

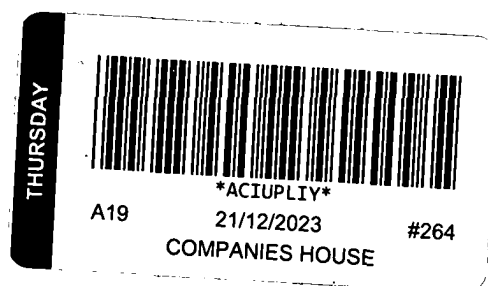
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CALEDONIAN MARITIME ASSETS LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR TO 31 MARCH 2023

COMPANY NUMBER: SC001854



ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Chair's Statement for the year ended 31 March 2023

I am pleased to present CMAL's annual report and accounts for the year to 31 March 2023, representing my first full year as Chair. Initially appointed on an interim basis, I was honoured to be confirmed as permanent Chair in September 2022.

During the year I was delighted to welcome Murdo MacLennan, an islander, to our board as a Non-Executive Director.

Over the past 12 months, I and other Board members have spent time getting to know better the people who live and work on the islands and rely on ferries to connect them to the mainland for business or pleasure. It is only by listening to their ideas and constructive feedback, and then feeding these into our forward planning strategies, that we can truly say that we are focussed on the needs of ferry users.

I have also been struck by the dedication of our employees who demonstrate time and again their commitment to design, engineering and procurement excellence. The Board has encouraged their pursuit of maritime innovations, urging them to scour the globe for smart technologies and solutions to benefit the ferries and harbour infrastructure in Scotland.

It is all the more admirable that they do this in the face of ongoing public, political and media scrutiny. Recruitment and retention of key staff has been identified as a higher-than-average strategic risk for CMAL and we have put in place measures to encourage people to develop their careers with us.

Challenges remain, not least with the well documented delays to the dual fuel ferries currently under construction in Port Glasgow. However, I welcome the increased collaborative working between CMAL, the leadership team at Ferguson Marine (Port Glasgow) and CalMac which is resulting in steady progress with both vessels.

In terms of other vessels, positive milestones have been recorded this year; with steel cutting at Cemre Marin Endustri shipyard in Turkey in October 2022 and January 2023 for two new ferries to serve Islay; and keel laying for the first vessel also in January. A further two sister vessels, destined to serve Little Minch routes to/from the Outer Hebrides are also progressing on time and on budget.

We continue to work closely with Transport Scotland and the ferry operators on alternative short-term solutions while new ferries are awaited.

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Chair's Statement for the year ended 31 March 2023 (cont'd)

Elsewhere, I would like to extend my congratulations to CMAL's harbours and infrastructure team for its success in delivering a new ferry terminal building at Tarbert on the Isle of Harris which opened to the public in January 2023, the final element in the harbour redevelopment project.

The first phase completed in February 2022, created a new pier, fendering system, and enlarged marshalling area. Throughout, the lifeline ferry terminal remained operational, causing minimal disruption. The redevelopment received a Scottish Civil Engineering Marine Infrastructure Award in November 2022.

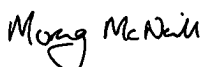
Just as the vessels themselves, port and harbour infrastructure is a vital component for lifeline services, typically designed to last 50 years with appropriate maintenance. A number of CMAL ports are nearing life expiry and will need to be replaced; and a number are being, or are planned to be, rebuilt.

As well as maintaining and replacing our own infrastructure CMAL also provides Transport Scotland and third party port owners across the network with support in delivering their projects. A current example of this is the redevelopment of Uig.

In terms of funding, an additional £115 million has been made available to enable us to take forward the procurement of ferries three and four from the Turkish shipyard, taking our total package of support from Scottish Government to approximately £700 million through to 2026. We have worked collaboratively with Transport Scotland and the Scottish Government to identify the funding required to take us through to 2025/26 and beyond. This is welcome and has allowed us to make robust plans to deliver projects that span multiple years.

We now need to turn our attention to the next five-year period and await the outcome of the next spending review, to enable us to apply the same rigour to our planning. We have highlighted to the Scottish Government that significantly more funding is required if we are to continue with our collective ambitions to modernise the ferry fleet by replacing vessels that are at or approaching the end of their reliable life.

Finally, we return full circle to communities. CMAL and Turkish shipyard Cemre Marin Endustri have joined forces to support a number of charities and community groups across six regions of Scotland where lifeline ferry services operate. We are particularly keen to encourage initiatives that focus on STEM learning or mental health support. To date, 20 charities and organisations have received donations from the CSR fund, totalling £28,220. Further detail of this initiative is contained in the Annual Report and Accounts.



Morag McNeill
Chair

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Aithris a' Chathraiche gu an deireadh bliadhna 31 Màrt 2023

Tha mi toilichte aithisg bhliadhnail is cunntasan CMAL don bhliadhna gu 31 Màrt 2023, a chur fa ur comhair, a' riochdachadh mo chiad bhliadhna slàn mar Chathraiche. Air m' fhadhadh bho thùs air bhunait eadar-amail, b' e urram mòr a bh' ann dhomh a bhith air mo dhearbhadh mar Chathraiche san t-Sultain 2022.

Rè na bliadhna, bha mi air leth toilichte fàilte a chur air Murchadh MacIllinnein, eileanach, gu ar bòrd-stiùiridh mar Stiùiriche Neo-ghnìomha.

Thar na 12 mìosan a chaidh seachad, tha mi fhìn agus buill eile den Bhòrd air ùine a chuir seachad a' cur eòlas nas fheàrr air daoine a tha a' còmhnaidh agus ag obair air na h-eileanan agus ag earbsa ann an aiseagan airson an ceangal ri tìr-mòr a thaobh adhbharan gnothaich no tlachd. Is ann dìreach le bhith ag èisteachd ri am beachdan agus an ais-fhiosrachadh feumail aca, agus an uair sin a' biathadh sin a-steach do ar ro-innleachdan planaigh air adhart, as urrainn dhuinn a ràdh gu fìrinneach gu bheil sinn a' cuimseachadh air feumalachdan luchd-cleachdaidh nan aiseagan.

Bhuail e orm cuideachd cho dìcheallach 's a tha ar cosnaichean, a tha air an dealas a thaisbeanadh uair is uair a thaobh sàr-mhathais ann an dealbhadh, innleadaireachd agus solar. Tha am Bòrd air an oidhirpean a thaobh ùr-ghnàthachasan mara a bhrosnachadh, a' moladh dhaibh an cruinne a sgrùdadh airson teicneòlasan agus fuasglaidhean brìgheil gu buannachd nan aiseagan agus bun-structar chalaidean ann an Alba.

Tha e fiù nas cliùitiche gu bheil iad a' dèanamh seo mu choinneamh sgrùdadh leantainneach poblach, poilitigeach agus mheadhanan. Tha trusadh agus gleidheadh luchd-obrach air a chomharrachadh mar chunnart ro-innleachdail a tha nas àirde na an àbhaist do CMAL, agus tha sinn air ceumannan a ghabhail gus daoine a bhrosnachadh gu an dreuchdan-beatha a leasachadh againne.

Tha dùbhlain ann, cha lugha sin leis na dàlachan clàraichte an lùib nan aiseagann dà-chonnaidh a tha gu làithreach gan togail ann am Port Ghlaschu. Ach, tha mi a' cur fàilte air a' mheudachadh ann an co-obrachadh eadar CMAL, an sgioba stiùiridh aig Ferguson Marine (Port Ghlaschu) agus CalMac, a tha a' toradh ann an adhartas cunbhalach leis an dà shoitheach.

A thaobh shoithichean eile, tha clachan-mìle deimhinneach air an clàradh am-bliadhna; le gearradh stàilinn aig gàrradh-iarainn Cemre Marin Endustri san Tuirc san Dàmhair 2022 agus san Fhaoilleach 2023 do dhà aiseag ùr a bhios a' frithealadh ìle; agus druim-bàta ga shuidheachadh don chiad soitheach cuideachd san Fhaoilleach. Tha dà shoitheach eile den aon teaghlach, a tha an dàn do bhith a' frithealadh slighean a' Chuain Sgìth gu agus bho Innse Gall, a' dèanamh adhartas cuideachd ann an àm agus air buidseat.

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Aithris a' Chathraiche gu an deireadh bliadhna 31 Màrt 2023

Tha sinn a' leantainn air adhart ag obair gu dlùth le Còmhdhail Alba agus le companaidhean nan aiseagan air fuasglaidhean geàrr-amail eile fhad 's a thathar a' feitheamh ris na h-aiseagan ùra.

Ann an àiteachan eile, bu mhath leam mo mhealadh naidheachd a chur air sgioba chalaidean is bun-structair CMAL airson an soirbheachais ann an libhrigeadh ionad-aiseig ùr air an Tairbeart sna Hearadh, a dh'fhosgail don phoball san Fhaoilleach 2023, an eileamaid dheireannach anns a' phròiseact ath-leasachaidh chalaidean.

Chriochnaich a' chiad ìre sa Ghearran 2022, chaidh cidhe ùr, siostam dìonadaireachd, agus àite marasglaidh meudaichte a chruthachadh. Troimhe sin air fad, dh'fhuirich an t-ionad-aiseig deatamaach seo fosgailte agus ag adhbhrachadh glè bheag de throimh-chèile. Fhuair an t-ath-leasachadh Duais Innleadaireachd Bun-structar Mara na h-Alba san t-Samhain 2022.

Dìreach mar na soithichean fhèin, tha bun-structar chalaidean is acarsaidean nam pàirt riatanach de sheirbheisean deatamach, air an dealbhadh gu h-àbhaisteach airson mairtinn 50 bliadhna leis an obair-gleidhidh iomchaidh. Tha àireamh de chalaidean CMAL a tha faisg air deireadh am beatha agus feumach air an ionadachadh; agus àireamh eile a tha, no air am planadh a bhith, air an ath-thogail.

A thuilleadh air cumail suas is ionadachadh air a' bhun-structar againn fhìn, tha CMAL cuideachd a' solarachadh taic do Chòmhdhail Alba agus luchd-seilbhe chalaidean air feadh an lionraidh, ann an libhrigeadh am pròiseactan. Is e ath-leasachadh caladh Ùige deagh eisimpleir den seo.

A thaobh maoineachaidh, fhuair sinn £115 millean a bharrachd a-nis ri fhaotainn gus a dhèanamh comasach dhuinn solarachadh air aiseagan a trì agus a ceithir bhon ghàrradh-iarainn Thuirceach a thoirt air adhart, a' toirt a' phasgain taic iomlan againn bho Riaghaltas na h-Alba gu suas ri £700 millean troimhe gu 2026. Tha sinn air a bhith a' co-obrachadh le Còmhdhail Alba agus Riaghaltas na h-Alba gus am maoineachadh riatanach a chomharrachadh airson ar toirt air adhart gu 2025/26 agus às a dhèidh. Tha fàilte ron seo agus tha e air ceadachadh dhuinn planaichean cinnteach a dhèanamh gus pròiseactan a libhrigeadh a tha a' còmhdach mòran bhliadhnaichean.

Feumaidh sinn a-nis aire a thoirt don ath chòig bliadhna agus feitheamh ri buil an ath ath-sgrùdaidh caiteachais gus ar comasachadh air an neart cheudna a chur an sàs nar planadh. Tha sinn air togail le Riaghaltas na h-Alba gu bheil mòran a bharrachd maoineachaidh a dhìth ma tha sinn a' dol a leantainn le ar n-amasan coitcheann a thaobh an cabhlach aiseagan ùrachadh, le bhith ag ionadachadh shoithichean a tha aig, no a tha faisg air, deireadh am beatha earbsach.

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Aithris a' Chathraiche gu an deireadh bliadhna 31 Màrt 2023

Mu dheireadh, tha sinn a' tilleadh air ais gu coimhearsnachdan. Tha CMAL agus an gàrradh-iarainn Tuirceach, Cemre Marin Endustri, air a thighinn còmhla gus taic a thoirt do dh'àireamh de charthannasan is bhuidhnean coimhearsnachd tarsainn sia roinnean air feadh Alba, far a bheil seirbheisean deatamach aiseig a' dol air adhart. Tha sinn gu h-àraid dealasach a thaobh iomairtean a bhrosnachadh a tha a' cuimseachadh air ionnsachadh STEM no taic slàinte inntinn. Gu ruige seo, tha 20 carthannas agus buidheann air tabhartasan fhaighinn bho mhaoin CSR, a' tighinn gu h-iomlan gu £28,220. Tha tuilleadh fiosrachaidh mun iomairt seo ri fhaighinn anns an Aithisg is Cunntasan Bliadhnail.



Morag McNeill,

athraiche

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

CEO's Statement for the year ended 31 March 2023

CMAL's overarching responsibility can be explained in simple terms: procuring lifeline ferries and improving port facilities for the Clyde and Hebrides islands, and ferries for the Northern Isles. However, the challenges of so doing are complex and nuanced.

The most pressing challenge is historic under investment in our ferry and infrastructure assets, a situation that has been developing for over 20 years and is now an issue very much under the political and media microscope. Our primary priority remains investing in and modernising our ferry and infrastructure assets. Our projects are subject to ensuring sufficient funding is available from Scottish Ministers and CMAL continues to work closely with Transport Scotland and other partners on developing the long-term plan to support this much needed investment.

In 2021, Scottish Ministers announced the Infrastructure Investment Plan which allocated a total of £580m over a 5-year period from 2021/22 until 2025/26. This was welcomed by all concerned and has been further enhanced with an additional £115m to build an additional two ferries for The Little Minch (the waters between Skye and the Outer Hebrides).

Our overarching aim is to achieve an average age of the fleet of no more than 15 years whilst also continuously replacing port facilities that are nearing life expiry. I am pleased to report that steady progress has been made. In the next five years we will see significant fleet replacement. Four ferries are currently being built in Turkey for Islay and the Little Minch routes, two of which have been funded via an additional £115m from the Scottish Government.

We eagerly await the completion of the two ferries under construction at Ferguson Marine; both of which will serve the Arran route. Significantly this represents more than 50% of the CHFS major ferries being replaced within 2024 and 2025.

I am pleased to report that the four vessels being built by Cemre Marin Endustri in Turkey are on time and on budget, with delivery to Scotland planned for October 2024 and March 2025 for the Islay vessels; and June and October 2025 for the Little Minch routes. All four are being constructed to the same standard design and specification.

Each can accommodate up to 450 passengers, plus 100 cars or 14 commercial vehicles, increasing vehicle and freight capacity and improving the overall resilience of the wider fleet with significantly reduced emissions.

These larger vessels are important but form only part of our fleet renewal plans. Therefore, within quarter one 2024, phase one of our Small Vessel Replacement Programme – SVRP – will begin in earnest. A total of seven electric-powered smaller vessels will be procured to serve islands such as Gigha and Iona.

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CEO's Statement for the year ended 31 March 2023 (cont'd)

SVRP ferries will operate up to 12 hours a day. In a step change to what has gone before, these vessels will be charged overnight from harbourside power supplies. However, to provide maximum flexibility and resilience for ferry operators, each will also be fitted with small capacity diesel engines in case of grid connection failure overnight. However, we anticipate that, in actual use, electric power will be able to be used for 99 % of the time.

Looking further ahead, beyond the current funding and subject to budget agreement, we plan to replace the MV Lord of the Isles, MV Isle of Mull and procure a further three small ferries under the next phase of SVRP, and two vessels for the Northern Isles. In addition, passenger-only ferries are planned to support Gourock/Dunoon/ Kilcreggan services.

We have explored many options to secure vessels on the second-hand market. This is a challenging task because of the global shortage of suitable vessels. Nevertheless, our efforts can pay off. In summer 2022, we launched the renamed MV Loch Frisa on the Oban-Craignure (Mull) route following a £4.5m refurbishment. She is now successfully supporting MV Isle of Mull with a year-round service for up to 199 passengers and 35 cars.

Our search continues, often flying out to inspect vessels at short notice to increase our chances of success.

Ports and harbours do not often make the headlines but nevertheless our expert team of engineers and maritime specialists have progressed - or completed - a number of significant projects.

The £2m ferry terminal building at Tarbert on the Isle of Harris opened in January 2023 on time and on budget. Its completion signalled the final phase of a major harbour redevelopment project which has transformed the entire area. Fully accessible, the terminal has much improved facilities for ferry users.

Looking to the next 12 months, we will replace the wire lifting ropes on the Castlebay linkspan on Barra. This safety critical work will mean that abnormally heavy loads will once again be able to use the linkspan.

Meanwhile, work to upgrade the harbours at Port Ellen, Kennacraig and Colonsay will accelerate so they can accommodate the two large, dual fuel vessels when they begin passenger services. The work is likely to include dredging, fendering, provision for mooring aids and shore power facilities. Argyll and Bute Council is conducting port improvements at Port Askaig in preparation for the new ferries.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

CEO's Statement for the year ended 31 March 2023 (cont'd)

We also continue feasibility works regarding a major upgrade to Port Ellen, Gasay (which is due to replace Lochboisdale) and the slipway and associated facilities at Cumbrae.

A key focus for CMAL is our commitment to align with the Scottish Government's decarbonisation agenda. This is a considerable challenge because the maritime sector contributes some 3% of global carbon emissions, but our goal is to build an emissions-free ferry fleet.

We are playing our part in the journey to net zero and it is essential the next generation of vessels and harbours are environmentally friendly and sustainable. The vessels procured via the SVRP will harness the latest proven battery and onshore charging technologies. We welcome efforts by the port authorities (working with CMAL and Northlink) at Aberdeen and Lerwick to establish shore power supplies at their harbours and would urge others to follow suit.

We consider sustainability in every decision we make, while ensuring ports are resilient in the face of climate change resulting in more frequent and intense storm systems.

We are equally committed to reducing carbon output at ports and harbours and have integrated biomass boilers, solar panels, and air source heating systems at ferry terminal buildings, as well as reed beds at Portavadie on Loch Fyne as a low-cost, zero energy wastewater treatment system.

Strong relationships with key stakeholders within the maritime sector - harbour/local authorities, port owners, island, and coastal community groups - are vital and CMAL has made steady progress in ensuring a deeper understanding of CMAL's short - medium and long-term goals. We have stepped up our efforts to visit local communities, with Board members touring the islands to hear ideas directly from the people who rely on ferry services. This feedback will directly impact our future planning.

Similarly, improved relationships with the leadership team at Ferguson Marine (Port Glasgow) are welcomed and will prove invaluable as we move into the final phase of construction of the dual fuel vessels.



Kevin Hobbs
Chief Executive

Aithris an CEO gu deireadh bhliadhna 31 Màrt 2023

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Gabhaidh prìomh uallach CMAL a mhìneachadh ann an abairtean sìmplidh: solarachadh aiseagan deatamach agus leasachadh ghoireasan calaidh do dh'èileanan Chluaidh is Innse Gall, agus aiseagan do na h-Eileanan a Tuath. Ach, tha na dùbhlannan an lùib sin toinnte agus do-sgaraichte.

Is e gainnead fo-thasgaidh eachdraidheil nar so-mhaoin aiseagan is bun-structar an dùbhlann as motha, suidheachadh a tha air a bhith a' dol am mìosad airson còrr air 20 bliadhna agus a tha na chùis a-nis a tha gu mòr fon phrosbaig phoilitigeach is mheadhanan. Tha ar prìomhachas as cudromaiche le inbheisteadh agus ath-ùrachadh air ar so-mhaoin de dh'aiseagan is bun-structar. Tha na pròiseactan againn buailteach do mhaoineachadh gu leòr a bhith ri fhaotainn bho Mhinistearan na h-Alba agus tha CMAL a' leantainn air adhart ag obair gu dlùth le Còmhdaidh Alba agus com-pàirtichean eile ann an leasachadh air a' phlana fad-amaid gus taic a chur ris an t-seilbheachd riatanach seo.

Chaidh aithne a thoirt don tasgadh mòr-fheumail seo le Ministearan na h-Alba ann an 2021 le bhith ag ainmeachadh a' Phlana Tasgaidh Bun-structar a bha a' riarachadh £580m gu h-iomlan thar ùine de 5 bliadhna bho 2021/22 gu 2025/26. Chuireadh fàilte air an seo agus chaidh àrdachadh tuilleadh le £115m a bharrachd gus dà aiseag eile a thogail don Chuan Sgìth (eadar an t-Eilean Sgìtheanach agus Innse Gall).

Is e ar prìomh amas, aois chuibheasach gun a bhith barrachd air 15 bliadhna a choileanadh don chabhlach agus aig an aon àm ag ath-sholarachadh goireasan chalaidhean a tha faisg air deireadh am beatha.

Tha mi toilichte aithris gu bheil adhartas cunbhalach air a dhèanamh. Sna còig bliadhna ri teachd, chì sinn ionadachadh cudromach air a' chabhlach. Tha ceithir aiseagan gan togail gu làithreach san Tuirc do dh'Ìle agus slighean a' Chuain Sgìth, le dhà dhiubh air am maoineachadh tro £115m a bharrachd bho Riaghaltas na h-Alba.

Tha sinn a' feitheamh gu dùrachdach ris an dà aiseag a tha gan togail aig Ferguson Marine, a bhith crìochnaichte; bidh na dhà sin a' frithealadh slighe Eilean Arainn. Gu cudromach, tha seo a' riochdachadh còrr air 50% de phrìomh aiseagan CHFS a tha gan ionadachadh ann an 2024 agus 2025.

Tha mi toilichte aithris gu bheil na ceithir soithichean a tha gan togail le Cemre Marin Endustri san Tuirc ann an àm agus air buidseat, le libhrigeadh a dh'Alba air a phlanadh airson na Dàmhair 2024 agus am Màrt 2025 do shoithichean Ìle; agus an t-Ògmhios agus an Dàmhair 2025 do shlighean a' Chuain Sgìth. Tha na ceithir gan togail leis an aon dhealbhadh agus an aon shònrachadh.

Gabhaidh gach aon dhiubh suas ri 450 neach-siubhail, còmhla ri 100 càr no 14 carbadan coimearsalta, a' meudachadh comas charbadan is bathar agus a' leasachadh fulangas iomlan a' chabhlaich san fharsaingeachd le lùghdachadh cudromach air sgaoilidhean càrbain.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Aithris an CEO gu deireadh bhliadhna 31 Màrt 2023

Tha na soithichean nas motha sin cudromach ach a' dèanamh suas dìreach pàirt de ar planaichean ath-ùrachaidh don chabhlach. Mar sin, taobh a-staigh aon cheathramh de 2024, tòisichidh ìre a h-aon de ar Prògram Ionadachaidh Shoithichean Beaga – SVRP – ann an da-rìribh. Thèid seachd soithichean nas lugha le cumhachd dealain fhaotainn airson eileanan a fhrithealadh leithid Giogha agus Idhe.

Bidh aiseagan SVRP ag obrachadh suas ri 12 uair a thìde san latha. Le adhartas cudromach a thaobh na thachair roimhe, bidh na soithichean sin air an teàirdseadh tron oidhche bho sholaran cumhachd sa chadaladh. Ach, gus an t-sùbailteachd as motha agus fulangas do chompanaidhean aiseagan a thoirt seachad, bidh gach aon air an uidheamachadh le einnseanan dìosail do shoithichean beaga, air eagal 's gum bi fàilligeadh sa cheangal don ghriod tron oidhche. Ach, tha sinn a' sùileachadh gum bi e comasach ann an da-rìribh, cumhachd dealain a chleachdadh 99 sa cheud den ùine.

A' coimhead air adhart seachad air a' mhaoineachadh làithreach agus le ùmhlachd do dh'aonta buidseit, tha sinn a' planadh air an MV Tighearna nan Eilean, agus an MV Eilean Mhuile ionadachadh agus trì aiseagan beaga eile fhaotainn fon ath ìre de SVRP, agus dà shoithich do na h-Eileanan a Tuath. A thuilleadh air sin, thathar a' planadh aiseagan do luchd-siubhail a-mhàin mar thaic do sheirbheisean Guireag/Dùn Omhain/Cille Chreagain.

Tha sinn air mòran roghainnean a rannsachadh gus soithichean fhaotainn sa mhargaid dara-làimhe. Is e obair dhùbhlach a tha seo mar thoradh air gainnead cruinneil de shoithichean freagarrach. A dh'aindeoin sin, faodaidh ar n-oidhirpean a bhith soirbheachail. As t-samhradh 2022, chuir sinn an MV ath-ainmichte Loch Friosa air slighe an Òbain gu Creag an Fhiughair (Muile) a' leantainn air ath-uidheamachadh de £4.5m. Tha i a-nis gu soirbheachail a' cur taic ris an MV Eilean Mhuile le seirbheis fad na bliadhna airson 199 neach-siubhail agus 35 càraichean.

Tha ar rannsachadh a' leantainn, glè thrì a' siubhal air beagan fios gus sgrùdadh a dhèanamh air soithichean.

Cha bhi puirt is calaidhean ro thrì anns na naidheachdan, ach a dh'aindeoin sin tha ar sgioba eòlach innleadairean is speisealaichean mara air adhartas a dhèanamh – no air àireamh de phròiseactan cudromach a chrìochnachadh.

Dh'fhosgail ionad-aiseig £1.5m an Tairbeirt air Eilean na Hearadh san Fhaoilleach 2023 ann an àm agus air buidseat. Chomharraich crìoch air an ìre mu dheireadh de phrìomh phròiseact ath-ùrachaidh chalaidean a tha air an t-àite air fad a chruth-atharrachadh. Tha e làn ruigsinneach, le goireasan mòran nas fheàrr do luchd-siubhail san ionad-aiseig.

A' coimhead ris an ath 12 mìosan, atharraichidh sinn na ròpan togail uèir air alt-aiseig Bhàgh a' Chaisteil ann am Barraigh. Bidh an obair sàbhailteachd dheatamach seo a' ciallachadh gum bi luchdan troma neo-àbhaisteach comasach air an alt-aiseig seo a chleachdadh. T

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Aithris an CEO gu deireadh bhliadhna 31 Màrt 2023

Aig an aon àm, thèid cabhag a chur air an obair ath-ùrachaidh aig Port Ilein, Ceann na Creige agus Colbhasa gus am faod iad gabhail ri dà shoitheach mhòr dà-chonnaidh nuair a thòisicheas iad air seirbheisean luchd-siubhail. Tha e coltach gum bi an obair a' gabhail a-steach dreidseadh, dìonadaireachd, solar airson taic mòraigidh agus goireasan cumhachd air tìr. Tha Comhairle Earra-Ghàidheal is Bhòid a' coileanadh leasachaidhean chalaidean mar ullachadh do na h-aiseagan ùra.

Tha sinn cuideachd a' leantainn le obair iomchaidheachd a thaobh prìomh ùrachadh aig Port Ilein, Gàsaidh (a tha gu bhith an àite Loch Baghasdail) agus an cidhe is goireasan co-cheangailte ri Cumaradh.

Is e ar dealas mu cho-thaobhadh le clàr-obrach di-chàrbònachaidh Riaghaltas na h-Alba, ar prìomh amas. Is e dùbhlán mòr a tha seo oir tha an roinn mhara a' cur 3% de na sgaoilidhean càrboin cruinneil, ach is e ar ceann-uidhe cabhlach saor bho sgaoilidhean a thogail.

Tha sinn a' coileanadh ar dleastanas san t-slighe gu neoini lom agus tha e deatamach gum bi an ath ghinealach de shoithichean is chalaidean càirdeil agus seasmach gu h-àrainneachdail. Bidh na soithichean a gheibhear tro SVRP a' cleachdadh nan teicneòlasan teàirrdsidh bataraidh agus tìr as ùire. Tha sinn a' cur fàilte air oidhirpean le ùghdarrasan chalaidean (ag obair le CMAL agus Northlink) ann an Obar Dheathain is Lèiriug gus solaran cumhachd air-tìr a stèidheachadh aig an calaidhean, agus mholamaid do chàch dèanamh mar an ceudna.

Tha sinn a' beachdachadh air seasmachd anns gach co-dhùnadh gu an tig sinn, agus a' dèanamh cinnteach aig an aon àm gu bheil calaidhean fulangach mu choinneamh atharrachadh gnàth-shìde, mar sin a' toradh ann an siostaman do stoirmean a bhios nas dèine agus nas trice.

Tha sinn mar an ceudna dealasach a thaobh sgaoilidhean càrboin a lùghdachadh aig calaidhean is acarsaidean agus tha sinn air goileadairean bith-thomad, pannalan grèine, agus siostaman teasachaidh bho èadhar, a ghabhail a-steach aig ionadan aiseig, a thuilleadh air leabaidhean cuilc aig Port a' Mhadaidh air Loch Fìne mar shiostam uisge-sgudail neoini-cumhachd aig cosgais ìosal.

Tha dàimhean làidir le prìomh luchd-ùidhe taobh a-staigh na roinne mara – caladh/ùghdarrasan ionadail, sealbhairean chalaidean, eilean, agus buidhnean coimhearsnachd oirthir – deatamach, agus tha CMAL air adhartas cunbhalach a dhèanamh ann an dèanamh cinnteach gu bheil tuigse nas doimhne ann do na cinn-uidhe gearr-ama, meadhan-ama agus fad-ama aig CMAL. Tha sinn air ar n-oidhirpean àrdachadh a thaobh tadhal air coimhearsnachdan ionadail, le buill den Bhòrd a' siubhal nan eilean gus beachdan a chluinntinn dìreach bho na daoine a tha an eisimeil ar seirbheisean aiseig. Bheir am fiosrachadh air ais seo buaidh dhìreach air ar planadh san àm ri teachd.

Mar sin, thathar a' cur fàilte air dàimhean nas fheàrr leis an sgioba stiùiridh aig Ferguson Marine (Port Ghlaschu) a bhios thar luaich agus sinn a' gluasad air adhart chun na h-ìre mu dheireadh de thogail air na soithichean dà-chonnaidh.



Kevin Hobbs

Ard-Oifigear

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Strategic Report

The Directors have pleasure in submitting their Strategic Report and Financial Statements for the year ended 31 March 2023.

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 £1,889,000 (2022 restated: Loss of £8,637,000) and arises from the statutory revaluations of Harbour assest and a change in the basis of the estimation of the valuation of Operational Buildings.

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 £4.7m were made to the CalMac scheme during the year.

Capital Investment in the year was £71m, £60.4m for Vessels and £10.6m on Ports Infrastructure.

In the year, the Company has invested £48.6m in new contracts for the build of 4 new vessels serving Islay and The Little Minch. All four vessels will have a clear focus on freight and capacity for up to 450 passengers and 100 cars, or 14 commercial vehicles. This will provide a combined 40% increase in vehicle and freight capacity on the Islay routes and improve the wider fleet's overall resilience.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Strategic Report (cont'd)

During the year work was complete on the new £2.3 million ferry terminal building at Tarbert on the Isle of Harris in the Outer Hebrides and opened to the public in January 2023.

Infrastructure projects to support the new Vessels in Islay are progressing (£2.8m) along with preparatory works for several new projects.

The Company, as the Statutory Harbour Authority (SHA) for 16 ports and with responsibility for 10 other non-statutory facilities, is accountable for ensuring a safe environment for the public and users of their ports and other facilities under their jurisdiction at which ships can obtain shelter or ship and unship goods or passengers.

The Company acts as the duty holder under Port Marine Safety Code (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.

As part of our commitment to marine safety, we publish a 3-year Marine Safety Plan (MSP) on our website (cmassets.co.uk). The latest plan (2020 – 2023) has 12 annual objectives that are targeted for the end of September each year.

The MSP is one component of a comprehensive (strategic level) Operational and Safety management System and serves to support the continuing improvement of the Company's marine safety performance, and ongoing compliance with the Code.

For the harbour operations contract year which concluded on 30 September 2022, year up to 30 September 2022, we achieved 11 of the 12 objectives. The one objective not achieved was due to residual impact from the Covid-19 restrictions.

We are making good progress towards all 12 objectives for the current contract year up to 30 September 2023. A more detailed overview of our performance against the plan will be published following the end of the 3-year reporting period.

We endeavour to give advice to Transport Scotland (Scottish Ministers) plus other Public Bodies and Councils when we are asked to do so – often without charge.

Future Developments

Future business priorities include Islay enabling works to upgrade Harbour facilities to accommodate the new vessels, Port Ellen Terminal Development to increase the vehicle marshalling area, increase staff and visitor parking, improve port operations for commercial use and improve passenger access to vessels, Gourock, Dunoon, Kilcreggan programme, to deliver modern, reliable and resilient lifeline passenger ferry services between Gourock, Dunoon and Kilcreggan and The Small Vessel Replacement Programme which aims to achieve a very substantial renewal of the small vessel fleet during the next 10 years.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Strategic Report (cont'd)

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.

Business Environment and Principal Risks and Uncertainties

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

14 November 2023

Municipal Buildings
Fore Street
Port Glasgow
PA14 5EQ

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Directors' Report

The Directors have pleasure in submitting their Report and Financial Statements for the year ended 31 March 2023.

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

Directors and their Interests

The Directors who served during the year and up to the date of approval of the Financial Statements are as follows:

M McNeill	xx	Chair, Appointment period to 30 September 2025
P Croucher	**x	Appointment period to 31 July 2024
G Wood	*x	Appointment period to 30 September 2025
M MacLennan	*x	Appointment period to 30 September 2025
K P Hobbs		Chief Executive
J Anderson		Director of Vessels
H Ferguson		Director of Finance
R A M Muirhead		Director of Port Infrastructure & Planning

* - Member of Audit and Risk Committee

** - Chairman of Audit and Risk Committee

x – Member of Remuneration Committee

xx – Chairman of Remuneration Committee

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

Two meetings of the Remuneration Committee were 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 2023

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. CMAL is committed to have stronger arrangements to evaluate the environmental impact and costs as we continue to strive to reduce our assets carbon footprint and emissions.

We are playing our part in the journey towards net zero emissions and we are aligned with the ambitious targets set by Scottish Government. 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.

We have recently appointed an Environmental and Sustainability Manager to support the business.

Reducing traditional fuels on our current and future ferries

Within our fleet, we have already taken innovative action by exploring alternatives to traditional low sulphur marine diesel oil. Our Vessels Department were responsible for introducing the world's first diesel-electric hybrid ferries, with MV Hallaig, MV Lochinvar and MV Catriona. In addition, there are two dual fuel vessels under construction in Port Glasgow that will be able to operate on liquefied natural gas (LNG) once delivered – this is a transition fuel but has a lower carbon footprint and significantly reduces harmful emissions.

We are installing the infrastructure on the vessels so that they are enabled to receive shore power whilst alongside in ports. The first vessel to achieve this is the MV Hamnavoe operating from Stromness.

We continue to seek new ways to power vessels by adopting further advances in battery technology with the aim to have enough power during cargo operations to reduce, if not eliminate, the requirement to use diesel generators.

Our Small Vessel Replacement Programme is aiming to contract and build up to ten fully electric ferries – the concept design is nearing completion.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Directors' Report (cont'd)

Streamlined Energy and Carbon Reporting Requirements (SECR) (cont'd)

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 which has gained "Approval in Principle" from DNV.

We continue to work with the University of Strathclyde to conduct a study into the operational and commercial viability of ammonia, hydrogen, and inland electricity as maritime fuels. We actively pursue partnerships with other businesses, academic institutions and stakeholders to share knowledge and push technological boundaries.

Building more sustainable harbours

Our harbours engineers, surveyors and project managers are equally committed to designing and building greener, more sustainable port infrastructure. We strive to find improved solutions for our port infrastructure 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. We are actively installing shore power solutions for both the large and small ferry fleets. For large ferries shore power enables support of the hotel load (essential for crewing functions) whereas for our small ferries shore power is used to charge the battery banks for use throughout the following day.

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

Some examples of our green credentials

- World's first diesel-electric hybrid vessels
- UK's first LNG ferry design
- Hyseas III project achieving the "Approval in principle"
- £30,000 research project with University of Strathclyde on carbon-free fuels
- Installation of shore power supplies at our ports
- 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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Directors' Report (cont'd)

Streamlined Energy and Carbon Reporting Requirements (SECR) (cont'd)

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.

By order of the Board



Kevin Hobbs
Director

14 November 2023

Municipal Buildings
Fore Street
Port Glasgow
PA14 5EQ

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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 2023, the Board comprised of four Non-Executive Directors 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 Chair ensures that all Directors receive clear, accurate and timely information on all relevant matters.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Statement on Internal Control (cont'd)

Information, Induction and Professional Development (cont'd)

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

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

Performance Evaluation

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

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

Relations with Sole Shareholder

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

Internal Control

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Statement on Internal Control (cont'd)

Internal Control (cont'd)

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

Control Environment

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

Audit and Risk Committee

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

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

In line with best practice, the Audit and Risk committee meets annually with the auditors in the absence of the Executive Directors and continues to receive positive feedback in connection with internal controls and adequacy of suitably qualified and experienced employees within the key finance and risk management functions. The Board have approved the engagement of Wylie & Bisset LLP to provide an internal audit function. During the year audits were carried out on Corporate Governance, Financial Controls and Cyber Resilience, with further audits during 2023 on Workforce Planning and Business Continuity. The internal audit resource will make recommendations to contribute to the continuous improvement of governance, risk management and internal control processes within the Company.

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

Identification and Monitoring of Business Risks

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Statement on Internal Control (cont'd)

Major Corporate Information Systems

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

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

Going Concern

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

Based on the information available to them, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the Financial Statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Statement of Directors' Responsibilities

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

Company law requires directors to prepare the financial statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with International accounting standards and applicable law. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, directors are required to:

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

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

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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

Opinion

We have audited the financial statements of Caledonian Maritime Assets Limited (the 'company') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the UK.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the UK; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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

Responsibilities of directors

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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)

This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

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

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

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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 a Report of the Auditor and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

17 November 2023

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Statement of Comprehensive Income
For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000 Restated
Revenue	6	44,048	42,999
Cost of sales		(36,400)	(31,181)
Gross profit		7,648	11,818
Administrative expenses		(6,262)	(4,688)
Other gains/(losses)	7,10	3,588	(55)
Operating profit		4,974	7,075
Interest receivable	7	135	2
Interest payable	7	(4,035)	(4,317)
Other finance costs	7, 21	450	(581)
		(3,450)	(4,896)
Profit on ordinary activities before taxation		1,524	2,179
Taxation			
Tax charge for the year	8	(3,413)	(10,816)
Loss for the financial year		(1,889)	(8,637)
Other comprehensive income			
Actuarial gain/(loss) recognised in the pension scheme	21	5,477	42,137
Tax movement relating to the actuarial gain/(loss)		1,293	286
Other employers' costs to pension deficit		(10,650)	(11,933)
Gain on revaluation of property, plant & equipment	10	14,487	-
Other comprehensive income for the year, net of tax		10,607	30,490
Total comprehensive income for the year		8,718	21,853
Loss attributable to:			
Owners of the company		(1,899)	(8,637)
Total comprehensive income attributable to:			
Owners of the company		8,718	21,853

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

The notes form part of these financial statements.

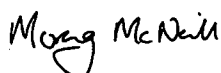
ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Statement of Financial Position

As at 31 March 2023

Assets	Note	2023 £'000	2022 £'000 Restated
<i>Non-current assets</i>			
Property, plant & equipment	10	428,717	380,252
Investment property	10	1,980	1,877
Right of use assets	11	3,912	3,735
Investments	12	-	-
Total non-current assets		<u>434,609</u>	<u>385,864</u>
<i>Current assets</i>			
Trade and other receivables	13	20,971	18,240
Cash at bank and in hand	17	29,230	54,651
Total current assets		<u>50,201</u>	<u>72,891</u>
Total assets		<u>484,810</u>	<u>458,755</u>
<i>Equity and liabilities</i>			
<i>Capital and reserves</i>			
Called up share capital	20	15,000	15,000
Capital contribution reserve		66,639	66,639
Revaluation reserve		91,069	85,962
Retained earnings		(7,924)	(11,535)
Total equity attributable to owners of the Company		<u>164,784</u>	<u>156,066</u>
<i>Non-current liabilities</i>			
Other payables	15	187,029	148,418
Capital grants	18	90,147	94,129
Right of use liability	16	3,687	3,502
Net pension liability	21	-	-
Deferred tax provision	19	13,378	11,258
Total non-current liabilities		<u>294,241</u>	<u>257,307</u>
<i>Current liabilities</i>			
Trade and other payables	14	25,338	44,954
Right of use liability	16	447	428
Total current liabilities		<u>25,785</u>	<u>45,382</u>
Total liabilities		<u>320,026</u>	<u>302,689</u>
Total equity and liabilities		<u>484,810</u>	<u>458,755</u>

These Financial Statements were authorised for issue by the Board of Directors on 14 November 2023 and were signed on its behalf by:



Morag McNeill

Chair

The notes form part of these financial statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital £'000	Capital contribution reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Total £'000
Balance at 31 March 2021	15,000	55,739	(44,619)	97,193	123,313
Loss for the year (restated)	-	-	(8,637)	-	(8,637)
Other comprehensive income for the year	-	-	30,490	-	30,490
Excess of depreciation on revaluation	-	-	11,231	(11,231)	-
Contribution to Calmac Pension scheme	-	10,900	-	-	10,900
Balance at 31 March 2022 (restated)	15,000	66,639	(11,535)	85,962	156,066
Loss for the year	-	-	(1,889)	-	(1,889)
Other comprehensive income for the year	-	-	(3,880)	14,487	10,607
Excess of depreciation on revaluation	-	-	11,617	(11,617)	-
Revaluation Reserve Correction	-	-	(2,237)	2,237	-
Balance at 31 March 2023	15,000	66,639	(7,924)	91,069	164,784

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

The notes form part of these financial statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Statement of Cash Flows

For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
Revenue receipts		47,659	38,306
Other income receipts		350	311
		<u>48,009</u>	<u>38,617</u>
Cost of sales		(32,020)	(3,291)
Pension deficit		(4,724)	(15,445)
Direct pay costs		(3,532)	(3,422)
General operating and administrative expenses		(2,756)	(1,482)
		<u>(43,032)</u>	<u>(23,640)</u>
Cash generated by/(used in) operating activities		4,977	14,977
Interest paid		(4,035)	(4,317)
Tax paid		-	(32)
Net cash generated by/(used in) operating activities		<u>942</u>	<u>10,628</u>
Cash flows from investing activities			
Interest received		135	2
Cash receipts in respect of capital grants		18,045	23,129
Cash receipts from sale of assets		-	-
Payments to acquire property, plant and equipment		(87,092)	(27,392)
Net cash (used in)/generated by investing activities		<u>(68,912)</u>	<u>(4,261)</u>
Cash flows from financing activities			
Loans received		47,357	27,294
Loans repaid		(4,455)	(8,816)
Right of use liability payments		(353)	(457)
Capital contribution received		-	10,900
Net cash generated by/(used in) financing activities	22	<u>42,549</u>	<u>28,921</u>
Net (decrease)/increase in cash and cash equivalents	22	<u>(25,421)</u>	<u>35,288</u>
Cash and cash equivalents at the beginning of the year	22	54,651	19,363
Cash and cash equivalents at the end of the year	22	<u>29,230</u>	<u>54,651</u>
Comprising:			
Cash and bank balances		29,230	54,651

The notes form part of these financial statements.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts

1. General information

Caledonian Maritime Assets Limited is a private limited company incorporated in Scotland. Its ultimate controlling party is the Scottish Ministers. Its registered office and principal place of business is Municipal Buildings, Fore Street, Port Glasgow, PA14 5EQ. The principal activities of the Company are shown on page 12.

2. Statement of compliance

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

3. Basis of preparation

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

4. Summary of significant accounting policies

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

(a) Adoption of new and revised standards

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

Title	Implementation
Onerous Contract Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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:

Title	Implementation
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes)	1 January 2023
Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024
Lack of exchangeability (Amendments to IAS 21)	1 January 2025

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 2023

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**

During the year the Directors reviewed the basis of estimation for the valuation of Property used in support of lifeline ferry services from a fair value to a depreciated replacement basis. This property is intrinsic to the support of harbour infrastructure and therefore the new basis is more reflective of its valuation. Property is valued in accordance with the Valuation Standards issued by The Royal Institution of Chartered Surveyors.

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 2023

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 2023

Notes to the Accounts (cont'd)

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

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

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

Impairment of assets

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

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

(c) Right of use assets

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

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

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

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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 revalued, a release is made from capital grants to the income statement in proportion to the loss.

(f) Operating lease income

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

(g) Revenue

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

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

(h) Interest income

Interest income is recognised using the effective interest method.

(i) Current and deferred tax

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

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

(i) Current and deferred tax (cont'd)

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

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

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

(j) Pensions

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

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

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

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

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

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

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

(k) Financial assets

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

Loans and receivables:

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

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

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

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

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

Derecognition of financial assets:

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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 2023

Notes to the Accounts (cont'd)

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

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

Embedded derivatives:

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

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

(n) Cash and cash equivalents

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

(o) Share capital

Ordinary shares are classified as equity.

(p) Going concern

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

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

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

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

5. Critical accounting judgements and key sources of estimation uncertainty

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

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

Investment properties

Investment properties which are surplus to requirement for supporting lifeline ferry services are stated at fair value at the reporting date. Gains and losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

Defined benefit scheme

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

6. Revenue

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

	2023 £'000	2022 £'000
Vessel charter fee	22,201	21,490
Harbour access charge raised against operator	16,851	16,334
Property & equipment licence fee from operator	165	84
Revenue from harbour dues	212	148
Rental income from properties not required for harbour operations	276	243
Revenue grants received	3,993	4,442
Other cost recoveries and contributions	<u>350</u>	<u>258</u>
	<u>44,048</u>	<u>42,999</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 2023

Notes to the Accounts (cont'd)

7. Profit on ordinary activities before tax

The profit is stated after (charging)/crediting:	2023 £'000	2022 £'000
Auditor's remuneration		
- Audit of these Financial Statements	(40)	(31)
- Other services relating to accounting	-	-
Depreciation and impairment of property, plant and equipment (Note 10)	(30,785)	(26,657)
Release of capital grant on impairment (Note 18)	-	3,510
Depreciation of right of use assets (Note 11)	(501)	(500)
Staff costs (Note 9)	(4,212)	(3,583)
Interest received on bank balances	135	2
Release of capital grants (Note 18)	19,763	3,361
Gain/(Loss) on disposal of fixed assets	148	(35)
Interest payable – loans	(3,894)	(4,167)
Interest on right of use assets	(141)	(150)
	<u>(4,035)</u>	<u>(4,317)</u>
Other finance costs - interest on pension scheme assets (Note 21)	10,520	7,161
- interest on pension scheme liabilities (Note 21)	(10,070)	(7,742)
	<u>450</u>	<u>(581)</u>
Other gains/(losses) - gain/(loss) on revaluation of property plant and equipment and investment property (Note 10)	(5,742)	(55)
Release of capital grants on revaluation	9,330	-

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

8. Taxation

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

	2023 £'000	2022 £'000 Restated
Current tax		
UK corporation tax on profit for the year at 19%	-	(32)
Adjustments in respect of prior periods	-	-
Total current tax charge/(credit)	<u>-</u>	<u>(32)</u>
Deferred tax		
Origination and reversal of temporary differences	2,120	1,999
Deferred tax in relation to pensions	1,293	8,849
Adjustments in respect of prior periods	-	-
Total deferred tax charge	<u>3,413</u>	<u>10,848</u>
Total tax charge	<u>3,413</u>	<u>10,816</u>

Tax recognised in other comprehensive income

Tax movement relating to pension actuarial movement	<u>1,293</u>	<u>286</u>
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The tax charge on profit for the year varied from the standard rate of UK corporation tax as follows:

Profit for the period before tax	<u>1,524</u>	<u>2,179</u>
UK corporation tax at statutory rate of 19% (2022: 19%)	290	414
Effects of:		
Expenses not allowable for tax purposes	2,664	46
Non-taxable income/gains	(974)	(73)
Adjustments in deferred tax in relation to pensions	-	2,890
Fixed asset differences	642	1,201
Adjustments in respect of prior periods	-	(184)
DTA not recognised	(28)	162
Remeasurement of deferred tax due to change in tax rate	<u>819</u>	<u>6,360</u>
Total tax expense	<u>3,413</u>	<u>10,816</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

9. Employee Information

	2023	2022
	£'000	£'000
Staff Costs (including Directors)		
Wages & salaries	2,943	2,436
Social security costs	353	287
On-going pension contributions	730	834
Pension contributions towards past deficits – other schemes (see below)	1	1
Staff related costs	378	295
	<u>4,405</u>	<u>3,853</u>
Employee costs included above allocated to capital projects	193	270

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

	2023	2022
	No.	No.
Employee numbers		
Average number of employees, including Directors		
Administrative	52	46

Directors' remuneration	2023	2022
	£'000	£'000
Non-executive directors' emoluments	66	60
Non-executive directors' pension costs	-	-
Executive directors' emoluments	470	403
Executive directors' pension costs	121	111
	<u>657</u>	<u>574</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 2023. No bonus payments were made in the financial year.

National insurance contributions made on behalf of the Executive Directors were £59,752 (2022: £47,010).

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

4 directors are members of defined benefit pension schemes (2022: 4 directors).

The emoluments of the highest paid director were £163,107 (2022: £128,147).

£36,184 (2022: £32,950) 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 2023

Notes to the Accounts (cont'd)

10. Property, plant and equipment and investment property

	Investment property £'000	Other property £'000	Piers, slipways & linkspan facilities £'000	Vessels £'000	Office equipment & vehicles £'000	Payments on account and assets in construc- tion £'000	TOTAL £'000
COST OR VALUATION							
Balance as at 1 April 2021	1,932	6,934	227,330	225,111	356	21,814	483,477
Additions	-	2	394	-	-	57,666	58,062
Transfers	-	1,419	20,207	7,433	-	(29,059)	-
Disposals	-	(36)	(2,128)	-	-	-	(2,164)
Revaluation (decrease)/increase	(55)	-	-	-	-	-	(55)
Balance as at 1 April 2022	1,877	8,319	245,803	232,544	356	50,421	539,320
Additions	-	150	129	-	-	70,479	70,758
Transfers	-	1,842	805	22,521	-	(25,168)	-
Disposals	-	(91)	-	-	-	-	(91)
Revaluation increase	103	8,836	18,029	-	-	-	26,968
Balance as at 31 March 2023	1,980	19,056	264,766	255,065	356	95,732	636,955
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as at 1 April 2021	-	170	132,137	-	356	-	132,663
Disposals	-	(1)	(2,128)	-	-	-	(2,129)
Depreciation and impairment expense	-	223	7,556	18,878	-	-	26,657
Balance at 1 April 2022	-	392	137,565	18,878	356	-	157,191
Disposals	-	(14)	-	-	-	-	(14)
Depreciation and impairment expense	-	267	4,324	26,194	-	-	30,785
Revaluation	-	(489)	18,785	-	-	-	18,296
Balance as at 31 March 2023	-	156	160,674	45,072	356	-	206,258
Carrying Amounts							
Balance as at 31 March 2022	1,877	7,927	108,238	213,666	-	50,421	382,129
Balance as at 31 March 2023	1,980	18,900	104,092	209,993	-	95,732	430,697
Carrying amount under cost model							
Balance as at 31 March 2022	-	17,725	93,179	159,983	-	50,421	321,308
Balance as at 31 March 2023	-	17,240	86,782	151,450	-	50,421	305,893

Included in the cost of Assets in Construction is £1,318,792.43 of interest arising on the financing of new vessels. Interest has been calculated on rates ranging from 2.72% to 5.07%.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

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

Investment property assets were valued at 31 March 2023 and 31 March 2022 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:

	2023	2022
	£'000	£'000
Investment properties		
Land	822	830
Buildings	1,158	1,047
	<u>1,980</u>	<u>1,877</u>

Other property assets were valued at 31 March 2023 by Graham & Sibbald, Chartered Surveyors, on a depreciated replacement cost basis. The Company agreed to amend the basis of estimation from the previous fair value basis as this better defines the nature of buildings as part of an operational harbour/port. The depreciated replacement cost basis (2022: fair value basis) is as follows:

	DEPRECIATED REPLACEMENT COST BASIS 2023	FAIR VALUE BASIS 2022
	£'000	£'000
Other property assets		
Land	3,630	3,609
Buildings - freehold	14,282	3,588
Buildings - leasehold	1,144	1,122
	<u>19,056</u>	<u>8,319</u>

Piers, slipways and linkspan facilities were valued at 31 March 2023 by Jacobs, Consulting Engineers, on a depreciated replacement cost basis and the cost/valuation is as follows:

	2023	2022
	£'000	£'000
Piers and slipways	208,598	195,345
Linkspan facilities	56,168	50,458
	<u>264,766</u>	<u>245,803</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

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

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:

	2023 £'000	2022 £'000
Vessels	<u>255,065</u>	<u>232,544</u>

	2023 £'000	2022 £'000
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No provision has been made in these accounts for:

Outstanding capital commitments contracted for amounting to	114,090	64,125
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Capital Grants/Loans receivable in respect of these commitments amounting to	114,090	64,039
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11. Right of use assets

	Other property £'000	Motor vehicles £'000	Total £'000
COST			
At 1 April 2022	4,880	295	5,175
Additions	-	211	211
Disposals	-	(132)	(132)
Rent review adjustment	478	-	478
At 31 March 2023	<u>5,358</u>	<u>374</u>	<u>5,732</u>

ACCUMULATED DEPRECIATION AND IMPAIRMENT

At 1 April 2022	1,252	188	1,440
Depreciation charge for the year	400	101	501
Disposals	-	(121)	(121)
Rent review adjustment	-	-	-
At 31 March 2023	<u>1,652</u>	<u>168</u>	<u>1,820</u>

Carrying amounts

Balance as at 31 March 2022	<u>3,628</u>	<u>107</u>	<u>3,735</u>
Balance as at 31 March 2023	<u>3,706</u>	<u>206</u>	<u>3,912</u>

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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 2023 is £2 (2022: £2).

13. Trade and other receivables

	2023	2022
	£'000	£'000
Trade receivables	1,749	320
Prepayments and accrued income	19,190	17,888
Corporation tax	32	32
	20,971	18,240

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. As in previous years, there is no general provision held against receivables for 2023.

14. Trade and other payables

	2023	2022
	£'000	£'000
Loans (Note 15)	13,561	8,943
Trade payables	727	2,834
Other creditors and accruals	11,050	33,177
Corporation tax	-	-
	25,337	44,954

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 2023

Notes to the Accounts (cont'd)

15. Other payables

	2023	2022
	£'000	£'000
Unsecured vessel loans not wholly repayable within five years, repayable in half-yearly instalments	199,292	156,390
Less repayable within twelve months (Note 14)	<u>(13,561)</u>	<u>(8,943)</u>
	185,731	147,447
Other creditors	<u>1,297</u>	<u>971</u>
	<u>187,029</u>	<u>148,418</u>
Instalments on the loans included above are repayable as follows:		
between one and two years	9,782	9,073
between two and five years	33,108	29,995
after five years	<u>144,100</u>	<u>108,379</u>
	<u>186,990</u>	<u>147,447</u>

Unless authorised by Scottish Ministers, the Company can borrow only from Scottish Ministers. At 31 March 2023, the Company had 16 loans outstanding (2022: 14) all repayable to Scottish Ministers at interest rates ranging from 1.78% to 4.93%. Seven loans are repayable by half yearly equal instalments of principal, over periods of 20 or 25 years from the first scheduled repayment date after finalisation of loan drawdown. Nine loans are repayable on an annuity basis, six loans over 25 years, one loan over 16 years, one loan over 10 years and one loan over 8 years from the first scheduled repayment date after finalisation of loan drawdown.

16. Right of use asset liability

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

	2023	2022
	£'000	£'000
Within 1 year	447	428
Between one and two years	391	349
Between two and five years	814	839
After five years	<u>2,482</u>	<u>2,314</u>
	<u>4,134</u>	<u>3,930</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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 2023 is as follows:

	2023	2022
	£'000	£'000
Within 1 year	588	566
Between one and two years	519	465
Between two and five years	1,122	1,127
After five years	<u>3,220</u>	<u>3,027</u>
	<u>5,449</u>	<u>5,185</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 2023 is £487,477.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	£'000	£'000	£'000	£'000	£'000	£'000	%	%	Years	Years
Loans	200,551	156,390	-	-	200,551	156,390	3.44	3.02	21.3	17.6
Cash	(29,230)	(54,651)	-	-	-	-	-	-	-	-
Net Borrowing	171,321	101,739	-	-	200,551	156,390	3.44	3.02	21.3	17.6

All the Company's borrowings are at fixed rates of interest. The fair value of these loans at 31 March 2023 ascertained through discounting the future cash flows at the National Loans Fund rate was £164,230,538 (2022: £152,134,269).

(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 (2022: £Nil) and other liquid assets of £29,230,000 (2022: £54,651,000).

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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 2023				
Borrowings	14,008	10,173	33,922	146,582
Trade & other payables	13,208	2,573	-	-
At 31 March 2022				
Borrowings	9,371	9,422	30,834	110,693
Trade & other payables	35,792	927	-	-

(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 2023

Notes to the Accounts (cont'd)

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

	2023	2022
	£'000	£'000
Balance at 1 April	94,129	76,370
Grants received and receivable	15,781	24,630
Released to statement of comprehensive income - general release	(19,763)	(3,361)
Released to statement of comprehensive income - impairment	-	(3,510)
Balance at 31 March	90,147	94,129

19. Provisions for liabilities and charges

	2023	2022
	£'000	£'000
Deferred tax		Restated
The main components of deferred tax at 25% (2022: 25%) are:		
Accelerated capital allowances	19,257	18,191
Other temporary differences	(3,042)	(4,857)
Provisions	(11)	(8)
Trading losses	(2,826)	(2,068)
Deferred tax liability	13,378	11,258

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

20. Share capital

	2023	2022
	£'000	£'000
Authorised, allotted, issued, and fully paid – 1.5 million ordinary shares of £10 each	15,000	15,000

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

21. Pension arrangements

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

	2023	2022
	£'000	£'000
On-going contributions		
Company scheme	730	792
Contributions towards past deficits		
Other schemes	1	1
	<u>731</u>	<u>793</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 2021. Assumptions which have the most significant effect on the results of the valuation are those relating to:

- a) RPI Inflation – Bank of England RPI inflation curve less 0.1% p.a.
- b) CPI Inflation – Bank of England RPI inflation curve less 0.9% p.a. until 2030 and 0.1% p.a. thereafter

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

- c) rate of increase in salaries and pensions
- on pre 2005 non GMP benefits – RPI
 - on post 2005 non GMP benefits – RPI capped at 3%;
 - on post 1988 GMP benefits – CPI capped at 3%;
 - on pre 1988 GMP benefits – 0%

The valuation showed the market value of the scheme assets as £338.6 million. The 2021 actuarial valuation identified a shortfall in funding of £4.9 million.

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

The Trustees and Caledonian Maritime Assets Limited and participating employers (the employers) have agreed that the employers will pay total contributions of 30.8% of pensionable salaries. In addition, the Board is committed to an annual payment of £4,693,000. The members contribute at a rate of 6.0% of pensionable earnings.

These additional contributions made in 2022 have been reflected in the roll-forward valuation of the scheme as at 31 March 2023. The Company is the principal employer in the fund and has guaranteed to the Trustees the funding obligations of the other employers, all of whom are members of the David MacBrayne Group. The Company was instructed to act on the behalf of the shareholder and facilitate the payment to the Fund.

The next actuarial valuation is due on 6 April 2024.

The information disclosed below is in respect of the CalMac Pension Fund for which the Company is the sponsoring employer. For the purposes of accounting disclosure requirements of IAS19 Employee Benefits, the latest actuarial valuation carried out at 6 April 2021 was updated to 31 March 2023 by a qualified independent actuary. The amounts recognised in the statement of financial position are as follows:

	2023 £'000	2022 £'000
Present value of funded liabilities	(262,407)	(375,441)
Fair value of scheme assets	270,056	380,046
Unrecognised surplus	(7,649)	(4,605)
Deficit	-	-
Related deferred tax asset	-	-
Net asset/(liability)	-	-

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

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

	2023	2022
	£'000	£'000
Current service cost	720	804
Past service cost	-	-
Net financing cost	(450)	581
	<u>270</u>	<u>1,385</u>

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

	2023	2022
	£'000	£'000
Staff costs	720	804
Other finance costs	(450)	581
	<u>270</u>	<u>1,385</u>

Actual return on scheme assets	<u>(129,159)</u>	<u>16,596</u>
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Changes in the amounts recognised in other comprehensive income are as follows:

	2023	2022
	£'000	£'000
Opening cumulative other comprehensive (expense)	(48,490)	(90,627)
Remeasurements:		
- actuarial (losses)/gains – asset remeasurement	(139,679)	9,435
- actuarial (losses)/gains arising from changes in demographic assumptions	2,154	(3,396)
- actuarial gains/(losses) arising from changes in financial assumptions	172,992	43,453
- actuarial (losses)/gains arising from experience	(26,946)	(2,750)
- effect of unrecognised surplus	(3,044)	(4,605)
Closing cumulative other comprehensive income/(expense)	<u>(43,013)</u>	<u>(48,490)</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

Changes in the present value of the defined benefit liabilities

	2023	2022
	£'000	£'000
At 1 April	375,441	380,228
Current service cost – Caledonian Maritime Assets Ltd	720	804
Past service cost	-	-
Current service cost - Others	29,301	29,160
Employee contributions	3,782	3,477
Interest cost	10,070	7,742
Actuarial (gains)/losses arising from changes in demographic assumptions	(2,154)	3,396
Actuarial (gains)/losses arising from changes in financial assumptions	(172,992)	(43,453)
Actuarial losses/(gains) arising from experience	26,946	2,750
Benefits paid	(8,707)	(8,663)
At 31 March	<u>262,407</u>	<u>375,441</u>

Changes in the fair value of the scheme assets

	2023	2022
	£'000	£'000
At 1 April	380,046	335,161
Interest income on assets	10,520	7,161
Re-measurement (losses)/gains	(139,679)	9,435
Employer contributions	24,094	33,475
Employee contributions	3,782	3,477
Benefits paid	(8,707)	(8,663)
At 31 March	<u>270,056</u>	<u>380,046</u>

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

	2023	2022
	%	%
Equities	37.0	36.1
LDI	24.8	21.2
Bonds	5.0	4.6
Property	4.7	4.1
Other	28.5	34.0

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

Principal actuarial assumptions at the year-end were:

	2023	2022
	%	%
Discount rate at 31 March	4.60	2.70
RPI Inflation	2.80	3.10
Future salary increases	3.80	4.10
Future pension increases	Derived from RPI assumptions	Derived from RPI assumptions

Post retirement mortality assumptions are as follows: -

2023	2022
SAPS S3 "Heavy" with scaling factors of: Active males/females: 98%/114% Deferred males/females: 98%/110% Pensioner males/females: 97%/111% Future mortality improvements are in linewith the CMI_2021 projection model with a smoothing factor of Sk = 7.00 with parameter A equal to 0.25% and long-term rate of improvement underpin of 1.25% p.a.	SAPS S3 "Heavy" with scaling factors of: Active males/females: 94%/110% Deferred males/females: 94%/106% Pensioner males/females: 93%/107% Future mortality improvements are in linewith the CMI_2021 projection model with a smoothing factor of Sk = 7.00 with parameter A equal to 0.25% and long-term rate of improvement underpin of 1.25% p.a.

Sensitivity

Discount rate -0.1%
RPI inflation +0.1%
Mortality scaling factor reduced by 10%

Impact on defined benefit liability

Increases the liability by +2.2%
Increases the liability by +2.2%
Increases the liability by +2.2%

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

Historical pension scheme information

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

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Present value of defined benefit liabilities	(262,407)	(375,441)	(380,228)	(316,478)	(322,713)
Fair value of scheme assets	270,056	380,046	335,161	248,325	227,297
Unrecognised surplus	(7,649)	(4,605)	-	-	-
Surplus/(deficit)	-	-	(45,067)	(68,153)	(95,416)
Experience adjustment on scheme liabilities	(26,946)	(2,750)	3,868	2,347	(7,491)
Re-measurement (losses)/gains on scheme assets	(139,679)	9,435	33,464	(4,208)	8,321

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

21. Pension arrangements (cont'd)

The Company expects to contribute approximately £5,047,158 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 (MNOFF) and in the Merchant Navy Ratings' Pension Fund (MNRPF). Both MNOFF and MNRPF are industry-wide defined benefit pension schemes.

The MNOFF Post 1978 Section (the New Section) is closed to new members and at 31 March 2016 was closed to future benefit accrual with existing active members being transferred to the Ensign Retirement Plan (for the MNOFF) (ERP (for the MNOFF)), a defined contribution plan established within the MNOFF. The 2021 triennial valuation of the MNOFF scheme showed a funding surplus of £58 million. The Trustee has agreed no contributions will be paid to the Fund by participating employers.

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

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

21. Pension Arrangements (cont'd)

The MNRPF is a closed scheme and the latest full triennial actuarial valuation as at 31 March 2020, carried out by the Fund actuary, showed that the scheme was in deficit by £96 million. The valuation showed that the market value of assets was 93% of the value of benefits accruing to members allowing for future increases (2017 valuation, deficit of £221 million, 84% funding level).

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

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

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

The next triennial valuation is 31 March 2023.

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

22. Net debt reconciliation

	At 1 April 2022 £'000	Cash flows £'000	Other changes £'000	At 31 March 2023 £'000
Bank and cash in hand	54,651	(25,421)	-	29,230
Other loans repayable within one year	(8,943)	4,455	(9,073)	(13,561)
Right of use asset liability within one year	(428)	353	(372)	(447)
Other loans repayable after one year	(147,447)	(47,357)	7,814	(186,990)
Right of use asset liability after one year	(3,502)	-	(185)	(3,687)
Net debt	(105,669)	(67,970)	(1,816)	(175,455)

23. Other financial commitments

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

Property, plant and equipment	2023 £'000	2023 £'000	2022 £'000	2022 £'000
	Investment property	Vessels	Investment property	Vessels
Receivable within one year	228	23,112	258	22,332
After one year but less than five	642	23,150	703	46,262
After more than five years	816	-	811	-
	<u>1,686</u>	<u>46,262</u>	<u>1,772</u>	<u>68,594</u>

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

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:

	2023 £'000	2022 £'000
Capital grants received and receivable (Note 18)	25,080	24,630
Capital grants due at 31 March	17,253	11,434
Grant in aid received and receivable	3,993	4,226
Grant in aid due at 31 March	-	4,226
Loans received and receivable	48,616	27,294
Project management fees & other charges	1,260	100
Cost recharges	-	738
Loans repaid	4,455	8,816
Interest paid and payable	3,887	4,167
Interest on vessel new build	-	-
Balance of loans due at 31 March (Note 15)	200,551	156,390
Value of vessels transferred	-	-
Contribution to Calmac pension scheme	-	10,900
Trade debtor balances due at 31 March	75	91

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

	Sold to/ (purchased from) David MacBrayne Group		Owed by/ (owed to) David MacBrayne Group	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Vessel leasing charges	16,446	15,933	-	-
Harbour access charges	16,689	16,333	1,186	285
Property & equipment licence	169	84	-	-
Rent	149	150	4	-
Repair & other costs recoveries	183	258	131	253
Vessel upgrades, modifications & repairs	(5,069)	(7,661)	-	(2,989)
Ferry travel costs	(18)	(10)	(1)	-
Cost recoveries	(15)	(4)	-	(4)
Pier operations	(6,183)	(5,767)	-	(3)

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Notes to the Accounts (cont'd)

25. Contingent liability

The Merchant Navy Ratings Pension Fund (MNRPF) is a closed scheme. Fund Trustees advised in October 2022 that following a governance exercise to ensure that benefits are paid in line with trust deeds and relevant legislation that some "mis-alignments" have been discovered. The Trustees and its advisers are investigating this matter with both representative beneficiaries and employers' advisers. The Trustees have set in place some workstreams to identify the nature of the "mis-alignment" and possible net cost to employers.

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

26. Prior year adjustment

Following re-consideration of the accounting treatment of the deferred tax asset related to unused tax losses within the 31 March 2022 financial statements, the prior year comparative figures within these financial statements have been updated to recognise the deferred tax asset arising from the carry forward of unused tax losses of £2,616,000 (previously £nil). This resulted in net assets and total comprehensive income as at 31 March 2022 increasing by £2,616,000, and the tax charge, the deferred tax provision, and the loss for the financial year reducing by £2,616,000 from the figures previously reported.

CALEDONIAN MARITIME ASSETS LIMITED

Registered No SC001854

ANNUAL REPORT AND ACCOUNTS TO 31 MARCH 2023

Company Number SC001854

Registered Office Municipal Buildings
Fore Street
Port Glasgow
PA14 5EQ

Auditors Azets Audit Services

Solicitors Addleshaw Goddard LLP

Bankers Royal Bank of Scotland