neach fa leth, gnothachas agus buidheann air an t-saoghal air buaidh mhillteach COVID-19 fhulang, ged is ann an diofar dhòighean agus gu ìrean eadar-dhealaichte de chron agus de throimh-chèile.

Tha mo dhleastanas cosnadh gam thoirt gu dèiligeadh ri mìltean de chompanaidhean còmhhdail agus innleadaireachd a tha ag obrachadh air feadh na Roinn Eòrpa agus air a taobh a-muigh. Tha fios agam bho mo chonaltradh riutha thar na bliadhna an-uiridh, gun robh aig gach gnothachas a-riamh aca ri tomhaisean neo-àbhaisteach a chur an gnìomh mar fhreagairt do ghalar-sgaoilte na cruinne.

Mar chathraiche bòrd-stiùiridh CMAL, b' e mo phrìomhachas a dhèanamh cinnteach gun robh an taic air an robh feum aca, aig an àrd-oifigear, Kevin Hobbs, agus aig an àrd-sgioba stiùiridh gus atharrachadh gu luath airson dèiligeadh ri diofar shuidheachaidhean dùbhlach.

Tha na h-aiseagan nan seirbheis dheatamaich do dh'eileanan na h-Alba. Tha coimhearsnachdan nan eilean an eisimeil a' cheangail chudromaich le tìr-mòr airson a bhith beò – biadh, connadh, cungaidhean-leigheis – a thuilleadh air obair, foghlam, slàinte agus adhbharan sòisealta.

Bha cuingealaidhean a' ghlasaidh-sluaigh a' ciallachadh nach robh siubhal ceadaichte gu obair no sgoil, ach dh'fhuirich aiseagan is calaidhean gnìomhach agus trang gus slighean èiginneach a chumail fosgailte.

Ag obair ann an suidheachadh nach fhacas a-riamh roimhe, bha aig CMAL ri dhèanamh cinnteach gun robh e comasach do na daoine aca na pàirtean deatamach de an obair a dhèanamh, agus aig an aon àm an sàbhailteachd agus sàbhailteachd an solaraichean agus an coimhearsnachdan, a chumail suas.

Bha mi uasal às an luaths, am freagarrachd agus an cruthachalachd a tharraing sgioba CMAL chun na h-obrach gus cumail air adhart le an dleastanasan.

A dh'aindeoin nan cuingealaidhean agus an dàil air adhbhrachadh leis a' ghalar chruinneil, tha an dà chuid na soithichean agus sgiobaidhean nan calaidhean air leantainn air adhart a' liubhairt na h-obrach dheatamaich tarsainn so-mhaoin aiseagan is bun-structar – ann an suidheachaidhean dùbhlach.

Rè na bliadhna 2020/21, tha sinn air £11.7 millean a thasgadh ann an soithichean agus £18.4 millean ann am pròiseactan ath-ùrachaidh agus obair-gleidhidh chalaidean, gus a dhèanamh cinnteach gu bheil ar so-mhaoin a' leantainn air adhart a' cur taic ri seirbheis shàbhailte agus fhulangach.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Aithris a' Chathraiche do dheireadh bliadhna 31 Màrt 2021 (a' leantainn)

Bidh na figearan sin a' meudachadh gu mòr san ath bhliadhna ionmhasail, a' leantainn air gealltanais còig-bliadhna bho Riaghaltas na h-Alba. Bheir an dòigh-obrach ioma-bhliadhnail seo a thaobh ionmhas seachad

soilleireachd ann an tasgadh do CMAL gus pròiseactan calpa mòr-sgèile a phlanadh, às aonais imcheist agus mì-chinnt nan tagraidhean bliadhnail agus an aontaidhean. Tha maoineachadh air a bhith na dhùbhlán fad-làithreach fada ro fhada.

Gun teagamh, tha sinn mar-thà a' cuimseachadh air dè thachras às dèidh an fhrèam-ama còig-bliadhna sin. Tha mòran obrach ri dhèanamh gus an lionra aiseagan a dhèanamh nua-aimsireil tro bhith ag ionadachadh aiseagan agus ag ùrachadh chalaidean, mòran dhiubh a chaidh a thogail bho thùs gus taic a chur ri riatanasan agus obrachaidhean glè eadar-dhealaichte.

Tha seasmhachd na phrìomh riatanas. Tha còmh dhail mar aon de na nithean as motha a tha a' toradh càrbon ann an Alba agus tha còmh dhail aiseagan a' cur gu mòr ris an lorg càrboin agus sgaoilidhean iomlan. Chì sinn modhan còmh dhail eile a' dèanamh atharrachaidhean a tha cruth-atharrachail le càraichean agus busaichean dealain a' fàs mòran nas bitheanta. Tha e deàtamach gun cùm gnìomhachas na mara ceum air cheum suas ris ann an coileanadh a dhleistanais.

A thaobh CMAL, tha sireadh teicneòlas connaidh eile do shoithichean agus do thogalaichean càirdeil don àrainneachd agus modhan innleadaireachd air calaidhean, air a bhith na phrìomhachas fad bhliadhnach agus chì sinn an cuimseachadh seo a' fàs.

Tha am pròiseact aiseagan dà-chonnaidh air a bheil dàil, a' cumail air adhart na uallach trom air a' bhòrd agus air an àrd-sgioba stiùiridh fad na bliadhna.

Mar sin, fhuair eadhon beagan faochaidh nuair a dh'fhoillsich Comataidh an Eaconamaidh Dhùthchail agus Comas-ceangail (REC) an aithisg mun rannsachadh air solar aiseagan aig deireadh na bliadhna an-uiridh. Mar phàirt de an obair, bha sinn comasach air iarrtas mionaideach a sholarachadh agus nochdadh air beulaibh na comataidh gus làn chunntas a thoirt air suidheachadh CMAL. Mar bhòrd, rinn sinn deasbad air agus thug sinn fa-near beagan dhraghan mu cho-chothromachd na h-aithisg a thaobh a bhith a' nochdadh na buaidh mhillteach iomlan, a bha mar thoradh air failligeadh cunnradair. Ach, tha sinn dìoghrasach mu dhèanamh cinnteach gun ionnsaich sinn nas urrainn dhuinn bhon t-suidheachadh agus modhan a chur an gnìomh a bhios a' dìon coileanadh obrach chunnraidhean eile san àm ri teachd.

Tha aon de na prìomh mholaidhean bhon bhòrd co-cheangailte ri dreuchd cho-chomhairlichean neo-eisimeileach ann an taghadh ghàrraidhean-iarainn, gus tuilleadh measaidh càileachd fhaotainn agus a thoirt seachad mu am brìgh agus an comasachd. Tha seo air fìghe a-steach mar-thà don phròiseas planaidh a thaobh na soithich ùir do dh'ìle.

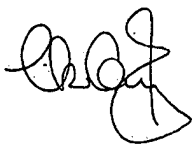
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Aithris a' Chathraiche do dheireadh bliadhna 31 Màrt 2021 (a' leantainn)

Tha an aithisg bhon rannsachadh air seòrsa de phuuing tionndaidh a ruighinn do sgioba CMAL. Fhad 's a tha sinn a' feitheamh le dìoghras air crìochnachadh agus liubhairt air an MV Gleann Sannaig agus Hull 802, tha miann ann gluasad air adhart, coimhead ris an àm ri teachd agus cuimseachadh air cur an gnìomh ann an raointean eile.

Tha dòchas, dìcheall agus dealas taobh a-staigh na sgioba mu ar planaichean air cruth-atharrachadh a thoirt air an lìonra aiseagan. Tha sgioba àrd-eòlach agus proifeiseanta de dh'aitirean mara, dealbhadairean shoithichean, innleadairean mara, agus manaidsèaran pròiseict aig CMAL, le taic deatamach bho chunntasan, solarachadh, seirbheisean IT is corporra. Tha na sgilean agus an comas aig an sgioba gus na tha a dhìth a chomharrachadh agus a liubhairt gu ìrean àrd-chàileachd.

Tha mi fhìn agus am Bòrd mar an ceudna dìoghrasach agus àrd-amasail mu choinneamh an ama ri teachd, agus tha mi a' coimhead air adhart ri leantainn a' cur taic ri planaichean don bhliadhna a tha romhainn agus às a dhèidh.



Erik Østergaard OBE
Cathraiche

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

CEO's Statement for the year ended 31 March 2021

Like every business around the world, our performance during 2020/21 was heavily influenced and impacted by the COVID-19 pandemic.

Despite an extremely challenging set of circumstances, we achieved significant progress across several vessels and harbours projects. I have been highly impressed by the resilience of our people to continue delivering under a range of professional and personal pressures, and by their determination to find solutions and alternative ways of delivering what we do.

All our major infrastructure projects were shut down for 12 weeks in March 2020 in line with the national lockdown. Our staff vacated the office and most have worked from home throughout the pandemic, although at times, some of our people had to travel to deliver critical work. We had to secure 'essential worker' status for our engineers and specialists to ensure we continued statutory port inspections and essential harbour repairs and maintenance to maintain lifeline ferry services.

From June 2020, following the Scottish Government's guidelines for the construction industry, we were able to restart our harbours projects albeit a soft start as required. The rules have been followed diligently by our employees and contractors and I am proud to say that only one positive case of COVID-19 was detected, and quickly contained through agreed contractor protocols.

The team's commitment to delivery has meant several harbours projects progressed or concluded during the year, despite pandemic-related delays and restrictions.

Progress on the £21 million upgrade of Tarbert Ferry Terminal, currently our largest infrastructure project, is clearly visible. We have demolished the old terminal building, constructed a new temporary building, removed the old pier, reclaimed land for a larger marshalling area and completed an extensive dredging operation. The new pier is taking shape and work to install utility services is well underway.

In addition, we installed a new linkspan at Gourock Ferry Terminal; built a new aligning structure and marshalling area at Lochaline Ferry Terminal; completed repairs to the old pierhead at Tiree Ferry Terminal; implemented traffic management upgrades at Oban Ferry Terminal to improve passenger and vehicle safety, including resurfacing and new barriers and signage; and continued a network-wide upgrade to lighting at all harbours to convert to LEDs, improving energy efficiency and reducing maintenance.

All of this was done while adhering to strict social distancing, limiting on-site personnel and overcoming travel and accommodation challenges.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

CEO's Statement for the year ended 31 March 2021 (cont'd)

Similarly, progress has been achieved across our vessel's portfolio, with lockdown and working from home proving fruitful for our naval architects and ship designer team.

Most significantly, we launched a major programme to design and build up to seven small vessels for the Clyde and Hebrides Ferry Service (CHFS). The Small Vessel Replacement Programme (SVRP) will deliver a multi-million-pound investment to the fleet. A tender process to appoint naval architect consultancy services has begun, and the tender process will begin in 2022/23.

Technology and virtual meetings enabled the team to steam ahead with the planning stages of the new vessel for Islay and Jura. We have gained considerable momentum in concept design development, working closely with our appointed naval design consultancy, and we have implemented regular community engagement, including our first ever virtual community meeting.

The experience has taught us that quality engagement can be achieved through virtual means, paving the way for more engagement opportunities in future across all our projects. As easing of restrictions increases we will meet locally and continue to have a virtual capability for those that cannot attend in person.

We have also appointed design consultants to support the concept development of up to three passenger-only vessels for routes between Gourock, Dunoon and Kilcreggan and, for the Northern Isles Ferry Service (NIFS), we have appointed design consultants to support concept development of two new freight vessels to replace the MV Helliard and MV Hildasay trading to the Northern Isles.

The Ferguson Marine shipyard, where two dual fuel vessels are being built for our fleet, was closed for several months because of the pandemic, bringing production to a halt. However, our vessels team attended the shipyard regularly to ensure the vessels were safe and there were no detrimental effects on equipment and machinery.

The dual fuel vessel project remains seriously delayed and, like us, island communities desperately await their completion and delivery to the fleet.

The project delay was the subject of a parliamentary inquiry during the year 2020/21 and we provided robust evidence to the inquiry, both in writing and to oral hearings, facing questions from the Committee. The report of the inquiry's findings, which were published in December 2020, made for sobering reading. The Board and senior management team has thoroughly dissected the findings to identify how we can improve the way we work. We had already made some changes to processes before the Committee reported its findings, and there are additional changes that can and will be implemented.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

CEO's Statement for the year ended 31 March 2021 (cont'd)

However, it is also important to remember that CMAL has a proven track record of delivering large ferry and harbour infrastructure projects on time and on budget; the dual fuel ferry projects is an outlier in our 15 years history. Our focus is now on the future and transforming the ferry network. It has been our professional opinion that investment in ferries and harbour infrastructure in Scotland has not met the levels needed for many years. It remains a desire of all stakeholders to increase investment that will lead to greater resilience, reliability and sustainability.

However, that has changed with a much-needed and welcome commitment from the Scottish Government of £580 million (which includes some funding elements for 3rd party ports) over the next five years (financial years 2021/22 to 2025/26), bringing funding into line with our recommended and required spending levels. With this level of finance, we can transform and modernise infrastructure, providing the resilience island communities need.

We look forward to doing more with the increased investment to connect island and rural communities and helping them to thrive.



Kevin Hobbs
Chief Executive

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Aithris an Àrd-Oifigeir don deireadh bliadhna 31 Màrt 2021

Coltach ris a h-uile gnìomhachas mu thimcheall an t-saoghail, bha an coileanadh againne tro 2020/21 fo bhuaidh mhòr agus cuideam galar-sgaoilte COVID-19.

A dh'aindeoin seat de shuidheachaidhean a bha dha-rìribh dùbhlach, choilean sinn adhartas cudromach tarsainn grunn shoithichean agus pròiseactan chalaidean. Tha mi air mo ghluasadh gu mòr le fulangas nan daoine againn gu leantainn air adhart a' soirbheachadh fo raon de dh'uallaichean proifeiseanta agus pearsanta, agus le an dìcheall a' lorg fhuasglaidhean agus dòighean eile air na tha sinn a' dèanamh a libhrigeadh.

Chaidh ar prìomh phròiseactan bun-structair uile a dhùnadh sìos airson 12 seachdainean sa Mhàrt 2020 ann an co-rèir ris a' ghlasadh-sluaigh nàiseanta. Dh'fhàg an luchd-obrach an oifis agus tha a' mhòr-chuid air a bhith ag obair bhon taigh tron ghalar-sgaoilte, ged a bha aig cuid de ar daoine ri siubhal aig amannan gus dèiligeadh ri obair èiginneach. Bha againn ri inbhe 'obair èiginneach' fhaotainn do ar n-innleadairean agus ar speisealaichean gus a dhèanamh cinnteach gun robh sinn a' leantainn le sgrùdaidhean reachdail phuirt agus càraidhean deatamach chalaidean gus seirbheisean aiseagan riatanach a chumail suas.

Bhon Ògmhios 2020, a' leantainn stiùiridhean Riaghaltas na h-Alba don ghnìomhachas togail, bha e comasach dhuinn ar pròiseactan chalaidean ath-thòiseachadh, ged a b' e tòiseachadh bog a bh' ann mar a bha riatanach. Tha ar luchd-obrach agus cunnraidairean air a bhith a' leantainn nan riaghailtean gu dìcheallach agus tha mi moiteil a ràdh nach deach ach aon chùis deimhinneach de COVID-19 a lorg, agus a làimhseachadh gu luath tro phròtacalan aontaichte le cunnraidairean.

Tha dealas na sgioba a thaobh liubhairt air ciallachadh gun deach grunn phròiseactan chalaidean adhartachadh no a chrìochnachadh tron bhliadhna, a dh'aindeoin dàilean agus cuingealaidhean co-cheangailte ris a' ghalar-sgaoilte.

Tha adhartas air an ath-ùrachadh luach £21 millean air Ionad Aiseig an Tairbeirt, am pròiseact bun-structair as motha a th' againn gu làithreach, gu h-àraid follaiseach. Tha sinn air cur às don t-seann togalach, air togalach ùr sealach a thogail, air an t-seann chidhe a thoirt air falbh, air fearann fhaighinn air ais airson raon marasglaidh agus air obair dreidsidh fìor mhòr a chrìochnachadh. Tha an cidhe ùr a' tighinn gu buil agus tha obair an lùib sheirbheisean ghoireasan gu math air an t-slighe.

A thuilleadh air sin, tha sinn air alt-aiseig ùr a stèidheachadh aig Ionad Aiseig Ghuraig; air structar co-thaobhach ùr agus raon marasglaidh aig Ionad Aiseig Loch Àlainn a thogail; air obair càraidh a chrìochnachadh air an t-seann chidhe aig Ionad Aiseig Thiriodh; ùrachadh air stiùireadh trafaig a chur an gnìomh aig Ionad Aiseig an Òbain gus sàbhailteachd luchd-siubhail is charbadan a leasachadh, a' gabhail a-steach ath-uachdrachadh agus ballachan-dìon is soidhneachd ùr; agus leantainn air adhart le ùrachadh tarsainn an lionra air solais aig na calaidhean uile gu LED, leasachadh èifeachdas cumhachd agus lùghdachadh obair-gleidhidh.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Aithris an Àrd-Oifigeir don deireadh bliadhna 31 Màrt 2021 (a' leantainn)

Chaidh seo uile a dhèanamh a' cumail aig an aon àm ri astarachadh sòisealta cruaidh, cuingealachadh luchd-obrach air an làraich, agus faighinn seachad air dùbhlain siubhail is àite-fuirich.

Mar an ceudna, tha adhartas air a choileanadh tarsainn ar fòilio shoithichean, le glasadh-sìos agus obair bhon taigh a' dearbhadh soirbheachail do ar n-aitirean mara agus don sgioba dealbhaidh shoithichean.

Gu cudromach, chuir sinn prìomh phrògram air bhog gus suas ri seachd soithichean beaga a dhealbhadh agus a thogail do Sheirbheis Aiseig Chluaidh is Innse Gall (CHFS). Bidh Prògram Ionadachaidh Shoithichean Beaga (SVRP) a' cur inbheisteachd ioma-mhilleann nota ris a' chabhlaich. Tha pròiseas tairgsinn gus seirbheisean co-chomhairleachaidh ailtirean mara fhastadh, air tòiseachadh, agus tha sinn an dùil tòiseachadh air a' phròiseas tairgsinn airson gàrradh-iarainn taobh a-staigh na h-ath bhliadhna ionmhasail.

Rinn teicneòlas agus coinneamhan air-loidhne comasach don sgioba leantainn air adhart leis na h-ìrean planaidh aig an t-soithich ùir do dh'Ìle is Diùra. Tha sinn air cumhachd susbainteach fhaotainn ann an leasachadh air dealbhadh dreachd, ag obair gu dlùth le ar seirbheis co-chomhairleachaidh mara agus tha sinn air conaltradh coimhearsnachd cunbhalach a stèidheachadh, a' gabhail a-steach na ciad choinneamhan coimhearsnachd againn a-riamh air-loidhne.

Tha an t-eòlas sin air sealltainn dhuinn gum faod conaltradh brìgheil a bhith air a choileanadh tro dhòighean bhiortail, a' fosgladh na slighe airson tuilleadh chothroman conaltraidh san àm ri teachd tarsainn ar pròiseactan uile. Mar a bhios lasachadh air cuibhreachaidhean a' leantainn, coinnichidh sinn gu h-ionadail agus leanaidh sinn le comas bhiortail dhaibhsan nach urrainn a bhith an làthair gu pearsanta.

Tha sinn air co-chomhairlichean dealbhaidh fhastadh gus taic a chur ri leasachadh dreachd air suas ri trì soithichean do luchd-siubhail a-mhàin airson slighean eadar Guraig, Dùn Omhain agus Cille Chreagain, agus do Sheirbheis Aiseig nan Eilean a Tuath (NIFS), tha sinn air co-chomhairlichean dealbhaidh fhastadh gus taic a chur ri leasachadh dreachd air dà shoitheach bathair gus a dhol an àite an MV Helliard agus MV Hildasay a' malairt gu na h-Eileanan a Tuath.

Bha gàrradh-iarainn Ferguson Marine, far an robh dà shoitheach dà-chonnaidh gan togail don chabhlaich againn, dùinte airson grunn mhìosan mar thoradh air a' ghalar-sgaoilte, mar sin a' toirt obair gu crìch. Ach, bha ar sgioba shoithichean a' tadhal air a' ghàrradh-iarainn gu cunbhalach gus a dhèanamh cinnteach gun robh na h-aiseagan sàbhailte agus nach robh buaidh mhillteach air uidheamachd agus innealradh.

Tha am pròiseact shoithichean dà-chonnaidh fhathast fo dhàil cudromach agus coltach rinn fhìn, tha coimhearsnachdan nan eilean ann an èiginn a' feitheamh ri an crìochnachadh agus an liubhairt don chabhlaich againn.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Aithris an Àrd-Oifigeir don deireadh bliadhna 31 Màrt 2021 (a' leantainn)

Bha an dàil sa phròiseact na chuspair aig rannsachadh pàrlamaideach tron bhliadhna 2020/21 agus thug sinn seachad fianais làidir aig a' cheasnachadh, an dà chuid ann an sgrìobhadh agus do dh'èisteachdan labhairt, a' dèiligeadh ri ceistean bhon Chomataidh. Bha aithisg thoraidhean an rannsachaidh a chaidh fhoillseachadh san Dùbhlachd 2020, dha-rìribh trom-chùiseach. Tha sgioba a' Bhùird agus an sgioba àrd-stiùiridh air na toraidhean a sgrùdadh gu mionaideach gus comharrachadh mar as urrainn dhuinn an dòigh obrach againn a leasachadh. Bha sinn mar-thà air cuid de dh'atharrachaidhean a dhèanamh air na pròiseasan mus do dh'fhoillsich a' Chomataidh a toraidhean, agus tha atharrachaidhean a bharrachd a dh'fhaodas agus a thèid a chur an gnìomh.

Ach, tha e cudromach cuimhneachadh cuideachd gu bheil cliù dearbhte aig CMAL ann an liubhairt air pròiseactan mòra bun-structair aiseig is calaidh, ann an àm agus air buidseat. Tha ar prìomh shuidheachadh air a bhith an-còmhnaidh, agus tha fhathast, gun robh na duilgheadasan leis a' phròiseact aiseagan dà-chonnaidh air an stiùireadh le fàilligeadh an t-solaraiche.

Tha sinn a-nis dìoghrasach a thaobh coimhead ris an àm ri teachd agus an lìonra aiseagan a chruth-atharrachadh. Tha e nar beachd proifeiseanta nach eil tasgadh ann an aiseagan agus bun-structar chalaidean ann an Alba air na h-ìrean riatanach a choileanadh airson mòran bhliadhnaichean. Tha e fhathast na amas aig luchd-ùidhe uile inbheisteadh a mheudachadh a leanas gu fulangas, earbsachd agus seasmachd mòran nas motha.

Ach, tha sin air atharrachadh le dealas di-beathte agus mòr-fheum bho Riaghaltas na h-Alba de £580 millean thar nan còig bliadhna a tha ri teachd (bliadhnaichean ionmhasail 2021/22 gu 2025/26), a' toirt maoineachadh ann an co-rèir ris na h-ìrean caiteachais a tha air am moladh agus a tha riatanach. Leis an ìre seo de dh'ionmhas, is urrainn dhuinn am bun-structar a chruth-atharrachadh agus ath-nuadhachadh, a' solarachadh an fhuilangais a tha a dhìth air coimhearsnachdan nan eilean.

Tha sinn a' coimhead air adhart ri barrachd a dhèanamh leis an inbheisteadh nas motha seo gus coimhearsnachdan dùthchail agus nan eilean a cho-cheangal, agus an cuideachadh gu bhith soirbheachail.



Kevin Hobbs
Àrd-Oifigear

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Strategic Report

The Directors have pleasure in submitting their Strategic Report and Financial Statements for the year ended 31 March 2021.

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 £5,449,000 (2020: £5,725,000).

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 £34.193m were made to these schemes during the year. This includes a one-off capital contribution of £29.5m to the CalMac Pension Scheme made on behalf of the sole shareholder.

Capital Investment in the year was £11.7m for Vessels and £18.4m on Ports Infrastructure.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Strategic Report (cont'd)

Business Review (cont'd)

On 30 January 2020, the World Health Organisation (WHO) announced Coronavirus as a global health emergency. On 11 March 2020, it announced that Coronavirus was a global pandemic. The Covid-19 pandemic had significant impact on our works during the enforced lockdown period. The easing of lockdown restrictions started in the first week of June 2020, with the Company implementing and instructing a measured return to site works over several weeks, in line with Scottish Government and construction industry guidance.

During the first 6 months of the financial year our Revenues were reduced by £3.7m in respect of traffic dues due to reduced passengers/vehicles on the ferries. This reduction is directly attributed to the Covid-19 lockdown periods and travel restrictions implemented nationally. The Company managed this loss from its own reserves and were not provided with Government support. No staff were furloughed by the Company.

To assist small local businesses during the pandemic, the Company introduced a 15-month rent free period (April 2020 – June 2021) for our Tenants.

Following Government Covid -19 guidelines, works were successfully completed at Lochaline Ferry Terminal to replace the aligning structure, the replacement of linkspans at Coll and Tiree, the Gourock Lifeline linkspan extension and of the re-introduction of the Tiree Old Pierhead as an operational base.

In addition, the Company has taken the opportunity to proceed with a previously agreed expansion of our premises at the Municipal Buildings in Port Glasgow including an enhancement to the facilities for our neighbouring Port Glasgow Library.

During the year, the contracts for vessels Hull 801 (MV Glen Sannox) and Hull 802 were re-organised. The Company relinquished the contracts in favour of Scottish Government. The Company will continue to carry out all site supervision functions until the vessels are delivered. Upon delivery the vessels will be purchased from Scottish Government by the Company and will join the fleet that is chartered to the CHFS Operator.

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 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.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Strategic Report (cont'd)

Business Review (cont'd)

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 2021 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). 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 2020, 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 2021. 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 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.

Business Environment and Principal Risks and Uncertainties

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Strategic Report (cont'd)

Business Environment and Principal Risks and Uncertainties (cont'd)

Business Continuity

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

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

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

Strategy

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

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

By order of the Board



Kevin Hobbs
Director

22 November 2021

Municipal Buildings
Fore Street
Port Glasgow
PA14 5EQ

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Directors' Report

The Directors have pleasure in submitting their Report and Financial Statements for the year ended 31 March 2021.

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, and where appropriate, their respective terms of office are as follows:

E Østergaard xx	- Appointment period to 30 April 2022 (Chair)
M McNeill*x	- Appointment period to 30 April 2022
P Croucher**x	- Appointment period to 31 July 2022
G Wood*x	- Appointment period to 30 September 2022
K P Hobbs	- Chief Executive
J Anderson	- Director of Vessels
G M Bruton	- Director of Finance, resigned 15 November 2020
H Ferguson	- Director of Finance, appointed 16 November 2020
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 2021

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 2021

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 2021

Directors' Report (cont'd)

By order of the Board

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

Kevin Hobbs
Director

22 November 2021

Municipal Buildings
Fore Street
Port Glasgow
PA14 5EQ

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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 2021, the Board comprised of four Non-Executive Directors (including the Chairman) plus four Executive Directors. The gender balance of the Board comprises 6 male and 2 female Directors.

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

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

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

Information, Induction and Professional Development

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Statement on Internal Control (cont'd)

Information, Induction and Professional Development (cont'd)

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

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

Performance Evaluation

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

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

Relations with Sole Shareholder

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

Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness 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 2021

Statement on Internal Control (cont'd)

Internal Control (cont'd)

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

Control Environment

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

Audit and Risk Committee

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

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

During the year, the Board approved the engagement of Wylie & Bisset LLP to provide an internal audit function for an initial period of 4 years. An Audit Needs Assessment for 2020-21 was approved in November 2020 to provide the Board, through the Audit and Risk Committee, with assurance that will support the preparation of an annual Governance Statement that complies with best practice in corporate governance. The internal audit resource will make recommendations to contribute to the continuous improvement of governance, risk management and internal control processes within the Company.

The Company's external 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 2021

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

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

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

During 2020-21, revenues were reduced by £3.7m in traffic dues directly attributed to the Covid-19 lockdown periods. Harbour maintenance and Project costs also reduced and so, in the year, there was no significant cash impact. The Company has reviewed the impact of Covid-19 and this has been reflected in the 2021-22 Budget, however, it is not expected to have an ongoing significant impact. The Company expects that COVID-19 might have some impact, though not significant, in relation to expected future performance and timescales for the completion of capital projects, or the effects on some future asset valuations.

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 2021

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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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

We have audited the financial statements of Caledonian Maritime Assets Limited (the 'company') for the year ended 31 March 2021 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021, and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 2021

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, 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 and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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

As explained more fully in the directors' responsibilities statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations was as follows:

- we identified the laws and regulations applicable to the company through discussions with management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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 (cont'd)

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

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: 23 November 2021

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Statement of Comprehensive Income
For the year ended 31 March 2021

		2021 £'000	2020 £'000
Revenue	Note 6	39,535	43,857
Cost of sales		(25,975)	(27,347)
Gross profit		13,560	16,510
Administrative expenses		(4,759)	(4,321)
Other income	7	-	4,899
Other losses	7	(8,710)	(3,889)
Impairment	7, 10	-	(12,439)
Operating profit		91	760
Interest receivable	7	14	72
Interest payable	7	(4,608)	(4,507)
Other finance costs	7, 21	(946)	(2,050)
		(5,540)	(6,485)
Loss on ordinary activities before taxation		(5,449)	(5,725)
Taxation			
Tax (charge)/credit for the year	8	(3,487)	1,643
Loss for the financial year		(8,936)	(4,082)
Other comprehensive income			
Actuarial (loss)/gain recognised in the pension scheme	21	(4,297)	28,069
Tax movement relating to the actuarial (loss)/gain	21	(5,721)	(2,892)
Other employers' costs to pension deficit		(5,431)	(3,258)
Gain on revaluation of property, plant & equipment	10	37,493	3,729
Other comprehensive income for the year, net of tax		22,044	25,648
Total comprehensive income for the year		13,108	21,566
Loss attributable to:		(8,936)	(4,082)
Owners of the company			
Total comprehensive income attributable to:		13,108	21,566
Owners of the company			

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 2021

Statement of Financial Position

As at 31 March 2021

	Note	2021 £'000	2020 £'000
Assets			
<i>Non-current assets</i>			
Property, plant & equipment	10	348,882	409,193
Investment property	10	1,932	1,941
Right of use assets	11	3,675	4,185
Investments	12	-	-
Total non-current assets		354,489	415,319
<i>Current assets</i>			
Trade and other receivables	13	20,688	13,096
Cash at bank and in hand	17	19,363	23,561
Total current assets		40,051	36,657
Total assets		394,540	451,976
Equity and liabilities			
<i>Capital and reserves</i>			
Called up share capital	20	15,000	15,000
Capital contribution reserve		55,739	13,800
Revaluation reserve		97,193	65,558
Retained earnings		(44,619)	(26,092)
Total equity attributable to owners of the Company		123,313	68,266
<i>Non-current liabilities</i>			
Other payables	15	129,816	231,396
Capital grants	18	76,370	71,567
Right of use liability	16	3,272	3,819
Net pension liability	21	36,504	55,204
Deferred tax provision	19	9,259	4,407
Total non-current liabilities		255,221	366,393
<i>Current liabilities</i>			
Trade and other payables	14	15,455	16,857
Right of use liability	16	551	460
Total current liabilities		16,006	17,317
Total liabilities		271,227	383,710
Total equity and liabilities		394,540	451,976

These Financial Statements were authorised for issue by the Board of Directors on 22 November 2021 and were signed on its behalf by:



Erik Østergaard OBE
Chairman

The notes form part of these financial statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Statement of Changes in Equity

For the year ended 31 March 2021

	Share capital £'000	Capital contribution reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Total £'000
Balance at 31 March 2019	15,000	13,800	(49,936)	67,836	46,700
Loss for the year	-	-	(4,175)	93	(4,082)
Other comprehensive income for the year	-	-	21,919	3,729	25,648
Excess of depreciation on revaluation	-	-	6,100	(6,100)	-
Balance at 31 March 2020	15,000	13,800	(26,092)	65,558	68,266
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	<u>15,000</u>	<u>55,739</u>	<u>(44,619)</u>	<u>97,193</u>	<u>123,313</u>

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

The notes form part of these financial statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Statement of Cash Flows

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Revenue receipts		40,248	43,807
Other income receipts		9	4,899
		<u>40,257</u>	<u>48,706</u>
Cash payments for:			
Cost of sales		(9,295)	(9,157)
Pension deficit		(33,762)	(5,392)
Direct pay costs		(3,343)	(2,679)
General operating and administrative expenses		<u>(1,050)</u>	<u>(1,516)</u>
		<u>(47,450)</u>	<u>(18,744)</u>
Cash (used by)/generated by operating activities		<u>(7,193)</u>	<u>29,962</u>
Interest paid		(4,608)	(4,573)
Net cash (used by)/generated by operating activities		<u>(11,801)</u>	<u>25,389</u>
Cash flows from investing activities			
Interest received		14	72
Cash receipts in respect of capital grants		14,413	14,294
Cash receipts from sale of assets		86,979	-
Payments to acquire property, plant and equipment		<u>(28,838)</u>	<u>(57,619)</u>
Net cash generated by/(used in) investing activities		<u>72,568</u>	<u>(43,253)</u>
Cash flows from financing activities			
Loans received		1,760	37,957
Loans repaid		(95,764)	(8,225)
Right of use liability payments		(461)	(2,743)
Capital contribution received		29,500	-
Net cash (used in)/generated by financing activities	22	<u>(64,965)</u>	<u>26,989</u>
Net (decrease)/increase in cash and cash equivalents	22	<u>(4,198)</u>	<u>9,125</u>
Cash and cash equivalents at the beginning of the year	22	23,561	14,436
Cash and cash equivalents at the end of the year	22	<u>19,363</u>	<u>23,561</u>
Comprising:			
Cash and bank balances		<u>19,363</u>	<u>23,561</u>

The notes form part of these financial statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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 13.

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 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.

The Company is preparing its accounts in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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:

IAS 1	Presentation of Financial Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 7	Financial Instruments: Disclosures
IFRS 9	Financial Instruments

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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:

Amendment to IFRS 16	Leases – Covid-19 Related Rent Concessions
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 7	Financial Instruments: Disclosures
IFRS 9	Financial Instruments
IFRS 16	Leases

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 2021

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 2021

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 2021

Notes to the Accounts (cont'd)

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

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

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

Impairment of assets

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

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

(c) Right of use assets

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

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

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

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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 proportion release is made from capital grants to the income statement.

(f) Operating lease income

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

(g) Revenue

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

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

(h) Interest income

Interest income is recognised using the effective interest method.

(i) Current and deferred tax

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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

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

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

(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 2021

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. The assets of the schemes are held separately from those of the Company in independently administered funds.

(k) Financial assets

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

Loans and receivables:

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

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

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

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

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

Derecognition of financial assets:

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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 2021

Notes to the Accounts (cont'd)

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

(m) Derivative financial instruments (cont'd)

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

Embedded derivatives:

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

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

(n) Cash and cash equivalents

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

(o) Share capital

Ordinary shares are classified as equity.

(p) Going concern

On the basis of the information available to them, and taking into account the expected future impact of Covid-19, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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. As noted by the third party valuer, the outbreak of COVID-19 has caused extensive disruptions to businesses and economic activities. The uncertainties created have increased the estimation uncertainty over the value of investment properties at the balance sheet date. This has been taken into consideration in determining the carrying value of investment properties, which can be found at note 10.

Defined benefit scheme

The company has a defined benefit scheme. The present value of the scheme's liabilities recognised at the Statement of Financial Position date has been calculated based on key assumptions and estimates of future events as set out in note 21.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

6. Revenue

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

	2021	2020
	£'000	£'000
Vessel charter fee	20,853	21,746
Harbour access charge raised against operator	14,059	17,303
Property & equipment licence fee from operator	153	147
Revenue from harbour dues	112	253
Rental income from properties not required for harbour operations	157	253
Revenue grants received	3,993	3,993
Other cost recoveries and contributions	208	162
	<u>39,535</u>	<u>43,857</u>

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

CalMac Ferries Ltd operates the Public Service Contract (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 2021

Notes to the Accounts (cont'd)

7. Loss on ordinary activities before tax

The loss is stated after (charging)/crediting:	2021	2020
	£'000	£'000
Auditor's remuneration		
- Audit of these Financial Statements	(38)	(25)
- Other services relating to internal audit and accounting	(3)	(20)
Depreciation of property, plant and equipment (Note 10)	(21,547)	(20,890)
Depreciation of right of use assets (Note 11)	(510)	(2,903)
Impairment (Note 10)	-	(12,439)
Staff costs (Note 9)	(5,436)	(2,889)
Interest received on bank balances	14	72
Release of capital grants (Note 18)	17,640	6,360
(Loss) on disposal of fixed assets	(1)	(781)
Other income	-	4,899
Interest payable – loans	(4,440)	(4,215)
Interest on pension deficit contributions	-	(44)
Interest on right of use assets	<u>(168)</u>	<u>(248)</u>
	<u>(4,608)</u>	<u>(4,507)</u>
Other finance costs - interest on pension scheme assets (Note 21)	6,142	5,924
- interest on pension scheme liabilities (Note 21)	(7,088)	(7,974)
	<u>(946)</u>	<u>(2,050)</u>
Other losses - loss on revaluation of property plant and equipment and investment property (Note 10)	(8,710)	(17,392)
- release of capital grants on revaluation (Note 18)	-	13,503
	<u>(8,710)</u>	<u>(3,889)</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

8. Taxation

	2021	2020
	£'000	£'000
The tax (credit)/charge for the year is made up as follows:		
Corporation Tax		
UK corporation tax on loss for the year at 19% (2020: 19%)	32	62
Adjustments in respect of prior periods	<u>(62)</u>	<u>-</u>
Total corporation tax charge	(30)	62
Deferred Tax		
Increase in deferred tax provision (Note 19)	4,852	(2,084)
Deferred tax in relation to pensions	<u>(1,335)</u>	<u>379</u>
Total deferred tax charge	<u>3,517</u>	<u>(1,705)</u>
Tax charge/(credit) on loss on ordinary activities	<u>3,487</u>	<u>(1,643)</u>
The tax assessed for the period differs from the standard rate of corporation tax of 19% (2020: 19%)		
The differences are explained below:		
Loss on ordinary activities before tax	<u>(5,449)</u>	<u>(5,725)</u>
UK corporation tax at 19% (2020: 19%)	<u>(1,035)</u>	<u>(1,088)</u>
Effects of:		
Expenses not allowable for tax purposes	128	285
Non-taxable income/gains	(68)	(76)
Adjustments in deferred tax in relation to pensions	(7,570)	(468)
Fixed asset differences	10,516	(2,182)
Adjustments in respect of prior periods	(819)	642
Other adjustments	2,335	25
Impact of change in tax rate	<u>-</u>	<u>1,219</u>
	<u>3,487</u>	<u>(1,643)</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

9. Employee information

	2021	2020
	£'000	£'000
Staff Costs (including Directors)		
Wages & salaries	2,065	1,777
Social security costs	270	224
On-going pension contributions	1,022	695
Pension contributions towards past deficits – other schemes (see below)	7	4
Staff related costs	<u>255</u>	<u>395</u>
	<u>3,614</u>	<u>3,095</u>
Employee costs included above allocated to capital projects	178	206

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

	2021	2020
	No.	No.
Employee numbers		
Average number of employees, including Directors		
Administrative	40	34

	2021	2020
	£'000	£'000
Directors' remuneration		
Non-executive directors' emoluments	62	55
Non-executive directors' pension costs	-	-
Executive directors' emoluments	416	418
Executive directors' pension costs	<u>116</u>	<u>112</u>
	<u>594</u>	<u>585</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 2021. No bonus payments were made in the financial year.

National insurance contributions made on behalf of the Executive Directors were £50,784 (2020: £51,621).

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

5 directors are members of defined benefit pension schemes (2020: 5 directors).

The emoluments of the highest paid director were £122,347 (2020: £126,925). £32,703 (2020: £32,403) 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 2021

Notes to the Accounts (cont'd)

10. Property, plant and equipment and investment property

	Investment property	Other property	Piers, slipways & linkspan facilities	Vessels	Office equipment & vehicles	Payments on account and assets in construc- tion	TOTAL
COST OR VALUATION	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2019	1,848	15,008	218,917	201,946	356	99,898	537,973
Additions	-	-	635	37,970	-	25,913	64,518
Transfers	-	293	10,857	7,826	-	(18,976)	-
Disposals	-	-	(10,205)	-	-	-	(10,205)
Revaluation (decrease)/increase	93	(8,378)	99	-	-	-	(8,186)
Balance as at 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 31 March 2021	1,932	6,934	227,330	225,111	356	21,814	483,477
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as at 1 April 2019	-	517	128,288	14,443	303	-	143,551
Disposals	-	-	(9,392)	-	-	-	(9,392)
Depreciation expense/impairment	-	412	4,676	15,762	40	12,439	33,329
Revaluation	-	(929)	6,407	-	-	-	5,478
Balance at 1 April 2020	-	-	129,979	30,205	343	12,439	172,966
Disposals	-	-	(1,921)	-	-	-	(1,921)
Depreciation expense	-	170	4,079	29,724	13	(12,439)	21,547
Revaluation	-	-	-	(59,929)	-	-	(59,929)
Balance as at 31 March 2021	-	170	132,137	-	356	-	132,663
Carrying Amounts							
Balance as at 31 March 2020	1,941	6,923	90,324	217,537	13	94,396	411,134
Balance as at 31 March 2021	1,932	6,764	95,193	225,111	-	21,814	350,814
Carrying amount under cost model							
Balance as at 31 March 2020	-	17,274	74,092	176,667	13	94,396	362,442
Balance as at 31 March 2021	-	16,789	80,334	160,278	-	21,814	279,215

Included in the cost of Assets in Construction in 2020 was £8,396,896 interest arising on the financing of new vessels. Following the re-organisation of contracts for Vessels the interest cost has been removed.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

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

Investment property assets were valued at 31 March 2021 and 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 valuation is as follows:

	2021	2020
	£'000	£'000
Investment properties		
Land	830	812
Buildings	<u>1,102</u>	<u>1,129</u>
	<u><u>1,932</u></u>	<u><u>1,941</u></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:

	2021	2020
	£'000	£'000
Other property assets		
Land	3,607	3,603
Buildings – freehold	3,297	3,290
Buildings – leasehold	<u>30</u>	<u>30</u>
	<u><u>6,934</u></u>	<u><u>6,923</u></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:

	2021	2020
	£'000	£'000
Piers and slipways	175,348	171,510
Linkspan facilities	<u>51,982</u>	<u>48,793</u>
	<u><u>227,330</u></u>	<u><u>220,303</u></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:

	2021	2020
	£'000	£'000
Vessels	<u><u>225,111</u></u>	<u><u>247,742</u></u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

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

Capital commitments	2021	2020
	£'000	£'000
No provision has been made in these accounts for:		
Outstanding capital commitments contracted for amounting to	3,407	25,896
Capital Grants receivable in respect of these commitments amounting to	1,778	17,099

Following the re-organisation of contracts for Hulls 801 and 802, the vessels will be built and paid for by The Scottish Government. Once the vessels are completed and ready for delivery then Transport Scotland will fully fund the Voted Loans to allow CMAL to purchase each vessel at Market Value which in turn will be chartered to the Clyde and Hebrides Ferry Service Operator.

11. Right of use assets

	Other property £'000	Motor vehicles £'000	Total £'000
COST			
At 1 April 2020	4,450	218	4,668
Additions	-	117	117
Disposals	(26)	-	(26)
Rent review adjustment	(95)	-	(95)
At 31 March 2021	4,329	335	4,664
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 April 2020	418	65	483
Depreciation charge for the year	414	96	510
Disposals	(5)	-	(5)
Rent review adjustment	1	-	1
At 31 March 2021	828	161	989
Carrying amounts			
Balance as at 31 March 2020	4,032	153	4,185
Balance as at 31 March 2021	3,501	174	3,675

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 2021

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 2021 is £2 (2020: £2).

13. Trade and other receivables

	2021	2020
	£'000	£'000
Trade receivables	192	344
Prepayments and accrued income	<u>20,496</u>	<u>12,752</u>
	<u>20,688</u>	<u>13,096</u>

All the trade and other receivables above were receivable under normal commercial terms, generally 7 to 30 days. The Directors consider that the carrying value of trade and other receivables approximates to their fair value. There is no general provision held against receivables for 2021 (2020 £9,050).

14. Trade and other payables

	2021	2020
	£'000	£'000
Loans (Note 15)	8,816	9,439
Trade payables	3,192	1,812
Other creditors and accruals	3,415	5,544
Corporation tax	<u>32</u>	<u>62</u>
	<u>15,455</u>	<u>16,857</u>

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

15. Other payables

	2021	2020
	£'000	£'000
Unsecured vessel loans not wholly repayable within five years, repayable in half-yearly instalments	137,912	231,916
Less repayable within twelve months (Note 14)	<u>(8,816)</u>	<u>(9,439)</u>
	129,096	222,477
Other creditors	<u>720</u>	<u>8,919</u>
	<u>129,816</u>	<u>231,396</u>
Instalments on the loans included above are repayable as follows:		
between one and two years	8,943	10,693
between two and five years	27,623	34,874
after five years	<u>92,530</u>	<u>176,910</u>
	<u>129,096</u>	<u>222,477</u>

Unless authorised by Scottish Ministers, the Company can borrow only from Scottish Ministers. At 31 March 2021, the Company had 12 loans outstanding (2020: 15) all repayable to Scottish Ministers at interest rates ranging from 1.78% to 4.93%. Eight 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. Four loans are repayable on an annuity basis, one loan over 25 years, one loan over 16 years and two further loans payable over 10 years and 8 years respectively from the first scheduled repayment date after finalisation of loan drawdown.

16. Right of use asset liability

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

	2021	2020
	£'000	£'000
Within 1 year	551	460
Between one and two years	395	446
Between two and five years	821	913
After five years	<u>2,056</u>	<u>2,460</u>
	<u>3,823</u>	<u>4,279</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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 2021 is as follows:

	2021	2020
	£'000	£'000
Within 1 year	601	585
Between one and two years	508	561
Between two and five years	1,091	1,183
After five years	2,805	3,029
	<u>5,005</u>	<u>5,358</u>

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 2021 is £461,145.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000	%	%	Years	Years
Loans	137,912	231,916	-	-	137,912	231,916	3.07	2.95	17.6	20
Cash	(19,363)	(23,561)	-	-	-	-	-	-	-	-
Net Borrowing	118,549	208,355	-	-	137,912	231,916	3.07	2.95	17.6	20

All the Company's borrowings are at fixed rates of interest. The fair value of these loans at 31 March 2021 ascertained through discounting the future cash flows at the National Loans Fund rate was £148,203,567 (2020: £237,697,060).

(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 (2020: £Nil) and other liquid assets of £19,363,000 (2020: £23,561,000).

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

17. Financial risk management (cont'd)

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

	Within 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	Over 5 years £'000
At 31 March 2021				
Borrowings	9,367	9,338	28,444	94,586
Trade & other payables	6,476	720	-	-
At 31 March 2020				
Borrowings	9,899	11,139	35,787	173,370
Trade & other payables	7,241	8,919	-	-

(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 2021

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

	2021	2020
	£'000	£'000
Balance at 1 April	71,567	70,728
Grants received and receivable	22,443	20,702
Released to statement of comprehensive income	(17,640)	(6,360)
Released to other losses – revaluation	-	(13,503)
Balance at 31 March	<u>76,370</u>	<u>71,567</u>

19. Provisions for liabilities and charges

Deferred tax

	2021	2020
	£'000	£'000
The main components of deferred tax at 19% (2020: 19%) are:		
Accelerated capital allowances	14,163	6,576
Other timing differences	(5,072)	(931)
Trading losses	169	(1,238)
Balance at 31 March	<u>9,259</u>	<u>4,407</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

20. Share capital

	2021 £'000	2020 £'000
Authorised, allotted, issued, and fully paid – 1.5 million ordinary shares of £10 each	15,000	15,000

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

21. Pension arrangements

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

	2021 £'000	2020 £'000
On-going contributions		
Company scheme	983	650
Other schemes	-	15
Contributions towards past deficits		
Other schemes	2	4
	<u>985</u>	<u>669</u>

Company defined benefit scheme

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

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

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

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

d) rate of increase in salaries and pensions

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

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

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

Scottish Ministers, as shareholder of the Company, provided an additional £29.5m in March 2021 for the sole purpose of reducing the deficit on the pension scheme. This additional contribution has been reflected in the roll-forward valuation of the scheme as at 31 March 2021. 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. Funding was received by the Company on 24th March 2021 and transmitted to the Fund the same day.

The next actuarial valuation is due on 6 April 2021.

The information disclosed below is in respect of the CalMac Pension Fund for which the Company is the sponsoring employer. For the purposes of accounting disclosure requirements of IAS19 Employee Benefits, the latest actuarial valuation carried out at 6 April 2018 was updated to 31 March 2021 by a qualified independent actuary. The amounts recognised in the statement of financial position are as follows:

	2021 £'000	2020 £'000
Present value of funded liabilities	(380,228)	(316,478)
Fair value of scheme assets	<u>335,161</u>	<u>248,325</u>
Deficit	(45,067)	(68,153)
Related deferred tax asset	<u>8,563</u>	<u>12,949</u>
Net liability	<u><u>(36,504)</u></u>	<u><u>(55,204)</u></u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

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

	2021	2020
	£'000	£'000
Current service cost	623	674
Past service cost	380	-
Net financing cost	946	2,050
	<u>1,949</u>	<u>2,724</u>

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

	2021	2020
	£'000	£'000
Staff costs	1,003	674
Other finance costs	946	2,050
	<u>1,949</u>	<u>2,724</u>

Actual return on scheme assets	<u>39,606</u>	<u>1,716</u>
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Changes in the amounts recognised in other comprehensive income/(expense) are as follows:

	2021	2020
	£'000	£'000
Opening cumulative other comprehensive (expense)	(86,330)	(114,399)
Remeasurements:		
- actuarial gains/(losses) – asset remeasurement	33,464	(4,208)
- actuarial gains/(losses) arising from changes in demographic assumptions	6,524	(1,846)
- actuarial (losses)/gains arising from changes in financial assumptions	(48,153)	31,776
- actuarial gains arising from experience	3,868	2,347
Closing cumulative other comprehensive (expense)	<u>(90,627)</u>	<u>(86,330)</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

Changes in the present value of the defined benefit liabilities

	2021 £'000	2020 £'000
At 1 April	316,478	322,713
Current service cost – Caledonian Maritime Assets Ltd	623	674
Past service cost	380	-
Current service cost - Others	23,067	24,883
Employee contributions	3,556	2,936
Interest cost	7,088	7,974
Actuarial (gains)/losses arising from changes in demographic assumptions	(6,524)	1,846
Actuarial losses/(gains) arising from changes in financial assumptions	48,153	(31,776)
Actuarial gains arising from experience	(3,868)	(2,347)
Benefits paid	<u>(8,725)</u>	<u>(10,425)</u>
At 31 March	<u>380,228</u>	<u>316,478</u>

Changes in the fair value of the scheme assets

	2021 £'000	2020 £'000
At 1 April	248,325	227,297
Interest income on assets	6,142	5,924
Re-measurement gains/(losses)	33,464	(4,208)
Employer contributions	52,399	26,801
Employee contributions	3,556	2,936
Benefits paid	<u>(8,725)</u>	<u>(10,425)</u>
At 31 March	<u>335,161</u>	<u>248,325</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

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:

	2021	2020
	%	%
Equities	42.6	38.0
LDI	18.2	25.9
Bonds	5.6	6.1
Property	3.9	5.2
Other	29.7	24.8

Principal actuarial assumptions at the year-end were:

	2021	2020
	%	%
Discount rate at 31 March	2.05	2.25
RPI Inflation	2.80	2.40
Future salary increases	3.80	3.40
Future pension increases	Derived from RPI assumptions	Derived from RPI assumptions

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Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

Post retirement mortality assumptions are as follows: -

2021	2020
SAPS S2 "Heavy" with scaling factors of 95% for males and 115% for females, future mortality improvements are in line with the CMI_2020 model with a smoothing factor of $S_k = 7.75$ with parameter A equal to 0% and long-term rate of improvement underpin of 1.25% p.a.	SSAPS S2 "Heavy" with scaling factors of 95% for males and 115% for females, future mortality improvements are in line with the CMI_2019 model with a smoothing factor of $S_k = 7.5$ with parameter A equal to 0% and long-term rate of improvement underpin of 1.5%p.a

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 +3.2%

Historical pension scheme information

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

	2021	2020	2019	2018	2017
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit liabilities	(380,228)	(316,478)	(322,713)	(244,870)	(242,783)
Fair value of scheme assets	335,161	248,325	227,297	198,490	178,573
Deficit	(45,067)	(68,153)	(95,416)	(46,380)	(64,210)
Experience adjustment on scheme liabilities	3,868	2,347	(7,491)	(807)	(723)
Re-measurement gains/(losses) on scheme assets	33,464	(4,208)	8,321	2,658	19,531

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2021

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

The Company expects to contribute approximately £5,410,780 to this defined benefit plan in the next financial year.

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

Other pension schemes

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

The MNOF Post 1978 Section (the New Section) is closed to new members and at 31 March 2016 was closed to future benefit accrual with existing active members being transferred to the Ensign Retirement Plan (for the MNOF) (ERP (for the MNOF)), a defined contribution plan established within the MNOF. The 2018 valuation of the MNOF scheme showed a funding shortfall of £73 million. The value as at 31 March 2018 of the outstanding deficits arising from the earlier year's valuation (2012 and 2009) was £64 million; allowing for these produces an outstanding shortfall at 31 March 2018 of £9 million.

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

The triennial valuation of the Fund was undertaken at 31 March 2021 and notification of this is anticipated in January 2022.

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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 is ongoing and it is anticipated that the final valuation will be affected by the outcome of Project Greenwich (Ill health retirements court case). This case is currently in adjournment at the High Court.

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

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Notes to the Accounts (cont'd)

22. Net debt reconciliation

	At 1 April 2020 £'000	Cash flows £'000	Other changes £'000	At 31 March 2021 £'000
Bank and cash in hand	23,561	(4,198)	-	19,363
Other loans repayable within one year	(9,439)	9,439	(8,816)	(8,816)
Right of use asset liability within one year	(460)	601	(692)	(551)
Other loans repayable after one year	(222,477)	84,565	8,816	(129,096)
Right of use asset liability after one year	(3,819)	-	547	(3,272)
Net debt	(212,634)	90,407	(145)	(122,372)

23. Other financial commitments

In providing harbour and pier facilities in support of lifeline ferry services, the Company leases land and buildings at various locations throughout the West of Scotland. Other leases are in respect of vehicles and office equipment. The introduction of IFRS16 Leases for the reporting period beginning 1 April 2019 has changed the treatment of Operational Leases and the relevant recognition of these Right of Use assets is shown at Note 11.

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

Property, plant and equipment	2021 £'000	2021 £'000	2020 £'000	2020 £'000
	Investment property	Vessels	Investment property	Vessels
Receivable within one year	236	21,624	264	20,979
After one year but less than five	899	68,609	822	88,569
After more than five years	749	-	918	1,664
	<u>1,884</u>	<u>90,233</u>	<u>2,004</u>	<u>111,212</u>

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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:

	2021	2020
	£'000	£'000
Capital grants received and receivable (Note 18)	22,443	20,702
Capital grants due at 31 March	18,711	10,681
Grant in aid received and receivable	3,993	3,993
Loans received and receivable	1,760	37,957
Project management fees & other charges	100	60
Project management fees & other charges payable at March	-	29
Loans repaid	95,764	8,225
Interest paid and payable	4,440	4,215
Interest on vessel new build	2,278	2,343
Balance of loans due at 31 March (Note 15)	137,912	231,916
Value of vessels transferred	85,214	-
Contribution to Calmac pension scheme	29,500	-

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

	Sold to/ (purchased from)		Owed by/ (owed to)	
	David MacBrayne Group		David MacBrayne Group	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Vessel leasing charges	15,485	16,508	-	-
Harbour access charges	14,141	17,303	174	847
Property & equipment licence	153	161	-	9
Rent	149	156	-	2
Repair & other costs recoveries	204	386	147	277
Vessel upgrades, modifications & repairs	(5,598)	(9,766)	(1,925)	(2,959)
Ferry travel costs	(4)	(9)	-	-
New vessel builds project supervision & costs	(2)	-	(1)	-
Pier operations	(5,831)	(5,318)	(568)	-

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Notes to the Accounts (cont'd)

24. Related party transactions (cont'd)

The Company's Finance Director (GMB) served as Finance Director for Highlands & Islands Airports Ltd (HIAL) until resignation from both entities on 15 November 2020. HIAL is a Company owned by Scottish Ministers. Charges for services during the year and the balance outstanding at 31 March are as follows:

	Charge in year		Owed by HIAL	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Services of Finance Director	33	57	1	28

25. Contingent liability

The Merchant Navy Ratings Pension Fund (MNRPF) is a closed scheme and the latest full triennial actuarial valuation as at 31 March 2020 is ongoing and is expected to be impacted by the outcome of an Ill-Health retirement settlement court proceeding that began in the High Court in October 2021.

Additionally, the 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. This development has impacted on the Ill-Health retirement settlement and as such the proceedings have been adjourned.

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

26. Events after the Reporting Period

On 1 October 2021 the Company entered into an agreement to purchase a second-hand vessel. The MV Utne transferred to the Company in November 2021 and is undergoing modifications prior to entering service on the Clyde and Hebrides ferry network. Vessel modifications are due to be completed in early 2022 and the vessel is ear-marked for the Oban – Craignure route. It is anticipated that the cost of bringing the MV Utne into service will be circa £10m.

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Company Number SC001854

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Auditors Azets Audit Services

Solicitors Addleshaw Goddard LLP

Bankers Royal Bank of Scotland