

CMAL

Caledonian Maritime Assets Ltd

Stòras Mara Cailleannach Eta

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Chairman's Statement

For the year ended 31st March 2010

The Chairman presents his statement for the year.

In May 2009 we commenced consideration of the possibility of restructuring the ownership of the Company with a view to establishing whether or not this might give us more flexibility in financing arrangements. We expect to submit to Ministers our proposals in the summer of 2010. If accepted these will allow us to seek to have a planned fleet replacement for the next 25 years and a properly planned maintenance regime for harbours.

In October 2009 we took on full responsibility for maintenance work at our ports and harbours. We continue to work with the Scottish Government to explore alternative methods of financing harbour improvements throughout our area.

The accounts show that we have an increased cash balance totalling some £16m. This has arisen because of some delayed expenditure but it is anticipated that, in the next 12 months, this balance will reduce substantially as we carry out numerous maintenance and improvement plans across the harbour network.

Our gross profit is in line with expectations, but this is transformed into a loss for the year which has been caused by additional contributions being required to be made towards the deficits on the CalMac Pension Scheme, the MNO Pension Fund and the MNR Pension Fund. We have joined Employers Groups in connection with the last two in an effort to ensure that the deficits are closely examined and considered.

Another major development for the company is the new vessel which is being built in Poland. Built to serve the island of Islay, she has been named MV FINLAGGAN. We decided to run an open competition amongst ferry users to name the ship. The response was heartening and the result unequivocal. The competition winners joined us at the recent launch in Gdansk, Poland, and the ferry will be in Scotland in April 2011.

We have continued to work with the Scottish Government on the Ferries Review and look forward to the results of that in the autumn of 2010. We also continue to work with colleagues in Ireland and Northern Ireland on the Small Ferries Project. In addition, the harbour Grant In Aid management group has continued to assist the Board in the allocation of funds during this difficult period.

As part of our commitment to community engagement, the Board visited various locations throughout the year. This included Brodick in Arran, and Largs where we were particularly delighted to welcome HRH The Princess Royal to open the new Largs Pier in September 2009.

The Board continues to regularly meet the Transport Division of the Scottish Government and the Minister of Transport. Regular meetings also take place with the operators, CalMac Ferries Limited, and many local groups providing useful forums to assist us in our principal activity of providing, safe-guarding and developing ferries and harbours.

I am grateful to the Board and all of our staff for their dedication and hard work throughout the last year. I am aware that the next 12 months and beyond are going to require considerable skill in funding much-needed improvements across the network. We hope you enjoy reading about some of them in this report and we would welcome your feedback on this and other issues involving CMAL.

Finally, the Scottish Government have reappointed Erik Ostergaard, Kenneth MacLeod and myself for a second term of office until 31st October 2012.

Grenville S Johnston
Chairman
21st September 2010

Aithisg a' Chathraiche

Airson a' bhliadhna a chrìochnaich 31mh a' Mhàirt 2010

Tha a' Chathraiche a' toirt seachad aithisg airson na bliadhna.

Anns a' Chèitean 2009 thòisich sinn air beachdachadh air cruth ùr a thoirt air a' chompanaidh is sinn a' feuchainn ri bàrrachd sùbailteachd a' lorg a thaobh maoinachas. Tha sinn an dùil ar molaidhean a' thoirt do Mhinistearan 'san t-samhradh 2010. Ma dh'aontaicheas iad riutha leigidh seo leinn amas a bhidh again air ar cabhlach air fad ùrachadh thairis air na 25 bliadhna ri teachd, agus program leasachaidh freagarrach a bhidh againn airson calaichean.

Anns an Damhair 2009 ghabh sinn uallach airson obair-càraidh aig ar cuid calaidhean. Tha sinn ag obair le Riaghaltas na h-Alba airson dòighean ùra a' lorg an obair-càraidh a mhaoineachadh air feadh ar sgìre.

Tha a' cunntais a' sealltainn gu bheil ar suim-chothromachaidh air fàs agus gu bheil luach £16m innte a-nis. Tha seo air tachairt air sgàths dàil ann an cuid a chosgaisean ach tha sinn an dùil, anns na 12 mìosan a tha romhainn, gun lùghdaich an t-suim seo gu mòr fhad's a bhios sinn a' coileanadh iomadh obair-càraidh agus sgeaman-leasachaidh air feadh ar calaidhean.

Tha ar lèir bhuanachd aig an ìre a bhathar an dùil, ach tha sinn air airgead a chall. Tha seo air sgàths gu bheil againn ri bàrrachd airgead a chuir ris a' ghainne ann an sgeama-peinnean CalMac, stòr-peinnean MNO agus stòr-peinnean MNR. Tha sinn air aonadh ri buidhnean fasdaich a' buineadh leis na dhà mu dheireadh ann an oidhirp dèanamh cinnteach gun tèid a' ghainne a' sgrùdadh agus a' meas gu mionaideach.

'Se adhartas mòr eile dhan chompanaidh a th'ann gu bheil aiseag ùr an dràsta ga togail anns a' Phòlainn. Bheir I seirbheis gu Eilean Ìle agus tha I air a h-ainmeachadh MV FINLAGGAN. Thainig sinn gu co-dhùnadh co-fhairpis fhosgailte a chumail am measg luchd-siubhail airson ainm a thoirt dhan t-soitheach. Ghabh mòran pàirt agus bha miann an t-sluaigh cinnteach. Thainig an fheadhainn a bhunaich a' cho-fhairpis còmhla rinn gu Gdansk 'sa Phòlainn airson an aiseag ùr fhaicinn ga cuir am bog, agus bidh an aiseag ann an Alba 'sa Ghiblean 2011.

Tha sinn fhathast ag obair le Riaghaltas na h-Alba air Lèirmheas nan Aiseig agus tha sinn a' coimhead air adhart ri na cò-dhùnaidhean sin 'san fhoghar 2010. Tha sinn cuideachd ag obair le companaich ann an Eirinn agus Eirinn a Tuath air Pròiseact nan aisgean beaga. A bhàrrachd air sin, tha buidheann-stiùiridh Grant in Aid a' cuideachadh a' Bhòrd le bhith a' roinn airgead anns an àm dhoirbh a tha seo.

Thadhail am Bòrd air grunnan sgìrean tron bhliadhna oir se ar miann gum bidh na coimhearsnachdan a bhith an sàs nar obair. Thadhail sinn air Breadhaig ann an Arainn agus An Leargaidh Ghallda far an robh sinn air leth toilichte fàilte a chuir air A' Bhana-Phrionnsa Rìoghail airson a' chidhe ùr fhosgladh anns an t-Sultain 2009.

Bidh am Bòrd a' coinneachadh gu tric ri Roinn Chòmhdhail Riaghaltas na h-Alba agus Ministear a' Chòmhdhail. Bidh coinneamhan cuideachd a' gabhail àite tric le CalMac, Ferries Limited agus mòran bhuidhnean ionadail a' toirt dhuinn deagh chothroman beachdachadh air ar prìomh gnìomh, a tabhairt, coimhead as dèidh agus a' leasachadh aiseagan agus calaidhean.

Tha mi taingeal don Bhòrd agus ar luchd-obrach air fad airson an cuid dìlseachd agus obair chruaidh tron bhliadhna mu dheireadh. Tha làn fhios agam gum bidh feum air sàr sgilean airson na leasachaidhean a dh'fheumas an dèanamh a mhaoineachadh tro na 12 mìos a tha romhainn. Tha sinn an dòchas gun cord e ribh a bhith a' leughadh mu chuid dhiubh anns an aithisg seo agus bhitheamaid toilichte cluintinn bhuaibh mu dheidhinn agus mu rid sam bith a' buntainn ri SMCE.

Mu dheireadh, tha Riaghaltas na h-Alba air iarraidh air Erik Ostergaard, Coinneach MacLeòid agus orm fhèin cumail oirnn nar dreuchdan gun 31mh den Damhair 2012.

CEO Statement

For the year ended 31st March 2010

The CEO presents his statement for the year.

In the following pages we show some examples of what CMAL has achieved over the past year. Despite the challenging economic climate, we continue with our mission to provide, safeguard and develop ferries and harbours for remote and island communities in the Clyde estuary and throughout the West Coast of Scotland.

With a small, highly professional and dedicated team we are focussed on managing our costs whilst maximising the amount of investment in infrastructure. Effective project management and planning is vital in order to deliver this investment and we continue to build on our expertise in this field.

We contributed extensively to the Scottish Government's Ferries Review drawing upon this expertise in the vessel, harbours and accessibility work streams. This work highlighted the investment challenges we face over the next ten years and beyond, and a parallel work-stream this year has been to identify options as to how this necessary investment can happen. Options identified so far include greater use of operating leases, the restructuring of CMAL into a Non-Profit Distributing Public Interest Company and the use of Non-Profit Distributing Concession models for future vessel procurement. This detailed work will continue into 2010/11 and we hope to be in a position to make firm recommendations later in the year.

We are acutely aware that we operate in more constrained times and therefore we scrutinise and think carefully about all our projects to ensure that they not only deliver true value for money but they also meet the needs of users. Kennacraig and Port Ellen are examples of where we have had to reduce the scale of original projects, but still ensure service levels are met. As a result we successfully secured £2million in grant funding for these projects and we hope to start work on site in early 2011.

Our collaborative EU funded project with partners in Ireland and Northern Ireland on a common strategy for small ferries continued throughout the year and this work is due to complete in Autumn 2010 when the report will be presented to our respective Governments. What is obvious from our work so far is that the challenges are the same for all three regions and there is great scope for financial and efficiency savings to be made through some form of joint procurement.

In parallel, work continued during the year on new designs of vessels and in particular the concept of a world-beating small Hybrid Vehicle Passenger Ferry. Another example of how CMAL is playing its part in tackling the environmental and climate change challenges facing all of us. The Green Passport scheme which I reported last year continues to roll-out throughout our fleet and this will demonstrate CMAL's commitment to disposing of ships at the end of their economic life, in a safe manner.

We continue to develop our relationship with the current operator CalMac Ferries Limited and ensure we provide them with the support they need in terms of asset provision and maintenance. An example of this was last October when we assumed full responsibility for the maintenance of the harbours and piers.

Looking ahead there are undoubtedly many challenges facing us however I am confident, with the team here at CMAL, these will be overcome and we will continue to address the maritime transportation needs of the communities we serve.

Guy Platten
CEO
21st September 2010

Aithisg a' Cheannard

Airson a' bhliadhna a chrìochnaich 31mh a' Mhàirt 2010
Tha a' Cheannard a' toirt seachad aithisg airson na bliadhna.

Anns na duileagan a' leanas tha sinn a' sealltainn cuid de dh'eisimplearan air na tha SMCE air a dhèanamh thairis air a' bhliadhna mu dheireadh. A dh'aindeoin na dùbhlain eaconomach tha sinn a' cumail oirnn nar miann a bhidh a tabhairt, coimhead as dèidh agus a' leasachadh aiseagan agus calaidhean do choimhearsnachdan iomallach agus eileanach anns an Linne Chluaidh agus air feadh costa an Iar na h-Alba.

Le sgioba beag, proifeaseanta agus dìorrasach tha ar sùil air ar cosgaisean a chumail fo smachd fhads a chuireas sinn nas urrainn dhuinn de dh'airgead an sàs ann an leasachadh. Tha stiùradh phròiseact comasach agus deasachadh air leth cudthromach airson an t-airgead seo a thabhainn agus tha sinn a sìor neartachadh ar n-eòlas anns an roinn seo.

Chuir sinn gum mòr ri Lèirmheas nan Aiseag aig Riaghaltas na h-Alba a' tarraing bhon t-eòlas air obair an lùib aisgean, caladhaichean agus ruigsinneachd. Sheall seo na duilgheadasan a bhios againn a thaobh maoineachadh anns na deich bliadhna a tha romhainn, agus tha sinn cuideachd am bliadhna air a bhidh a' feuchainn ri obrachadh a-mach ciamar a thèid na dh'fheumas a chur an seilbh. Tha sinn am beachd aonaidhean-ruith a chleachdadh nas trice, cruth SMCE atharrachadh gu companaidh leas-poballach nach sgaoil prothaid agus modalan-ceadachaidh nach sgaoil prothaid a chleachdadh airson soitheachan a cheannach. Cumaidh an t-obair seo a' dol a gluasad dhan ath-bhliadhna agus tha sinn an dòchas gun tèid again air molaidhean teann a thoirt seachad anns na mìosan a tha romhainn.

Tha làn fhios againn gu bheil sinn ag obair ann an àm far a bheil airgead teann agus mar sin bidh sinn a sgrùdadh agus a' beachdachadh gu cruaidh mu ar pròiseactan air fad airson dèanamh cinnteach gu bheil iad airidh air an t-airgead a tha air a chosg orra agus gu bheil iad freagarrach airson an luchd-siùbhail. Tha eisimplearan aig Ceann na Creige agus Port Lein air mar a tha air a bhith againn ri na pròiseactan againn a' lùghdachadh ach mar a tha sinn air ain ìre de sheirbheis a chumail. Tha seo a' ciallachadh gu bheil sinn air £2mhillean de thaic airgead fhaighinn airson na pròiseactan seo agus tha sinn an dòchas gun tòisich an t-obair tràth an ath-bhliadhna.

Chùm ar n-obair le co-obraichean ann an Eirinn agus Eirinn a Tuath le taic Airgead bhon AE air cuilbheart chumanta airson aisgean beaga a' dol tron bhliadhna agus thathar an dùil gum bidh an t-obair seo deiseal anns am foghar 2010 nuair a thèid an t-aithris a thoirt dha ar riaghaltasan. Tha e follaiseach bhon obair againn gu ruige seo gu bheil an aon dhùbhlain aig na trì dùthchanan agus tha cothroman ann airgead a shàbhaladh le bhidh ag obair còmhla.

Aig an aon àm, bha obair a' dol tron bhliadhna air dealbhachadh soitheachan ùra agus gu h-àirid bun-smuain air aiseag bheag ùr a bhios air thòiseach air tè sam bith eile 'san t-saoghail a thaobh mar a chleachdas I connadh. Eisimplear eile air mar a tha SMCE a' gabhail uallach airson na dùbhlain a tha romhainn uile a thaobh an t-àrainneachd. Tha sgeama cead-siubhail uaine, air an do sgrìobh mi an-uiridh a' sgaoileadh air feadh a' chabhlach againn agus seallaidh seo mar a bhios SMCE a' cuir aiseagan an dara taobh ann an dòigh shàbhailte aon uair's nach eil e a' dèanamh ciall eaconomach an cumail a' ruith.

Tha sinn ag obair cuideachd air an dàimh a th'againn le Aisgean CalMac Earranta agus tha sinn a' dèanamh cinnteach gu bheil sinn a' toirt dhaibh an taic a dh'fheumas iad a thaobh maoineachadh agus cothachadh. Bha deagh eisimplear den taic seo ri fhaicinn 'san Damhair nuair a ghabh sinn uallach airson obair-càraidh aig na caladhaichean agus na cìdhichean.

A' coimhead air adhart tha gun teagamh sam bith dùbhlain mòra romhainn, ach tha mi misneachail, leis an sgioba a th'againn aig SMCE, gun tig sinn am bàrr agus gun cum sinn oirinn a' deiligidh ri na tha a dhìth, a thaobh siubhal-mara, air na choimhearsnachdan dha bheil sinn a' toirt seirbheis.

Guy Platten
Ceannard
21mh An t-Sultain 2010

Review 2009-2010 - Lèirmheas 2009-2010

April 09: CMAL PARTNERSHIP FOR ISLAND FERRIES PROJECT

An EU grant of £230,000 was awarded to a special cross-border partnership to establish how best to design and build a fleet of small ferries to serve remote communities off the Scottish and Irish coastlines.

CMAL partnered with the Department for Regional Development in the North of Ireland and the Department of Community, Equality and Gaeltacht Affairs in the South to examine a common design and procurement strategy for small ferries which could be used by each of the partners.

Funded by the EU's INTERREG IVA programme, eight routes were examined which cover the West Coast of Scotland, Ireland and Northern Ireland.

This strategy will help reduce overhead costs and increase the potential for efficiency savings through more collaborative working across the jurisdictions. Ministers from Northern and Southern Ireland, and Scotland have welcomed the development and the benefits that it will bring to the three partnership areas.

Scottish Transport Minister Stewart Stevenson said at the time: "This partnership heralds a new way of working together which will improve and enhance ferry services for remote and island communities on both sides of the Irish Sea. In these challenging economic times it is important we improve transport links across Scotland so that communities and individuals can make the fullest possible contribution to our goal of increasing sustainable economic growth for years to come."

June 09: A GREEN FIRST - CMAL'S PASSPORT TO ENVIRONMENTAL SUCCESS

CMAL secured a first for Scotland and the UK with the introduction of Green Passports to the ferry fleet in June 09.

The Canna became the first existing ferry in the UK to be awarded a Green Passport with two more sister ships receiving green passports in July.

The Green Passport - officially termed an Inventory of Hazardous Materials (IHM) - will now accompany the ship throughout its operational life and will be inspected by Lloyds Register of Shipping on an annual basis. Every five years the IHM will be renewed and re-certified and, at the end of the ship's life, it will help a ship recycling yard to formulate a safe and environmentally friendly way of decommissioning the ship.

All 30 ships in the CMAL fleet serving the Clyde and Hebrides ferry services in the West of Scotland will be put through the auditing process to secure green Passports during the next five years, demonstrating an ongoing commitment to safeguarding the environment as well as early compliance with the UK Ship recycling Strategy.

Andrew Flockhart:

"The Small Ferries Project has been a challenging yet rewarding element of my year. It's allowed CMAL to get involved with some great research which will lead to excellent collaborative projects in the near future."

Guy Platten:

"We are working to cut our emissions and fuel consumption to fit in with the Greener Scotland 'superbrand' of the Scottish Government and Passports are another step in the right direction. We are examining ways to ensure other efficiencies in the existing fleet are identified."

Review 2009-2010 - Lèirmheas 2009-2010

September 09: HRH THE PRINCESS ROYAL VISITS LARGS

HRH The Princess Royal officially re-opened the historic pier in the popular Ayrshire seaside town of Largs following CMAL's £6m project to safeguard the future of the pier.

HRH The Princess Royal was cheered by hundreds of locals from Largs and the Isle of Cumbrae as she arrived to perform the opening ceremony on the pier which was originally built in 1834.

Children from primary schools in Largs and Cumbrae were invited as special guests to mark the occasion following community involvement throughout the project which started on site last October.

The new pier will provide shelter to the slipway, and overnight berthing for both the MV Loch Shira and MV Loch Riddon, the ferries operating on the route to the Isle of Cumbrae, as well as provide improved facilities for local fishermen and other pier users.

The project was funded by CMAL with 75% of costs being met by the Scottish Government as part of its commitment to lifeline ferry services throughout Scotland.

Grenville Johnston, said:
"We were very grateful to the Princess Royal for joining us to mark this special occasion; the first major infrastructure project completed by CMAL since its creation. We were also thankful to the people of Largs and Cumbrae who now have a pier fit for the future, safeguarding the vital contribution it makes to the local economy."

October 09: CMAL LAUNCH GAELIC LANGUAGE PLAN CONSULTATION

CMAL published its draft Gaelic Language Plan for 2010-2015 in October 09.

Following the Gaelic Language (Scotland) Act 2005, the plan set out how CMAL will use Gaelic in the operation of its functions and how the company overall will promote and develop Gaelic, contributing to Scotland's diverse culture.

The final plan is now available from the CMAL website at www.cmassets.com

Chairman of CMAL, Grenville Johnston, commented: "We appreciate the support that Bòrd na Gàidhlig has given us to implement our plan and we look forward to enhancing our services for Gaelic users and to raise the profile of Gaelic as a recognised language."

Guy Platten:
"We take our commitment to the Gaelic language and culture very seriously in the communities we serve and we are keen to promote Gaelic to our staff too. We held a Gaelic Awareness Day with staff this year and it was a huge success."

Review 2009-2010 - Lèirmheas 2009-2010

November 09: CMAL ANNOUNCE WINNING NAME FOR NEW ISLAY FERRY

CMAL announced that the first new ferry to be introduced to the Islay route in almost 40 years will be named MV FINLAGGAN, after running a competition with the public to vote on their favourite name.

Almost 900 votes were received in the four-week public vote with the winning name MV FINLAGGAN receiving more than 70% of the vote.

The other shortlisted names were:

- LOCHIEL Loch Iall • PIONEER Treòraiche • GLENDALE Gleann Dail

Voting began on Monday 19th October and closed at midday on Monday 16th November. Members of the public could vote online on CMAL's website or post their entry directly to CMAL. The two lucky winners, chosen at random, who voted for the winning name were Ms Alison Bell and Mrs M McRae who were both special guests at the ferry's launch in Poland in June 2010.

The new Islay ferry will be the first new ship to serve the route in almost 40 years and marks a major investment in vessels from CMAL.

CMAL Chairman Grenville Johnston said: "MV FINLAGGAN is a first-class name for a first-class ferry, as chosen by the people of Scotland. We look forward to the launch of the new ship in Poland next year, then welcoming MV FINLAGGAN to Islay in 2011, a worthy addition to the fleet."

February 10: FUNDING AWARDED FOR PORT ELLEN AND KENNACRAIG

In February, funding was made available to CMAL to assist the progression of initial infrastructure improvements to enable the MV FINLAGGAN to be accommodated at Port Ellen and Kennacraig, after the Scottish Parliament passed the Government's 2010 Budget Bill.

Business cases for full infrastructure improvements to Port Ellen and Kennacraig were presented to The Scottish Government in March 2009 with a variety of options recommended as minimum and maximum work plans.

A £2m contribution from Scottish Government has been made available for CMAL for the planned works to rebuild the existing pier at Port Ellen.

Construction of a new quay wall, used by the local fishing fleet, was successfully completed on time and within budget in January 2010, and is already in full use. Meanwhile approximately £1.5m was set aside for the removal of a sunken barge at the entrance to Kennacraig Harbour.

The CMAL ports and harbours team are planning to hold further public meetings in both communities to update local people and businesses on their plans for the future. Lorna Spencer, Director of Harbours and Piers, said: "In recent months, detailed design work and ground investigations have continued on our plans for wider infrastructure improvements at Port Ellen and Kennacraig so these projects could be launched quickly should funding become available."

Andrew Duncan:

"MV FINLAGGAN is a very exciting development for CMAL. The steel cutting was a significant step and we are all looking forward to the ship being in Scotland next year."

Lorna Spencer:

"I am very proud of our community involvement; Port Ellen is a good example of this. We've taken on board what people have said at various stages of the process and we're still consulting them as we develop the plans."

Annual Reports & Accounts to 31 March 2010

Aithisgean Bhladhnaíl & Cunntasan gu 31 Màrt 2010

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Directors' Report

The Directors have pleasure in submitting their Report and financial statements for the year ended 31 March 2010.

Structure

Caledonian Maritime Assets Limited operates as a single company. The Company owns 50% of Northlink Orkney and Shetland Ferries Limited which ceased operations on 6 July 2006. It also holds 100% of the share capital of Caledonian MacBrayne Limited, a dormant company incorporated in Scotland.

Results

During the year the Company generated a turnover of £15,785,000 (2009: £14,156,000) in line with expectations, which resulted in a net (loss) after tax of £(3,994,000) (2009: Profit £4,001,000), after providing additional contribution of £700,000 towards the deficit on CalMac Pension Scheme, and providing £7,237,000 in respect of the Company's contribution to the deficit arising on the 2009 valuation of the Merchant Navy Officers Pension Fund.

Principal Activity and Business Review

The principal activity of the Company is the provision, safeguarding and development of ferries and harbours for use by the Operator; currently CalMac Ferries Ltd, in the provision of lifeline ferry services in both the Clyde and Western Isles areas.

Cash resources increased over the year due primarily to delays in commissioning major maintenance works on piers and harbours. Cash balances will reduce substantially in the coming year as maintenance and improvement programmes are implemented.

A triennial valuation was carried out on the CalMac Pension Fund as at 6 April 2009. Pending clearance from The Pensions Regulator contributions to funding deficits will not increase beyond the current level.

A triennial valuation of the Merchant Navy Officers Pension Fund was undertaken at 31 March 2009. The Company's share of the deficit arising on this valuation is £7,237,000 which is provided in full in these accounts. Subject to clearance by The Pensions Regulator and agreement with the Trustee, this liability will be paid by the Company over a period of ten years commencing September 2010. This is in addition to the payments of £922,000 per annum being made towards the deficits arising on this fund in 2003 and 2006.

The Board continues to examine carefully existing practices in order to find more efficient and cost effective ways of improving and maintaining its fleet of vessels and other assets.

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

Political and Charitable Donations

The Company made no political or charitable donations during the year.

Employees

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

Directors and their Interests

The Directors who served during the year, and where appropriate, their respective terms of office are as follows:

GS Johnston * xx	- Appointment period to 31 October 2012 (Chairman)
E Østergaard ** x	- Appointment period to 31 October 2012
K MacLeod * x	- Appointment period to 31 October 2012
G S Platten	- Chief Executive
A J Duncan	- Director of Vessels
L E Spencer	- Director of Harbours & Piers

* - Member of Audit Committee

** - Chairman of Audit Committee

x – Member of Remuneration Committee

xx – Chairman of Remuneration Committee

Three meetings of the Audit Committee and three meetings of the Remuneration Committee were held during the year. All members of the respective Committees attended the relevant meetings.

Mr GS Johnston, Mr E Østergaard and Mr Kenneth MacLeod were re-appointed to the Board for a further period of three years to October 2012.

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. Under section 251 of the Companies Act 2006, the Scottish Ministers are considered to be a Shadow Director of the Company.

Disclosure of Information to Auditors

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 auditors are 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 auditors are aware of that information.

Auditors

A resolution to appoint Scott-Moncrieff, Chartered Accountants, as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Guy Platten
Director

Municipal Buildings
Fore Street
Port Glasgow
PA14 5EQ

21st September 2010

Report on Corporate Governance

The Company is committed to high standards of corporate governance, business integrity and professionalism in all its activities. Throughout the year ended 31 March 2010, the Company has complied with all the relevant provisions of the Combined Code issued by the Committee on Corporate Governance in June 1998 (notwithstanding that the Company is not a listed company to which the provisions are directed) insofar as these have not been superseded by the provisions of the revised Combined Code. In addition, the Company has complied with the provisions set out in the revised Combined Code issued by the Financial Reporting Council in July 2003 ("the revised code") with the following exceptions:

- there is no Board Nominations Committee as all Board appointments, including their roles and terms and conditions of employment, are determined by the Company's sole shareholder; the Scottish Ministers;
- in view of the Company's responsibilities to take account of public sector guidelines, compliance with the provision that performance-related elements of remuneration should form a significant proportion of Executive Directors' total pay package is not appropriate;
- the Board does not have delegated responsibility for setting remuneration levels as its recommendations require the approval of Scottish Ministers;
- the overall parameters for pay awards for senior management below Board level are approved by both the Board and the Scottish Ministers and detailed implementation is the responsibility of the Directors;
- in view of the nature of the Company's status, compliance with those provisions that relate to share options, long term incentive schemes, dialogue with institutional investors and the conduct of the Annual General Meeting is not appropriate

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 has adopted a formal schedule of matters specifically reserved for its decision, which is reviewed on an annual basis.

The Board meets on a regular basis, at least ten times a 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 attends each Board Meeting.

Board Balance and Independence

At 31 March 2010, the Board comprises of three Non-Executive Directors (including the Chairman) plus three Executive Directors (including the Chief Executive). The Board considers that, based on the criteria set out in the provisions of the Revised Code, all Non-Executive Directors are independent.

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

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

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

Information, Induction and Professional Development

The Chairman ensures that all Directors receive clear, accurate and timely information on all relevant matters. Any requests for further information or clarification are dealt with or co-ordinated by the Company Secretary.

The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters. All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed. All Directors are entitled to obtain independent professional advice at the Company's expense.

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

Performance Evaluation

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

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

Relations with Sole Shareholder

As disclosed in the Report of the Directors, the Company's sole shareholder, the Scottish Ministers, is considered to be a Shadow Director of the Company. The Scottish Ministers' appointed Assessor attends all Board Meetings.

Internal Control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness in order to safeguard the Shareholder's investment and the Company's assets. The system is designed to provide reasonable but not absolute assurance against material mis-statement or loss. In accordance with guidance issued in the document "Internal Control: Guidance for Directors on the Combined Code" which was published in September 1999 (the Turnbull guidance) procedures are in place to ensure that there is an ongoing 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.

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.

Report on Corporate Governance (continued)

Audit Committee

The Audit Committee is appointed by the Board from amongst the independent Non-Executive Directors of Caledonian Maritime Assets Ltd and a representative from the Scottish Government Sponsor Department. The Chairman of the Audit Committee is appointed by the Board and will not normally be the Board Chairman. It is expected that at least one member of the Committee should have significant, recent, and relevant financial experience.

The Audit 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.

The Company does not operate a separate Internal Audit function. The Board have assessed that given the structure, size and other control procedures operated by the Company that a separate Internal Audit Function is not required.

The Company's external auditors present reports to the Audit 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 risks, and resting responsibility for risk management and internal control in a designated owner. Procedures include an ongoing 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 risk register is undertaken by the Audit Committee.

Major Corporate Information Systems

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

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

Going Concern

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

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under company law the 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, the 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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.

A Scottish Government requirement is the preparation of a Corporate Governance Statement by the directors as if the company were required to comply with the Listing Rules of the Financial Services Authority in relation to those matters.

The 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.

Report on Remuneration Matters

Directors' Remuneration

	Salary £000	Fees £000	Bonus £000	Benefits in kind* £000	Total 2010 £000	Total 2009 £000	Pension Transfer values	
							2010 £000	2009 £000
Non-Executive Directors								
G S Johnston	-	17	-	-	17	16	-	-
E Østergaard	-	13	-	-	13	7	-	-
K MacLeod	-	7	-	-	7	7	-	-
Executive Directors								
G S Platten	94	-	-	5	99	93	31	17
A J Duncan	70	-	6	6	82	74	37	21
L E Spencer	69	-	6	7	82	76	24	14
	<u>233</u>	<u>37</u>	<u>12</u>	<u>18</u>	<u>300</u>	<u>273</u>	<u>92</u>	<u>52</u>

*The principal benefit in kind relates to the provision of a car

The total salary for G S Platten includes arrears arising on the delayed implementation of the 2008 salary review which should have been implemented in October 2008.

G S Platten has waived his entitlement to a performance bonus of up to 10% of salary for 2010 and to 20% of the performance bonus due for 2009.

E Østergaard's appointment allows for a minimum commitment of two days per month. From November 2008 E Østergaard undertook on average three days per month on company business.

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

We have audited the financial statements of Caledonian Maritime Assets Limited for the year ended 31 March 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes as at 31 March 2010. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to Report by Exception

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

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

Nick Bennett (Senior Statutory Auditor)
for and on behalf of **Scott-Moncrieff, Statutory Auditor**
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

21st September 2010

Profit & Loss Account

For the Year Ended 31 March 2010

	Note	2010 £'000	2009 Restated £'000
Turnover	2	15,785	14,156
Cost of Sales	3	(7,097)	(5,688)
Gross Profit		<u>8,688</u>	<u>8,468</u>
Administrative Expenses	3	(10,035)	(2,514)
Operating (Loss)/Profit		<u>(1,347)</u>	<u>5,954</u>
Interest Receivable	3	90	385
Interest Payable	3	(1,820)	(1,932)
Other Finance Costs	3	(985)	(275)
		<u>(2,715)</u>	<u>(1,822)</u>
(Loss)/Profit on Ordinary Activities before Taxation		(4,062)	4,132
Taxation			
Tax Credit/(Charge) for the Year	4	68	(131)
(Loss)/Profit for the Financial Year		<u>(3,994)</u>	<u>4,001</u>

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

Statement of Total Recognised Gains and Losses

For the Year Ended 31 March 2010

	Note	2010 £'000	2009 Restated £'000
(Loss)/Profit for the Financial Year		(3,994)	4,001
Actuarial (Loss) recognised in the pension scheme	15 & 16	(6,214)	(11,237)
Age related rebates recognised in the pension scheme	15	1,008	301
Tax movement relating to the actuarial Loss	15	965	2,581
Current tax movement relating to capital contribution	15	-	4,800
Other Employers' contribution to pension deficit	15	1,761	1,715
Total Recognised (losses)/gains since last Financial Statements		<u>(6,474)</u>	<u>2,161</u>
Reconciliation			
Opening Profit & Loss and Capital Reserves		3,386	(1,088)
Total recognised (losses)/gains for the year		(6,474)	2,161
Prior year adjustment	20	-	2,313
Closing Profit & Loss and Capital Reserves		<u>(3,088)</u>	<u>3,386</u>

Balance Sheet

As at 31 March 2010

	Note	2010 £'000	2009 Restated £'000
Fixed Assets			
Tangible Assets	6	120,897	115,099
Investments	7	750	750
		<u>121,647</u>	<u>115,849</u>
Current Assets			
Debtors & Prepayments	8	3,079	4,736
Cash at Bank and in Hand		16,079	12,324
		<u>19,158</u>	<u>17,060</u>
Creditors			
Amounts falling due within one year	9	(8,396)	(8,274)
Net Current Assets		<u>10,762</u>	<u>8,786</u>
Total Assets Less Current Liabilities		132,409	124,635
Creditor			
Amounts falling due after more than one year	10	(56,394)	(45,608)
Accruals and Deferred Income			
Capital Grants	12	(49,595)	(48,788)
Net Pension Liability			
	16	(14,508)	(11,853)
Net Assets		<u>11,912</u>	<u>18,386</u>
Capital and Reserves			
Called up Share Capital	14 & 15	15,000	15,000
Distributable Capital Contribution Reserve	15	13,800	13,800
Profit and Loss Account	15	(16,888)	(10,414)
Shareholder Funds	15	<u>11,912</u>	<u>18,386</u>

These financial statements were authorised for issue by the Board of Directors on 21st September 2010 and were signed on its behalf by:

Grenville Johnston
Company Number: SC001854 Caledonian Maritime Assets Ltd

Cash Flow Statement

For the Year Ended 31 March 2010

	Note	2010 £'000	2009 £'000
Net Cash Inflow from Operating Activities	18(a)	<u>8,968</u>	<u>8,061</u>
Returns on Investments and Servicing of Finance			
Interest Received		91	434
Interest Paid		(1,860)	(2,800)
Net Cash outflow from returns on investments and Servicing of Finance		<u>(1,769)</u>	<u>(2,366)</u>
Taxation		-	140
Capital Expenditure & Financial Investments			
Payments to acquire tangible fixed assets		(11,276)	(6,447)
Capital grants received		2,470	3,315
Grant in Aid to be disbursed		-	1,384
Net Cash Outflow from Capital Expenditure		<u>(8,806)</u>	<u>(1,748)</u>
Net Cash (Outflow)/Inflow before Financing		<u>(1,607)</u>	<u>3,807</u>
Financing			
Capital Contribution		3,000	-
Loans received		4,400	3,560
Loans repaid		(2,038)	(1,731)
Net Cash Inflow from Financing		<u>5,362</u>	<u>1,829</u>
Increase in Cash	18(b)	<u>3,755</u>	<u>5,636</u>

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	2010 £'000	2009 £'000
Increase in cash		3,755	5,636
Net movement on loans		(4,617)	(1,829)
Movement in net debt in the period		(862)	3,807
Net debt at 1 April		(30,960)	(34,767)
Net debt at 31 March	18(b)	<u>(31,822)</u>	<u>(30,960)</u>

Notes to the Accounts

I. Accounting Policies

(a) Basis of Preparation

These accounts have been prepared under the historical cost accounting convention and in accordance with applicable accounting standards. A summary of the principal accounting policies, which have been applied consistently, is set out below.

(b) Tangible Assets

Gross book values of all tangible assets are stated at cost. Ships and other assets including linkspans under construction are recorded at cost on the basis of payments to account. No depreciation is charged until the asset comes into use.

Vessel upgrades and modifications undertaken by the operator and funded by the Company and which give rise to an increase in the fleet charter fee are included in tangible assets at cost less accumulated depreciation.

Caledonian Maritime Assets Limited borrows funds from Scottish Ministers to finance new vessel construction. From April 2007 the directly attributable costs of financing new vessel builds is capitalised and included in the cost of the vessel.

Information technology systems equipment is expensed in the year of purchase.

(c) Investments

Fixed asset investments are carried at cost.

(d) Depreciation

No depreciation is provided on freehold land. Depreciation is provided on other tangible assets by equal annual instalments calculated to write off the cost (taking account of anticipated residual values) over their estimated useful lives as follows:

Buildings (Freehold)	40 years
Buildings (Leasehold)	The shorter of the term of the lease and 40 years
Piers Slipways and Linkspan facilities	40 years
Ships	25 years
Plant and Equipment	Between 3 and 10 years

Cost of vessel upgrades and modifications which give rise to an increase in the fleet charter fee are written off over the period during which an increased fee arises.

(e) Capital Grants

Capital grants are deferred and taken to the Profit and Loss Account over the anticipated lives of the relevant assets.

(f) Operating Lease Income

Operating lease incomes relating to vessels and harbours are credited to the Profit & Loss Account in the year to which they relate.

(g) Taxation

The Directors have changed the accounting policy in dealing with deferred taxation. The charge for tax is based upon the result for the year and takes into account tax deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. As a change to this policy the directors have determined that the tax deferred asset from trading losses should be offset to the extent necessary to eliminate the deferred tax liability, as permitted by Financial Reporting Standard 19. The change in accounting policy has given rise to a prior year adjustment the impact of which is detailed in Note 20. Prior year figures have been restated to reflect this change.

(h) Pensions

The Company operates a defined benefit scheme and participates in certain other defined benefit pension schemes. 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 Company applies FRS 17: Retirement Benefits. The effect of this is that the Company's defined benefit pension scheme assets are measured using market value whilst pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the year is charged to operating profit. The expected return on scheme assets and the increase during the year in the present value of the scheme liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

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 profit and loss account 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 total recognised gains and losses. Additional contributions are received into the fund in the form of age related rebates. These, and any additional contributions from outside the Company, are accounted for through the statement of total recognised gains and losses. The financial impact of this accounting policy is set out in Note 16.

(i) Derivatives and Financial Instruments

The Company has adopted FRS 13: Derivatives and other financial instruments. The Company's financial instruments comprise borrowings, cash and other liquid resources and various items such as trade debtors and creditors that arise directly from operations. All of the Company's borrowings are fixed rate liabilities. The Company's policy is not to trade or speculate in financial instruments but to utilise them to finance operations.

2. Turnover

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

	2010	2009
	£'000	£'000
Vessel Charter Fee	13,068	11,607
Harbour Access Charge raised against Operator	2,057	1,961
Property & Equipment Licence Fee from Operator	190	165
Revenue from Harbour Dues	131	182
Rental income from properties not required for Harbour operations	173	163
Other cost recoveries and contributions	166	78
	<u>15,785</u>	<u>14,156</u>

3. (Loss)/Profit on Ordinary Activities before Tax

The (Loss)/Profit is stated after charging/(crediting):

	2010	2009
	£'000	£'000
Auditors' remuneration		
- Audit of these financial statements	23	26
- Other services relating to accounting and taxation	3	11
- Services relating to corporate finance transaction entered into or proposed to be entered into by or on behalf of the Company	4	9
Depreciation of Tangible Fixed Assets	7,245	6,782
Staff Costs (Note 5)	8,921	1,488
Interest Payable – Loans	1,820	1,932
Interest Received on Bank Balances	(90)	(385)
Operating Lease Costs - Land & Buildings	374	355
Release of Capital Grants	(2,876)	(3,155)
Other finance costs		
- expected return on pension scheme assets	(3,220)	(3,807)
- interest on pension scheme liabilities	4,205	4,082
	<u>985</u>	<u>275</u>

4. Taxation

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

	2010	2009
	£'000	Restated £'000
Corporation Tax		
UK Corporation Tax on (loss)/profit for the year at 28% (2009 : 28%)	-	-
Deferred Tax		
Deferred tax in relation to pensions	(68)	131
Total deferred tax (credit)/charge	(68)	131
Tax charge on (loss)/profit on ordinary activities	(68)	131

The tax assessed for the period differs from the standard rate of corporation tax of 28% (2009: 28%)

The differences are explained below:

(Loss)/Profit on Ordinary Activities before Tax	(4,062)	4,132
UK corporation tax at 28% (2009 : 28%)	(1,137)	1,157
Effects of:		
Income/Expenses not allowable for tax purposes	(48)	(210)
Movement in deferred tax in relation to pensions	68	(131)
Movement in deferred tax on losses recognised	1,117	(816)
	-	-

5. Employee Information

Staff Costs (including Directors):

	2010 £'000	2009 £'000
Wages & Salaries	647	535
Social Security Costs	77	58
Ongoing Pension Contributions	80	53
Pension contributions towards past deficits – other schemes (see below)	8,030	688
Staff related costs	<u>144</u>	<u>154</u>
	<u>8,978</u>	<u>1,488</u>
Employee costs included above allocated to capital projects	<u>57</u>	<u>-</u>

Pension contributions towards past deficits – other schemes

This represents provisions and payments made towards past deficits in industry-wide schemes as described in Note 16.

Employee numbers	2010 No.	2009 No.
Average number of employees, including Directors	<u>15</u>	<u>12</u>
Administrative	<u>15</u>	<u>12</u>

6. Tangible Assets

	Land and Buildings £000	Ships £000	Plant and Equipment £000	Payments on Account and Assets in Construction £000	Total £000
Cost					
At 1 April	44,955	148,191	2,441	8,824	204,411
Additions	86	900	-	12,057	13,043
Transfers	6,012	-	-	(6,012)	-
At 31 March	<u>51,053</u>	<u>149,091</u>	<u>2,441</u>	<u>14,869</u>	<u>217,454</u>
Depreciation					
At 1 April	16,710	70,873	1,729	-	89,312
Charge for Year	1,162	5,962	121	-	7,245
At 31 March	<u>17,872</u>	<u>76,835</u>	<u>1,850</u>	<u>-</u>	<u>96,557</u>
Net Book Value					
At 31 March 2010	<u>33,181</u>	<u>72,256</u>	<u>591</u>	<u>14,869</u>	<u>120,897</u>
At 31 March 2009	<u>28,245</u>	<u>77,318</u>	<u>712</u>	<u>8,824</u>	<u>115,099</u>

(a) Land and Buildings is made up as follows:

	Land £000	Freehold £000	Long Lease £000	Short Lease £000	Piers Slipways and Linkspan Facilities £000	Total £000
Cost						
At 1 April	532	5,924	139	792	37,568	44,955
Additions	-	-	-	-	86	86
Transfers	-	-	-	-	6,012	6,012
At 31 March	<u>532</u>	<u>5,924</u>	<u>139</u>	<u>792</u>	<u>43,666</u>	<u>51,053</u>
Depreciation						
At 1 April	-	1,705	70	775	14,160	16,710
Charge for Year	-	143	4	6	1,009	1,162
At 31 March	<u>-</u>	<u>1,848</u>	<u>74</u>	<u>781</u>	<u>15,169</u>	<u>17,872</u>
Net Book Value						
At 31 March 2010	<u>532</u>	<u>4,076</u>	<u>65</u>	<u>11</u>	<u>28,497</u>	<u>33,181</u>
At 31 March 2009	<u>532</u>	<u>4,219</u>	<u>69</u>	<u>17</u>	<u>23,408</u>	<u>28,245</u>

(b) Capital Commitments:

	2010 £'000	2009 £'000
No provision has been made in these accounts for:		
Outstanding capital commitments contracted for amounting to:	12,202	21,973
Capital Grants receivable in respect of these commitments amounting to:	-	2,472
Loan funding is available for capital commitments which are not eligible for Capital Grant		

7. Investments

The Company beneficially owns 50% of the £1.5 million equity share capital of NorthLink Orkney & Shetland Ferries Ltd. which, under contract with the Scottish Government, operated, until 6 July 2006, ferry services between the Scottish mainland and Orkney and Shetland. In accordance with the associated joint venture agreement, the equity shares are held by the Royal Bank of Scotland plc.

NorthLink Orkney & Shetland Ferries Limited prepared its latest accounts to 6 July 2009; the following summary financial statements extracted from the audited accounts for the year to 6 July 2009 and from unaudited management accounts for the period to 31 March 2010, show the Company's proportionate share of the results for those periods, and the balance sheet at these dates:

	Period to 31/03/10 £'000	Year to 06/07/09 £'000
Profit & Loss Account		
Turnover	-	-
Operating Expenditure	(4)	(30)
Gross Loss	(4)	(30)
Exceptional other operating income	7	30
Operating Profit	3	-
Interest Receivable	1	16
Profit on Ordinary Activities before Taxation	4	16
Taxation	-	(3)
Profit for the Financial Year/Period	4	13
	At	At
	31 March	6 July
	2010	2009
	£000	£000
Balance Sheet		
Current Assets		
Debtors and Prepayments	1	21
Cash and Bank	1,039	1,021
	1,040	1,042
Creditors		
Amounts falling due within one year	(4)	(10)
Net Assets attributable to the Company	1,036	1,032
Represented by		
Share Capital	750	750
Profit & Loss Account	286	282
Shareholders' Funds attributable to the Company	1,036	1,032

It is the intention of the Directors of NorthLink Orkney & Shetland Ferries Ltd to effect a solvent winding up of the company as soon as possible, and on the basis of all the information available to them, the Directors of Caledonian Maritime Assets Ltd are of the opinion that the investment should be held at £750,000 (Note 17).

Caledonian Maritime Assets Limited holds 100% of the issued capital of Caledonian MacBrayne Limited, a dormant company incorporated in Scotland.

8. Debtors and Prepayments

	2010	2009
	£'000	£'000
Trade Debtors	80	44
Prepayments and accrued income	482	376
Capital Grants receivable	262	1,316
Loan Drawdown on Vessel New Build	2,255	-
Capital Contribution	-	3,000
	<u>3,079</u>	<u>4,736</u>

9. Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Loans (note 10)	2,038	2,038
Trade Creditors	1,033	1,525
Other Creditors and Accruals	5,325	4,711
	<u>8,396</u>	<u>8,274</u>

10. Creditors: amounts falling due after more than one year

	2010	2009
	£'000	£'000
Unsecured Vessel Loans not wholly repayable within five years, repayable in half-yearly instalments	47,901	43,284
Less Repayable within 12 months (note 9)	(2,038)	(2,038)
	<u>45,863</u>	<u>41,246</u>
Other Creditors	10,531	4,362
	<u>56,394</u>	<u>45,608</u>
Instalments on the loans included above are repayable as follows:		
between one and two years	2,038	3,842
between two and five years	7,614	5,412
after five years	36,211	31,992
	<u>45,863</u>	<u>41,246</u>

11. Derivatives and Financial Instruments

(a) Short term debtors and creditors

As permitted by FRS 13, short term debtors and creditors have been excluded from all of the following disclosures.

(b) Interest rate risk profile and financial liabilities and assets

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

Currency	Total		Floating Rates		Fixed Rates		Weighted Average Interest Rate		Period until Maturity	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 %	2009 %	2010 Years	2009 Years
Loans	47,901	43,284	-	-	47,901	43,284	5	5	22	22
Cash	(16,079)	(12,324)	-	-	-	-	-	-	-	-
Net Borrowing	31,822	30,960	-	-	47,901	43,284	5	5	22	22

All the Company's borrowings are at fixed rates of interest. The fair value of these loans at 31 March 2010, ascertained through discounting the future cash flows at the National Loans Fund rate was £49,220,423 (2009: £42,439,000)

(c) Liquidity Risk

The maturity profile of the Company's financial liabilities, excluding short term creditors and the undrawn facilities available to the Company in respect of which all conditions precedent had been met, are as follows:

	Drawn £'000	Undrawn £'000	Total Facilities £'000
Expiring within one year or less	2,038	-	2,038
Expiring between one and two years	2,038	-	2,038
Expiring in more than two years	43,825	-	43,825
	47,901	-	47,901

For all debt, short term assets and liabilities, the book values and fair values are the same except for fixed rate borrowings where the fair value is detailed above.

The Company does not have any significant foreign currency exposure, nor does it speculate in derivative transactions. Future capital expenditure on vessels will be funded by fixed rate unsecured loans from Scottish Ministers. These loans will be repayable over 25 years from the first scheduled half yearly payment date after finalisation of loan drawdown.

12. Capital Grants

	2010	2009
	£'000	£'000
Balance at 1 April	48,788	49,296
Grants Received and Receivable	3,683	2,647
Less: released to Profit and Loss Account	(2,876)	(3,155)
Less: eliminated on Disposal of Assets	-	-
Balance at 31 March	<u>49,595</u>	<u>48,788</u>

13. Provisions for Liabilities and Charges

Deferred Tax

	2010	2009
	£'000	Restated £'000
The main components of deferred tax at 28% (2009: 28%) are:		
Accelerated capital allowances	6,982	4,886
Other timing differences	(3,200)	(1,443)
Trading Losses	(3,782)	(3,443)
Balance at 31 March	<u>-</u>	<u>-</u>

After offsetting trading losses as noted above, the Company has unrelieved tax trading losses of £13,417,000 (2009: £10,169,000). This tax asset has not been recognised in these accounts as the Directors are of the view that these losses are unlikely to be utilised in the foreseeable future.

14. Share Capital

	2010 £'000	2009 £'000
Authorised allotted issued and fully paid – 1.5 million ordinary shares of £10 each	<u>15,000</u>	<u>15,000</u>

15. Reconciliation of Movement in Shareholders' Funds

	Share Capital £'000	Distributable Capital Contribution Reserve £'000	Profit and Loss Account Restated £'000	Total Shareholders' Funds Restated £'000
Balance at beginning of year	15,000	13,800	(10,414)	18,386
(Loss) for financial year	-	-	(3,994)	(3,994)
Actuarial (loss) in year	-	-	(6,214)	(6,214)
Tax movement in relation to the actuarial loss	-	-	965	965
Age related rebates received in pension scheme	-	-	1,008	1,008
Other employers' contribution to pension deficit	-	-	1,761	1,761
Balance at end of year	<u>15,000</u>	<u>13,800</u>	<u>(16,888)</u>	<u>11,912</u>
Profit and Loss Account - excluding pension deficit			(2,380)	
Pension deficit			(14,508)	
			<u>(16,888)</u>	

16. Pension Arrangements

The amount charged to profit and loss account in respect of employer contributions to Pension Schemes is:

	2010 £'000	2009 £'000
Ongoing Contributions		
Company Scheme	74	47
Other Schemes	6	6
Contributions towards past deficits		
Other Schemes	8,030	688
	<u>8,110</u>	<u>741</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 2009. Assumptions which have the most significant effect on the results of the valuation are those relating to;

- a) rate of return on investments
 - 6.75% pre retirement funds
 - 5.25% retirement funds
- b) rate of increase in salaries and pensions
 - increase for current employees – 4.0% for three years, 4.5% thereafter
 - increase for retired members – 3.5% on pre 2005 non GMP benefits; 2.8% on post 2005 non GMP benefits and post 1988 GMP benefits, 0% on pre 1988 GMP benefits
 - increase for former employees – 3.5%
- c) Improvements in life expectancy since the last actuarial valuation have resulted in approximately a 2% increase in liabilities.

The valuation showed the market value of the schemes assets as £44,591,000 and that the actuarial value of those assets represented 61.5% of the benefits accrued to members.

The 2009 actuarial valuation identified a shortfall in funding of £28million.

The Trustees and Caledonian Maritime Assets Limited and participating employers (the employers) have agreed that the employers will pay total contributions of 24.2% of pensionable salaries. In addition the Board is committed to an annual payment of £700,000. The members contribute at a rate of 6.0% of pensionable earnings. The funding plan is expected to achieve 100% of funding level over 15 years from the valuation date with 70% probability.

Financial Statement

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 FRS 17 Retirement Benefits, the latest actuarial valuation carried out at 6 April 2009 was updated to 31 March 2010 by a qualified independent actuary.

The amounts recognised in the balance sheet are as follows:

	2010 £'000	2009 £'000
Present Value of funded liabilities	(84,625)	(61,052)
Fair value of scheme assets	64,475	44,590
Deficit	<u>(20,150)</u>	<u>(16,462)</u>
Related deferred tax asset	5,642	4,609
Net liability	<u>(14,508)</u>	<u>(11,853)</u>

Changes in the present value of the defined benefit liabilities:

	2010 £'000	2009 £'000
At 1 April	61,052	58,188
Current service cost – Caledonian Maritime Assets Ltd	74	47
Current service cost - Others	3,656	2,845
Employee contributions	1,366	1,148
Interest cost	4,205	4,082
Actuarial losses/(gains)	17,290	(3,151)
Benefits paid	<u>(3,018)</u>	<u>(2,107)</u>
At 31 March	<u>84,625</u>	<u>61,052</u>

Changes in the present value of the scheme assets:

	2010 £'000	2009 £'000
At 1 April	44,590	50,478
Expected return	3,220	3,807
Actuarial gains/(losses)	11,076	(14,388)
Employer contributions	7,241	5,652
Employee contributions	1,366	1,148
Benefits paid	<u>(3,018)</u>	<u>(2,107)</u>
At 31 March	<u>64,475</u>	<u>44,590</u>

Amounts recognised in the Profit and Loss Account

	2010	2009
	£'000	£'000
Current service cost	74	47
Interest cost	4,205	4,082
Expected return on pension scheme assets	(3,220)	(3,807)
Total	<u>1,059</u>	<u>322</u>

The expense is recognised in the following line items in the profit and loss account:

	2010	2009
	£'000	£'000
Staff costs	74	47
Other finance costs	985	275

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and (losses) is £(6,214,000); (2009 £11,237,000).

Cumulative actuarial (losses) reported in the statement of total recognised gains and losses are £(28,637,000); (2009 £(22,423,000)).

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

	2010	2009
	%	%
Equities	71.4	55.1
Bonds	19.5	23.0
Property	4.3	3.0
Other	4.8	18.8
	£'000	£'000
Actual return of scheme assets	14,296	(10,581)

The expected return on assets is derived from assumptions of long term expected returns on each asset class. These are as follows:

	2010	2009
	%	%
Equities	7.50	8.00
Bonds	5.00	6.70
Property	7.50	8.00
Other	2.00	2.00

Principal actuarial assumptions at the year end were:

	2010	2009
	%	%
Discount rate at 31 March	5.70	6.70
Expected return on scheme assets at 31 March	6.75	6.57
Future salary increases – 2010/11 and 2011/12	3.70	4.25
Future salary increases – 2012/13 and thereafter	4.70	4.25
Future pension increases	3.70	3.25

Post retirement mortality	2010	2009
	SAPS tables with 1.0% underpin rated up by two years with long cohort birth year projections	SAPS tables with 1.0% underpin rated up by two years with long cohort birth year projections

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

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Present value of scheme liabilities	(84,625)	(61,052)	(58,188)	(61,053)	(59,147)
Fair value of scheme assets	64,475	44,590	50,478	48,168	43,085
Deficit	<u>(20,150)</u>	<u>(16,462)</u>	<u>(7,710)</u>	<u>(12,885)</u>	<u>(16,062)</u>
Experience adjustment on scheme liabilities	(4,108)	(1,911)	259	(806)	(291)
Experience adjustment on scheme assets	11,076	(14,388)	(7,515)	(69)	5,700

The Company expects to contribute approximately £840,000 to this defined benefit plan in the next financial year.

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 the latest valuation was carried out as at 31 March 2009. The valuation showed that the Section had a gross deficit of £740m at the valuation date and that the market value of the assets of £1,547m covered 68% of the value of the Section liabilities. Deficit contributions from the 2003 and 2006 valuations still to be paid over the period to September 2014 had a present value of £183m, producing a net deficit to be met of £557m.

The Trustee has decided that the Employers will meet the deficit by paying additional contributions from September 2010 to September 2022. The Trustee will decide the payment terms for each Employer in accordance with the Trustee's Contribution Collection policy. Full provision is made in these accounts for £7,237,000 representing the Company's share of the deficit. The joint contribution rate required to fund future benefits for Active Members is 25% of Post 2000 Pensionable Salaries. This rate will come into effect from 1 October 2010, with Employers paying 15.5% and Active Members paying 9.5% of Post 2000 Pensionable Salaries.

The MNRPF is a closed scheme and the latest full triennial actuarial valuation as at 31 March 2008, carried out by the Fund Actuary, showed that the scheme was in deficit on an ongoing basis. The valuation showed that the market value of assets was 78% of the value of benefits accruing to members allowing for future increases. As a result of this valuation, annual contributions towards the deficit are required from participating employers for the period to 2021. The amounts payable by the Company during the current and previous financial years are shown earlier in this note under 'Other schemes – contributions towards past deficits'. The amounts payable by the Company in respect of past deficits are determined, to some extent, by the level of contributions made by other participating employers and may therefore fluctuate from year to year.

The Trustee of the MNOFF and MNRPF cannot identify the underlying assets held in the funds in respect of the Company's liabilities. Accordingly, for FRS 17 purposes, the Company is accounting for contributions and payments to the MNOFF and MNRPF as if they were defined contribution schemes.

The overall funding deficits and the full implications for participating employers in relation to the Merchant Navy schemes have still to be confirmed.

17. Other Financial Commitments

The Company has a number of operating leases in respect of land and buildings analysed as follows:

	Land & Buildings	
	2010 £'000	2009 £'000
Expiring		
In less than one year	18	16
Between two and five years	1	-
In more than five years	355	344
	<u>374</u>	<u>360</u>

Following the transfer of seagoing staff from a subsidiary of Northlink Orkney and Shetland Ferries Ltd, the Merchant Navy Officers Pension Fund has indicated that this transfer may have triggered a statutory debt in respect of the fund. The actual amount cannot be estimated at this time and the legal justification for this debt is being challenged. Any initial liability resides with Northlink Orkney and Shetland Ferries Ltd however under the terms of a Minute of Amendment and a Minute of Further Amendment the liability ultimately falls to the Scottish Government.

18. Notes to the Cash Flow Statement

(a) Reconciliation of operating profit to net cash flow from operating activities

	2010 £'000	2009 £'000
Operating (Loss)/Profit	(1,347)	5,954
Depreciation Charge (net of capital grants)	4,369	3,627
(Increase)/decrease in Debtors & Prepayments	(143)	357
Increase/(decrease) in Creditors	6,830	(1,133)
Difference between pension charge and cash contributions	(741)	(744)
Net Cash inflow from operating activities	<u>8,968</u>	<u>8,061</u>

(b) Analysis of Net Debt

	As at 31 March 2009 £'000	Cash Flow £'000	Non Cash Movements £'000	As at 31 March 2010 £'000
Cash at bank and in hand	<u>12,324</u>	<u>3,755</u>	<u>-</u>	<u>16,079</u>
Loans:				
Due within one year	(2,038)	2,038	(2,038)	(2,038)
Due after one year	(41,246)	(4,400)	(217)	(45,863)
	<u>(43,284)</u>	<u>(2,362)</u>	<u>(2,255)</u>	<u>(47,901)</u>
Total	<u>(30,960)</u>	<u>1,393</u>	<u>(2,255)</u>	<u>(31,822)</u>

19. Related Party Transactions

The Scottish Ministers are the Company's sole shareholder. Details of transactions with the Scottish Ministers are as follows:

	2010	2009
	£'000	£'000
Capital Grants received and receivable	-	2,647
Grant in Aid received and receivable	1,465	2,267
Loans received and receivable	6,655	3,560
Loans repaid	2,038	1,731
Interest paid and payable	1,820	1,932
Interest on vessel new build	542	162
Balance of loans due at 31 March	47,901	43,284

The respective amounts due to and from NorthLink Orkney & Shetland Ferries Ltd at 31 March 2010 was nil. (2009: £nil)

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

	Sold to /(purchased from)		Owed by /(owed to)	
	David MacBrayne Group		David MacBrayne Group	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Vessel Leasing Charges	13,041	11,587	-	-
Harbour Access Charges / Property Licence	2,058	1,954	-	-
Property and Equipment Licence	190	165	-	-
Rent	98	98	-	-
Provision of staff	69	69	6	24
Vessel Green Passport Costs	44	-	44	-
Harbour Management and Maintenance	(1,035)	(2,039)	(29)	-
Vessel Upgrades & Modifications	(900)	(1,497)	(900)	(1,462)
Ferry Travel Costs	(8)	(5)	-	(1)

During the year the David MacBrayne Group acted as agent for the company in relation to certain elements of new vessel builds. The David MacBrayne Group paid the associated funds to third parties and were reimbursed by the Company.

20. Prior Year Adjustment

The Company has trading tax losses of £26,926,000 which are available to offset against future trading profits but which have not previously been included in the deferred tax computation. The trading losses have arisen mainly from the capital allowances claimed by the Company which consequently created the accelerated capital allowance deferred tax liability. Financial Reporting Standard 19, Accounting for Deferred Tax, allows deferred tax assets to be offset against deferred tax liabilities if they were to reverse in the same accounting period. The Directors have determined that the deferred tax asset from trading losses should be offset to the extent necessary to eliminate the deferred tax liability.

This change in accounting policy has given rise to a prior year adjustment which has the following impact on the previously reported results:

	2009
	£'000
Profit & Loss Account	
Profit for the Financial Year after Tax	2,871
Adjustment to remove deferred tax charge arising in year	<u>1,130</u>
Profit for the Financial Year (restated)	<u>4,001</u>
Statement of Total recognised Gains and Losses	
Total recognised gains since last financial statements	1,031
Adjustment to remove deferred tax charge arising in year	<u>1,130</u>
Total Recognised gains since last Financial Statements(restated)	<u>2,161</u>
Provisions for Liabilities and Charges	
Deferred Tax Provision before adjustment	(3,443)
Adjustment to remove deferred tax charge arising in year	1,130
Prior Year adjustment	<u>2,313</u>
Deferred Tax Provision (restated)	<u>-</u>
Profit & Loss Account Reserve	
As at 31 March 2009	(13,857)
Prior year adjustment – eliminate deferred tax liability	<u>3,443</u>
As at 1 April 2009 (restated)	<u>(10,414)</u>

Corporate Information**Fiosrachadh Corporra**

Registered Office	Municipal Buildings, Fore Street, Port Glasgow, PA14 5EQ
Company Number	SC001854
Auditors	Scott-Moncrieff Chartered Accountants, 25 Bothwell Street, Glasgow, G2 6NL
Solicitors	Biggart Baillie, Dalmore House, 310 St Vincent Street, Glasgow, G2 5QR
Bankers	The Royal Bank of Scotland, 10 Gordon Street, Glasgow, G1 3PL

