ANNUAL REPORT & ACCOUNTS 2016

Company Number: SC001854

CALEDONIAN MARITIME ASSETS LIMITED OWNS THE FERRIES, PORTS, HARBOURS AND INFRASTRUCTURE NECESSARY FOR VITAL FERRY SERVICES SERVING THE WEST COAST OF SCOTLAND AND THE CLYDE ESTUARY.

We are wholly owned by the Scottish Government with Scottish Ministers the sole shareholders.

The Caledonian Maritime Assets Limited Board have an executive management team and supporting staff at headquarters in Port Glasgow.

We aim to provide efficient, cost-effective and safe ferries, harbours and port infrastructure for operators, communities and users in and around Scotland.

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Chair's Statement

For the year ended 31 March 2016

We have had a very productive year and are working harder than ever to deliver our mission to provide, safeguard and develop the ferries and harbours under our control. We have seen the start of a number of exciting projects and the conclusion of others.

MV CATRIONA, our latest roll-on roll-off sea going diesel electric passenger and vehicle hybrid ferry entered service in September 2016 as the latest vessel in the CalMac fleet. I was delighted that my wife, Anna, had the honour of launching the ferry in December 2015 and the ferry joins her two sister ships as the only three vessels of their kind in the world.

The Minister for Transport and the Islands, Derek Mackay MSP, joined us in February 2016 to cut the steel on the latest two ships we are designing and building at Ferguson Marine Engineering Ltd in Port Glasgow. These ferries will be 102 metres long and powered by liquefied natural gas (LNG) or marine gas oil and are designed to fit a variety of ports and harbours around our network.

We have worked closely with Transport Scotland and CalMac Ferries Ltd in the tripartite Vessel Replacement and Deployment Strategy Group to ensure the commitments outlined in the Scottish Government's Ferries Plan are fulfilled. I was delighted that the tender process for the Clyde and Hebrides Ferry Service contract was concluded earlier this year and we will continue to work closely with CalMac Ferries Ltd to provide a lifeline ferry service for communities and visitors around the west coast of Scotland.

We have made significant investment in our harbours, completing large scale harbour investment projects, such as the £6 million works at Wemyss Bay and tackling ambitious projects like the £30 million redevelopment and renovation works at the ferry terminal at Brodick, as well as long standing and routine maintenance issues.

The Board remains focused on good financial governance and revenues for 2016 were £33,549,000 compared to 2015 at £29,850,000, primarily due to an uplift in the vessel charter fees and harbour access charges raised against the operator. However, we have also incurred higher staff costs due to significantly increased contributions of £365,000 to pension schemes. In 2016 the net profit after taxation is £7,869,000 compared to a net loss after tax in 2015 of £9,023,000. This significant difference is due primarily to a reduction in the deferred tax charge and also a reduction in the depreciation charge on the vessels. It should be noted that 92% of income generated from the charges levied on the Clyde and Hebrides Ferry Services operator and on third parties is invested in our vessels, ports and harbour infrastructure, with establishment costs, including salaries, accounting for the remaining 8%.

We continue to incur a high cost to operate, maintain and improve our port estate, but we have adjusted the way we calculate harbour access charges for all users to begin to rectify this shortfall. We are also working closely with Transport Scotland to address both the issues of vessel replacement and harbour upkeep since funding for ships and harbours comes primarily from the Scottish Government.

These are still fiscally challenging times for the public sector in Scotland. The continued roll out of the Road Equivalent Tariff has seen an uplift in the utilisation and carryings across the fleet. In co-operation with Transport Scotland and CalMac Ferries Ltd we are undertaking a further review of vessel deployment and replacement, with the aim of reducing the fleet's average age to below 20 years old. This will require further significant investment in future years, in addition to the vessels that are currently under construction. There is an equally significant investment requirement to improve our ports, harbours and piers. We continue to work closely with CalMac Ferries Ltd as the ferry and harbour operator to improve the vital infrastructure across the network.

As we have reported in previous years, the cost of funding pension benefits in the CalMac Pension Scheme, Merchant Navy Officers' Pension Fund and Merchant Navy Ratings' Pension Fund is an increasing burden and we continue to work with scheme trustees and the Scottish Government to find a sustainable and affordable way forward.

Everyone at CMAL works very hard to deliver our vision to be the pre-eminent provider of the most efficient, innovative and cost-effective vessels and port infrastructure for the communities we serve. I would like to thank Tom Docherty for his service over the last two years as CEO and welcome our new CEO, Kevin Hobbs, who brings a wealth of experience and maritime knowledge. One of our longest serving members of staff, Andrew Duncan, retired in March as Director of Vessels and we wish him a long and happy retirement. I would also like to extend a welcome to the Board to his replacement, Jim Anderson who was formerly our Senior Technical Manager.

I also thank the management team and all our employees for their efforts and look forward to working with them over the coming year to ensure we continue to be an effective, productive and responsive organisation.

Erik Østergaard
Chairman

Aithris a' Chathraiche

Don deireadh-bliadhna 31 Màrt 2016

Tha bliadhna glè bhuannachdail air a bhith againn agus tha sinn ag obair nas cruaidhe na bha sinn a-riamh gus ar rùn a choileanadh a thaobh nan aiseagan agus nan calaidhean a tha nar raon dleastanais a sholarachadh, a dhìon agus a leasachadh. Tha sinn air toiseach tòiseachaidh fhaicinn air àireamh de phròiseactan brosnachail agus crìoch air feadhainn eile.

Thàinig an MV CATRIONA, an t-aiseag mhara thar-chinealach dealain is dìosail do charbadan roiligidh air is dheth, a-steach don t-seirbheis san t-Sultain 2016 mar an t-soitheach as ùire ann an cabhlach CalMac. Bha mi air leth toilichte gun deach an t-urram a chur air mo bhean Anna, an t-aiseag a chur air bhog san Dùbhlachd 2015 agus tha an t-aiseag a-nis còmhla ri a dà phiuthar mar na h-aon aiseagan de an seòrsa a-mhàin air an t-saoghal.

Thàinig am Ministear airson Còmhdhail agus na h-Eileanan, Derek Mackay BPA, còmhla rinn sa Ghearran 2016 a ghearradh na stàilinn air an dà shoitheach as ùire a tha sinn a' dealbhadh agus a' togail aig Ferguson Marine Engineering Earranta ann am Port Ghlaschu. Bidh na h-aiseagan sin 102 meatair a dh'fhaid agus air an cumhachdachadh le gàs nàdarra lionntach (LNG) no ola gas mara agus tha iad air an dealbhadh gus a bhith freagarrach do mheasgachadh de chalaidhean mun cuairt an lìonraidh againn.

Tha sinn air a bhith ag obair gu dlùth còmhla ri Còmhdhail Alba agus Aiseagan CalMac Earranta ann am Buidheann trì-phàirteach Ro-innleachd Frithealaidh is Ionadachaidh Shoithichean gus a dhèanamh cinnteach gu bheil na dealasan a tha air am mìneachadh ann am Plana Aiseagan Riaghaltas na h-Alba air an coileanadh. Bha mi fìor thoilichte gun robh am pròiseas às leth cunnradh Seirbheis Aiseagan nan Eilean an Iar is Chluaidh crìochnaichte nas tràithe am-bliadhna agus leanaidh sinn air adhart ag obair gu dlùth le Aiseagan CalMac Earranta airson seirbheis aiseagan dheatamaich a sholarachadh do choimhearsnachdan agus do luchd-tadhail mun cuairt costa an iar Alba.

Tha sinn air tasgadh cudromach a dhèanamh anns na calaidhean againn, a' cur crìoch air pròiseactan tasgaidh mòra leithid na h-obrach a tha a' cosg £6 millean aig Bàgh Wemyss agus a' dèiligeadh le pròiseactan glòir-mhiannach coltach ri obair ath-leasachaidh is ath-nuadhachaidh £30 millean aig port-aiseig Tràigh a' Chaisteil, a thuilleadh air cùisean càraidh is leasachaidh àbhaisteach agus fad-amail.

Tha am Bòrd a' fuireach cuimsichte fad na h-ama air riaghladh ionmhasail agus teachd-a-steach math airson 2016, a bha £33,549,000 ann an coimeas ri 2015 a bha aig £29,850,000, gu mòr mar thoradh air àrdachadh ann an cìsean fastaidh air an t-soithich agus cìsean ruigheachd calaidh a tha air an togail an aghaidh an neach-obrachaidh. Ach, tha sinn cuideachd air cosgaisean luchd-obrach nas àirde a tharraing mar thoradh air tabhartasan mòran nas motha de £365,000. Ann an 2016, 's e £7,869,000 a' phrothaid lom an dèidh chìsean ann an coimeas ri call lom an dèidh chìsean ann an 2015 de £9,023,000. Tha an diofar ana-mhòr seo mar thoradh air lùghdachadh anns an airgead cìse san deach dàil a chur agus cuideachd lùghdachadh anns a' chìs tuiteam ann an luach air na soithichean. Bu chòir a thoirt fa-near gu bheil 92% den teachd-a-steach air a ghineadh bho na cìsean air an cur air neach-obrachaidh Sheirbheisean Innse Gall is Chluaidh agus air treas phàrtaidhean, air a thasgadh ann am bun-structar nan soithichean, puirt agus calaidhean againn, le cosgaisean stèidheachaidh a' gabhail a-steach thuarastalan, agus cunntasachd airson nan 8% a tha air fhàgail.

Tha sinn a' leantainn a' tarraing cosgais àrd air obrachadh, cumail suas agus leasachadh ar n-oighreachd chalaidhean, ach tha sinn air atharrachadh a dhèanamh air an dòigh sa bheil sinn ag obrachadh a-mach cìsean ruigsinneachd calaidh do luchd-cleachdaidh uile gus tòiseachadh a' ceartachadh a' ghainneid seo. Tha sinn cuideachd ag obair gu dlùth le Còmhdhail Alba gus dèiligeadh le cùisean a thaobh ionadachaidh shoithichean agus cumail suas chalaidhean seach gu bheil maoineachadh do shoithichean is chalaidhean a' tighinn sa mhòr-chuid bho Riaghaltas na h-Alba.

A thaobh ionmhais, tha na h-amannan seo fhathast dùbhlanach don roinn phoblaich ann an Alba. Tha an sgaoileadh leantainneach air Cosgais Co-ionann ri Rathad air àrdachadh fhaicinn ann an cleachdadh is giùlain tarsainn a' chabhlaich. Ann an co-obrachadh le Còmhdhail Alba agus Aiseagan CalMac, tha sinn a' gabhail os làimh ath-sgrùdadh eile air cleachdadh agus ionadachadh shoithichean, le amas air aois cuibheasach a' chabhlaich a lùghdachadh gu fo 20 bliadhna a dh'aois. Bidh feum aig an seo air inbheisteadh cudromach eile sna bliadhnaichean ri teachd, a thuilleadh air na soithichean a tha gu làithreach gan togail. Tha riatanas a cheart cho cudromach a dhìth a thaobh leasachaidh air ar puirt, calaidhean agus cidheachan. Tha sinn a' leantainn air adhart ag obrachadh còmhla ri Aiseagan CalMac Earranta mar an obraiche aiseig is calaidh, gus feabhas deatamach a thoirt air a' bhun-structar tarsainn an lìonraidh.

Mar a tha sinn air aithris sna bliadhnaichean a dh'fhalbh, tha cosgais maoineachaidh a thaobh sochairean peinnsein ann an Sgeama Peinnsein CalMac, Maoin Peinnsein Oifigearan a' Chabhlaich Mharsanta agus Maoin Peinnsein Seòladairean a' Chabhlaich Mharsanta na eallach a tha a' sìor fhàs, agus tha sinn a' leantainn ag obair le urrasairean na sgeama agus Riaghaltas na h-Alba gus dòigh air adhart sheasmhach agus prìs reusanta a lorg.

Tha gach neach aig CMAL ag obair glè chruaidh a dh'ionnsaigh ar lèirsinn a liubhairt, gu bhith mar sholaraiche barraichte air na soithichean agus air bun-structar chalaidhean as èifeachdaiche, as ùr-ghnàthaichte agus as buannachdail a thaobh cosgais, do na coimhearsnachdan a tha sinn a' frithealadh. Bu mhath leam taing a thoirt do Tom Docherty airson a sheirbheis mar CEO thar an dà bhliadhna a dh'fhalbh agus tha sinn a' cur fàilte air an CEO ùr againn, Kevin Hobbs, a tha a' toirt thugainn saidhbhreas de dh'eòlas agus de fhiosrachadh mara. Leig Andrew Duncan, aon de ar buill-obrach fad-amail, dheth a dhreuchd sa Mhàrt mar Stiùiriche Shoithichean agus tha sinn a' guidhe cluaineas fhada agus thoilichte dha. Bu mhath leam cuideachd fàilte a shìneadh gu Jim Anderson, a bhios na àite air a' Bhòrd, agus a bha na Àrd-Mhanaidsear Teicnigeach againn gu ruige seo.

Tha mi cuideachd a' toirt taing don sgioba stiùiridh agus ar luchd-obrach uile airson an oidhirpean agus tha sinn a' coimhead air adhart ri bhith ag obair còmhla riutha thar na bliadhna a tha romhainn gus a dhèanamh cinnteach gun lean sinn air adhart nar buidheann èifeachdach, tharbhach agus fhreagairteach.

Erik Østergaard,
Cathraiche

CEO's Statement

For the year ended 31 March 2016

I was delighted to be appointed as CEO of CMAL on 1st April at the end of a busy and challenging year for the company. My thanks go to my predecessor, Tom Docherty, for his hard work and dedication over his two years at the helm of the company. One of my first jobs as CEO was to welcome Transport Scotland's announcement of the contract award to operate the Clyde and Hebrides Ferry Services (CHFS) to CalMac Ferries Ltd. The contract, lasting up to eight years, will begin on 1st October 2016. We have worked with CalMac over the first nine years of this service and we look forward to continuing our working relationship with them.

In the past year, we commissioned the design and build of two dual fuel vessels. These vessels are initially to be operated on the Arran to Ardrossan route and the Uig Triangle (Uig Skye, Lochmaddy North Uist and Tarbert Harris). Our third small hybrid ferry, MV CATRIONA, was launched in December 2015 and entered service during September 2016. These three vessels join recent additions to the fleet - MV LOCH SEAFORTH, MV HALLAIG AND MV LOCHINVAR - with a combined investment of around £175 million in vessels over the past five years. This is a significant achievement and highlights our commitment to providing efficient, cost-effective and safe ferries for operators, communities and users in and around Scotland.

As part of our commitment to the environment and sustainability, the hybrid diesel/electric and the marine gas oil/liquefied natural gas (LNG) ferries have been designed to reduce their CO^2 and other noxious emissions (NOx, SOx and particulate matter) compared with equivalent vessels, and lower their fuel consumption by at least 20%. We are committed to finding further innovative, green fuel solutions for our fleet, for example hydrogen as a marine fuel. We are part of the HySeas project that aims to create a ferry that uses hydrogen generated through electrolysis.

Maintenance and improvement work continues at our harbours to keep them fully operational all year round. A major project this year was the six month construction project at Wemyss Bay Ferry Terminal, where we delivered significant improvements for a £6 million investment. After a delay to the start of the project until October 2015, the works were delivered on time and the terminal re-opened for the busy Easter holiday traffic. Work is continuing on the new pier and ferry terminal in Brodick, which is costing £30 million and is scheduled to be complete in August 2017. Smaller projects on the slipways at Kerrera and Gallanach have also been delivered and we have welcomed these two ports into our portfolio.

We continue to work with Transport Scotland to deliver the 'Scottish Ferries Plan', as well as concentrating on funding for our vessels and harbour infrastructure and are also working on issues around accessibility, performance and the environment.

Gaelic is widely spoken in the communities we serve and we have renewed our commitment to ensuring Gaelic has a strong and sustainable future in Scotland by updating our Gaelic Language Plan. The new plan has a three year timetable of activity, including increasing the amount of Gaelic multimedia content on the corporate website; a Gaelic version of the complaints procedure and the availability, on request, of Gaelic speakers at public meetings.

Following Andrew Duncan's retirement in March, I was pleased to welcome Jim Anderson to our executive team as Director of Vessels. Jim has been with CMAL since 2009 and with his wealth of experience, I am confident he is up to the challenges the new role will bring.

In addition to myself, a number of industry professionals have joined the CMAL team this year and this will continue over the coming year as the company continues to grow. I would like to thank all of the CMAL team for their hard work and support and very much look forward to working with them. Equally, I look forward to working with our stakeholders to ensure we continue to provide vital maritime transport assets for the communities we serve.

In closing, our team can look back with a great deal of pride on what has been achieved over the past year, often in challenging circumstances.

Kevin Hobbs
Chief Executive

Aithris an Àrd-Oifigeir

Don deireadh-bliadhna 31 Màrt 2016

Bha mi fìor thoilichte a bhith air m' fhastadh mar CEO air CMAL air 1 Giblean aig deireadh bliadhna dhripeil is dhùbhlanach don chompanaidh. Tha mo thaing a' dol gu an ro-theachdaiche agam, Tom Docherty, airson a chuid obrach agus a dhìoghras thar an dà bhliadhna a bha aige aig stiùir a' chompanaidh. B' e aon de na ciad obraichean a bha agam mar CEO fàilte a chur air an naidheachd bho Chòmhdhail Alba a thaobh a' chunnraidh airson Seirbheisean Innse Gall is Chluaidh (CHFS) a bhuileachadh air Aiseagan CalMac Earranta. Tòisichidh an cunnradh a mhaireas suas ri ochd bliadhna, air 1 Dàmhair 2016. Tha sinn air a bhith ag obair le CalMac thar a' chiad naoi bliadhna den t-seirbheis seo agus tha sinn a' coimhead ri ar dàimh obrach leotha a chumail a' dol.

Sa bhliadhna a dh'fhalbh, choimisein sinn dealbhadh agus togail air dà shoitheach dà-chonnaidh. Tha na soithichean sin gu bhith air an obrachadh sa chiad àite air an t-slighe eadar Eilean Arainn agus Àrd Rosain agus air triantan Ùige (Ùig an Eilein Sgitheanaich, Loch nam Madadh agus Tairbeart na Hearadh). Chaidh an treas aiseag bheag tar-chinealach againn, an MV CATRIONA, a chur air bhog san Dùbhlachd 2015 agus thòisich i ann an seirbheis san t-Sultain 2016. Tha na trì soithichean sin a' dol còmhla ri soithichean ùra eile sa chabhlach – an MV LOCH SEAFORTH, an MV HALLAIG agus an MV LOCHINVAR – le inbheisteadh aonaichte de mu £175 millean ann an soithichean thar nan còig bliadhna mu dheireadh. Is e coileanadh cudromach a tha seo agus tha e a' togail air ar dealas a bhith a' solarachadh aiseagan buadhach, cosg-èifeachdach agus sàbhailte do luchd-obrachaidh, coimhearsnachdan agus luchd-cleachdaidh mu thimcheall Alba.

Mar phàirt de ar dealas a thaobh na h-àrainneachd agus seasmhachd, tha na h-aiseagan tar-chinealach dìosail/dealain agus na h-aiseagan ola gas mara/gas lionntach nàdarra (LNG) air an dealbhadh gus an CO2 agus sgaoilidhean puinnseanta eile (NOx, SOx agus stuth àraid eile) ìsleachadh ann an coimeas ri soithichean eile da an rèir, agus an caiteachas connaidh a lùghdachadh 20% aig a' char as lugha. Tha sinn dealasach a thaobh tuilleadh fhuasglaidhean connaidh uaine ùr-ghnàthaichte a lorg don chabhlach againn, mar eisimpleir haidreadsan mar chonnadh mara. Tha sinn nar pàirt de phròiseact HySeas a tha ag amas air aiseag a chruthachadh a tha a' cleachdadh haidreadsan air a ghineadh tro leactroilisis.

Tha obair leasachaidh is càraidh a' leantainn sna calaidhean againn gus an cumail ag obair gu an làn chomais fad na bliadhna. B' e am pròiseact togail sia-mìosan aig Port-aiseig Bàgh Wemyss pròiseact mòr na bliadhna seo, far an do liubhair sinn leasachaidhean cudromach airson inbheisteadh de £6 millean. An dèidh dàil aig toiseach a' phròiseict gu an Dàmhair 2015, chaidh an obair a liubhairt ann an àm agus dh'fhosgail am port-aiseig a-rithist airson trafaig thrang na Càisge. Tha obair a' leantainn air adhart air a' chidhe ùr agus am port-aiseig aig Tràigh a' Chaisteil, a tha a' cosg £30 millean agus a tha gu bhith crìochnaichte san Lùnastal 2017. Tha pròiseactan nas lugha aig na laimrigean ann an Cearrara agus a' Ghallanaich air an liubhairt cuideachd agus tha sinn air fàilte a chur air an dà phort sin don roinn-obrach againn.

Tha sinn a' leantainn air adhart ag obair le Còmhdhail Alba gus 'Plana Aiseagan Alba' a liubhairt, a thuilleadh air dlùth-aire a chur air maoineachadh do ar n-aiseagan agus bun-structar chalaidhean agus tha sinn cuideachd ag obair air cùisean a thaobh ruigsinneachd, coileanadh agus an àrainneachd.

Tha Gàidhlig ga labhairt fad' is farsaing anns na coimhearsnachdan a tha sinn a' frithealadh agus tha sinn ag ath-ùrachadh ar dealais gu bhith a' dèanamh cinnteach gum bi a' Ghàidhlig làidir agus seasmhach san àm ri teachd ann an Alba tro bhith ag ùrachadh ar Plana Gàidhlig. Tha clàr-ama trì bliadhna de ghnìomhachd sa phlana, a' gabhail a-steach meudachadh air an uimhir de shusbaint ioma-mheadhanan Gàidhlig air an làraich-lìn chorporra; tionndadh Gàidhlig den mhodh ghearanan agus ruigsinneachd, le iarraidh, air luchd-labhairt na Gàidhlig aig coinneamhan poblach.

A' leantainn cluaineas Andrew Duncan sa Mhàrt, bha mi toilichte fàilte a chur air Jim Anderson gu ar sgioba gnìomha mar Stiùiriche Shoithichean. Tha Jim air a bhith aig CMAL bho 2009 agus le a shaidhbhreas de dh'eòlas, tha mi glè mhisneachail gun dèilig e leis na dùbhlanan a bhios san dreuchd ùr.

A thuilleadh orm fhìn, tha àireamh de phroifeiseantaich gnìomhachais air a thighinn an lùib sgioba CMAL am-bliadhna agus leanaidh seo thar na bliadhna a tha ri teachd mar a chumas an companaidh a' fàs. Bu mhath leam taing a thoirt do sgioba CMAL airson an taic agus an cuid obrach agus tha mi a' coimhead air adhart gu mòr ri bhith ag obair còmhla riutha.

Cuideachd, tha mi a' coimhead air adhart ri bhith ag obair còmhla ri ar luchd-ùidhe gus a dhèanamh cinnteach gun lean sinn air adhart a' solarachadh so-mhaoin dheatamach còmhdhail mara do na coimhearsnachdan a tha sinn a' frithealadh.

San dealachadh, faodaidh ar sgioba coimhead air ais le làn-mhoit air na thathar air a choileanadh thar na bliadhna a dh'fhalbh, glè thric ann an suidheachaidhean dùbhlanach.

Kevin Hobbs
Àrd-Oifigear

Vessels

Annual Report and Accounts 2015/16 Highlights

Our vessel replacement programme has continued to gather pace in the last financial year with the cutting of the steel on our two liquefied natural gas (LNG)/diesel fuel vessels and the launch of our third hybrid ferry, MV CATRIONA. All three ships incorporate cutting edge energy and fuel technology and form part of our ambitious fleet renewal plans to ensure our ferries meet the needs of the communities we serve on the Clyde and Hebrides Ferry Service.

The MV CATRIONA was launched in December 2015 by Mrs. Anna Østergaard, wife of CMAL Chairman, Erik Østergaard. Following her sea trials, testing and certification in August 2016, MV CATRIONA was officially handed over to the ferry operator, CalMac Ferries Ltd. The vessel, built to carry 150 passengers, 23 cars or two fully laden HGVs, is a sea-going passenger and vehicle roll-on, roll-off ferry incorporating a low-carbon hybrid system of traditional diesel power and electric lithium-ion battery power. Her sister ship, MV HALLAIG, was the first in the world to incorporate this technology in a sea-going vessel when ordered in 2011 and operational experience shows that our hybrid ferries are capable of reducing fuel consumption by 38% compared to conventionally powered vessels of the same size.

This £12.3 million vessel is a further investment by the Scottish Government in our fleet and is the third commercial ship to be fully built and delivered on the Clyde in five years, and the first built by Ferguson Marine Engineering Limited (FMEL) at Port Glasgow on the west coast of Scotland. The three diesel/electric hybrid ferries are designed for use on many of the short crossing routes around the Clyde and Hebrides and they are outfitted with propeller systems and extended vehicle ramp arrangements allowing access to a large number of slipways in varying weather and tidal conditions with MV HALLAIG servicing the Skye to Raasay route and the MV LOCHINVAR on the Mallaig to Armadale crossing. The vessels are fully compliant with European safety rules and standards for passenger ships, applicable to sea going vessels, allowing them to operate in areas that are out with the capabilities of vessels designed to operate solely in UK categorised waters.

In October, following the successful build of our hybrid ferries, FMEL won the £97 million contract to build two new 102 metre liquefied natural gas (LNG)/marine gas oil fuelled roll-on roll-off passenger, freight and car ferries, securing around 150 jobs at the shipyard. The vessels will be designed to carry 127 cars, 16 HGVs, or a combination of both and up to 1,000 passengers and FMEL will also undertake the detailed design of the ferries, as well as their testing, equipping, launching and delivery. They will be capable of operating across a range of drafts and speeds to meet the requirements of the operator, CalMac Ferries Ltd, to service a wide range of ports and routes. The ferries will initially service the Arran to Ardrossan and Uig Triangle routes (subject to final review by the operator), providing a fully flexible year-round service and the vessels they replace will be cascaded throughout the network.

In February, Derek Mackay MSP, the Minister for Transport and Islands, marked the formal start of construction on these two vessels by pressing the button to activate the computer-guided laser to cut the ceremonial first steel for the vessels, currently known as Hull 801 and Hull 802. We will be running a competition later this year to name both new vessels. The first ferry will launch in 2017 and enter service in 2018, with the second vessel following later.

The addition to the fleet of our three diesel/electric hybrid ferries, MV HALLAIG, MV LOCHINVAR AND MV CATRIONA and the commissioning of two dual fuel powered liquefied natural gas (LNG)/marine gas oil ferries demonstrate our commitment to leading the way in innovative ferry design and our focus on creating new vessel technology. The technology is cleaner, quieter and more economical to operate and maintain than ever before. The significant fuel reduction on the diesel/electric hybrid ferries will result in a decrease in CO_2 emissions in excess of 5,500 tonnes per vessel over their lifetime, with a proportionately similar decrease in both sulphur and nitrogen oxide emissions.

The introduction of these five vessels to our fleet demonstrates the vast economic potential of developing green technology within the transport industry. We have been engaged in a long-running feasibility study with partner agencies in Europe and North America to explore the potential for hydrogen technology in a marine environment. Our Hyseas project aims to create a ferry which generates hydrogen through electrolysis, which can then be stored and 'burned' to power the vessel, emitting only water vapour. This follows a three-year feasibility study which concluded that the innovation is technically and commercially possible.

Our commitment has been recognised by Electric & Hybrid Marine Technology International magazine, which has awarded MV CATRIONA the 'Electric & Hybrid Propulsion System of the Year Award'. This is the second time we have won this award in three years.

As well as delivering the three vessels mentioned above worth around £109 million, we are working closely with Transport Scotland, who has invested £1 billion in vessels, ports and ferry services since 2007. The Vessel Replacement and Deployment Plan (VRDP), which outlines the future make-up of the ferry fleet servicing the Clyde and Hebrides network was published in October 2015. The plan gives an overview of how existing vessels could be moved around the network to deliver the Scottish Government's Ferries Plan commitments and better meet demand by progressively renewing and improving the fleet operating on the Clyde and Hebrides routes. It also looks at the procurement of new ships to eventually replace some of the older vessels in the fleet. We expect to commission a new major vessel in 2018, which will enter service in 2021.

Harbours

Annual Report and Accounts 2015/16 Highlights

The past financial year has seen a continuation of our major programme of investment in improvements to many of our ports, slipways and harbours as part of our commitment to maintaining and developing our infrastructure to promote and facilitate modern harbour and ferry operations in the Firth of Clyde and around the Hebrides. This will ensure that lifeline ferry services run smoothly for communities and users across the CMAL network of harbours.

In March 2016, we were delighted to announce that the major works at Wemyss Bay, which had closed the port for 24 weeks, had been completed on schedule and the ferry terminal was reopened in time for the busy Easter holidays. Six million pounds has been invested upgrading the ferry terminal to secure a safe, efficient and reliable service to Rothesay. As part of the investment, we installed a new fendering system, a corrosion protection system, reconstructed the concrete pier head and removed, refurbished and replaced the linkspan. The harbour has also been dredged to the west and south of the pier.

In advance of the work in the harbour, we completed a £1 million comprehensive upgrade of the Grade A listed building that forms the Wemyss Bay Ferry Terminal. The building is over 100 years old and is a prominent wrought iron and timber clad structure with a slate and glass roof. The defective timbers were replaced on the external and internal walls and all of the concealed and exposed wrought iron structure have been repaired, cleaned and redecorated, including the columns, trusses and wrought iron lateral restraints. All downpipes and guttering systems have been replaced and the glazed roof lights were cleaned, with the timber walkway, ticket office and store facilities also refurbished.

One of the major developments currently underway is the redevelopment of Brodick Ferry Terminal. Despite the challenging weather and sea conditions, the project is currently running to schedule.

Our principle contractor, George Leslie Ltd, was appointed and started work in January 2016, with work due to be completed in the autumn of 2017. Extensive shore side works have already been undertaken, including construction of the reclamation area using material sourced from a local quarry on the Isle of Arran. This work was essential to allow the east and west revetment areas to be protected from the elements and allow approximately 12,000 cubic metres of infill material to be deposited from the dredging operation. A temporary pier has been constructed to bring ashore large construction materials.

There has been an increase in traffic at Ullapool Harbour following the introduction of the Road Equivalent Tariff (RET) and the arrival of the new ferry, MV LOCH SEAFORTH, which is substantially larger in capacity and displacement tonnage than the previous ferry. The Harbour's linkspan was 43 years old and coming to the end of its design life, so following the completion of the Ullapool Harbour extension, Transport Scotland identified funds to replace and enhance it. We project managed the work on behalf of the harbour owners, Ullapool Harbour Trust. The replacement linkspan provides greater resilience to the route, with double redundancy in the cylinders and it can also be operated with two lanes.

In February 2016, the Ullapool Habour Trust won two major awards for the berth improvements to accommodate the MV LOCH SEAFORTH - the Large Scale Infrastructure category at the 2015 SURF Awards and a commendation from the Institution of Civil Engineers at the Saltire Civil Engineering Awards 2015. Ullapool Harbour Trust were awarded these in recognition of the successful harbour modernisation and the additional benefits they have brought for the local community, including creating a popular music, arts and exhibitions events space.

Repair works at Port Ellen Ferry Terminal are due to begin in autumn 2016. We hoped to complete these works in spring 2016, but a technical problem was identified during the final stages of fabrication and the extent of work required to rectify it was only fully realised at that time. Following consultation with the operator, CalMac Ferries Ltd, we agreed to wait until later this year to undertake the work to avoid disruption during the Islay Festival of Music and Malt and during the busy summer months.

We have made improvements to some of our smaller slipways and harbours. We extended both slipways on the Kerrera to Gallanach route, removing the tidal restriction from the ferry service. In addition, both of these slipways joined the CMAL portfolio of owned ports and harbours in January 2016.

On Oban pier, a surplus passenger waiting area has been turned into a new café by social enterprise, Food From Argyll Co-operative, providing residents and visitors with Argyll's finest locally produced foods to eat in, take away or enjoy on their on-going travels.

We are part of the Ardrossan Harbour Taskforce, which has been set up to look at measures to improve operations at the harbour to ensure it operates as effectively as possible and is ready for the arrival of the new 102 metre dual fuel ferry that's being built for the Ardrossan to Brodick route. To accommodate the second vessel currently under construction, we are working with Highland Council, the harbour owners at Uig and with Western Isles Council who own the port at Lochmaddy to identify and deliver works across the Uig triangle, including at the CMAL-owned port Tarbert.

In October 2015, we changed the way our berthing dues and harbour charges are calculated to a flat rate per grosse tonne for berthing or using a slipway. This followed a review of the charging mechanisms and revenue requirements to meet our statutory obligations for the maintenance, operation and improvement of the harbours we own that showed a shortfall of 20% caused by the previous mechanism involving a volume discount for frequent users.

Over the next two years we are installing a new smart IP HD CCTV solution at all of our 26 harbours, ports and slipways to improve the safety and security for the benefit of all users. The rollout started in February 2016 with the replacement of eight existing harbour CCTV installations, with work due to be completed across the network during 2017. The majority of the cameras will be fixed focus and look at set points such as pier and berthing areas, with the ability to record in full colour both by day and night and in all weathers. Each system is unique and will be installed to reflect the needs of each harbour area.

We continue to deliver an on-going programme of planned maintenance and improvements across our network, including electrical upgrades, lighting upgrades and accessibility improvements.

Strategic Report

The Directors have pleasure in submitting their Strategic Report and Financial Statements for the year ended 31 March 2016.

Structure

Caledonian Maritime Assets Limited 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 both the Clyde and Western Isles areas.

Caledonian Maritime Assets Limited generates the majority of its revenues from the operator of the Clyde and Hebrides 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 75% towards the costs of harbour infrastructure projects, with the balance of funding being found from its own resources.

Business Review

During the year the Company generated revenue of £33,549,000 (2015: £29,850,000), which resulted in a net profit after tax of £7,869,000 (2015: (Loss) (£9,023,000)).

Further payments totalling £5,114,000 were made during the year towards construction of MV CATRIONA, the third small hybrid ferry being built at Ferguson Marine Engineering Ltd. MV CATRIONA was launched in December 2015 and delivery is scheduled for summer 2016.
In October 2015 a contract was signed with Ferguson Marine Engineering Ltd for two 102 metre dual-fuel vessels to serve the Ardrossan/Arran and Uig triangle routes. Delivery is scheduled for 2018 and payments totalling £33,896,000 have been made during the year.

Development of the new ferry terminal at Brodick commenced in January 2016 with completion due in late summer 2017. Following complete closure of the Wemyss Bay terminal, the installation of a new fendering system, pier renovation works and linkspan repairs were completed successfully in time for the terminal to be re-opened for the Easter holiday weekend. Works commenced to rebuild and improve the slipways at Kerrera and Gallanach and these works are on schedule to be completed in summer 2016.

To improve the safety and management of its ports and harbours high definition CCTV is being installed at the ports and harbours throughout the network. Improvements continue to be made to the electrical and lighting infrastructure at a number of our harbours.

The Company makes contributions to fund the deficits on the CalMac Pension Scheme, the Merchant Navy Officers' Pension Fund and the Merchant Navy Ratings' Pension Fund. Payments totalling £6,482,000 were made to these schemes during the year.

Future Developments

Future business priorities include ensuring delivery of two new 102 metre dual fuel vessels, completion of the redevelopment of Brodick ferry terminal and investing in the infrastructure necessary to support the lifeline ferry services operated throughout the Clyde and Hebrides.

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

CalMac Ferries Ltd has been successful in their bid for the public service contract for lifeline ferry services in the Clyde and Hebrides and the Company looks forward to working with CalMac in further developing the vessels and infrastructure necessary for these vital services.

Business Environment and Principal Risks and Uncertainties

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.

Achieving the goals of providing efficient, cost effective and safe vessels, harbours and associated port infrastructure for operators, communities and users in and around Scotland, the Company contributes significantly to the Scottish Government 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, the CEO's Statement and in the Annual Report 2015/2016.

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

By order of the Board

Kevin Hobbs
Director
29 September 2016

Municipal Buildings
Fore Street,
Port Glasgow
PA14 5EQ

Directors' Report

The Directors have pleasure in submitting their Report and Financial Statements for the year ended 31 March 2016.

The information regarding the principal activity, review of business, business environment, future developments, strategy, and risk and mitigation is shown in the Strategic Report and not the Directors' Report.

Directors and their Interests

The Directors who served during the year and up to the date of approval of the Financial Statements, and where appropriate, their respective terms of office are as follows:

E Østergaard xx
- Appointment period to 30 April 2017 (Chair)

M Forrest **x
- Appointment period to 31 July 2017

A Whyte*x
- Appointment period to 31 July 2017

M McNeill*x
- Appointment period to 30 April 2017

T J Docherty
- Former Chief Executive, (resigned 31 March 2016)

K P Hobbs
- Chief Executive, (appointed 1 April 2016)

A J Duncan
- Former Director of Vessels, (resigned 31 March 2016)

J Anderson
- Director of Vessels, (appointed 1 April 2016)

L E Spencer
- Director of Harbours

G M Bruton
- Director of Finance

* - 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 a meeting of the Remuneration Committee were held during the year. All members of the respective committees attended the relevant meetings.

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.

Employees

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

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

By order of the Board

Kevin Hobbs
Director
29 September 2016

Municipal Buildings
Fore Street,
Port Glasgow
PA14 5EQ

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 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 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 attends each Board Meeting.

Board Balance and Independence

At 31 March 2016, the Board comprised of four Non-Executive Directors (including the Chairman), plus four Executive Directors.

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 Officer's performance is assessed by the Chairman; the performances of the other Executive Directors are assessed by the Chief Executive Officer.

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

Statement on Internal Control *continued*

Relations with Sole Shareholder

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

Internal Control

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

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 Committee

The Audit Committee is appointed by the Board from amongst the independent Non-Executive Directors of Caledonian Maritime Assets Ltd. 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 has 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 risk, and resting responsibility for risk management and control in 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 Committee.

Major Corporate Information Systems

Throughout the year the Company operated a comprehensive budgeting and financial reporting system. The system provides monthly comparison of actual results with budget, regularly revised forecasts, statement of financial position, cash flow 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 Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

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

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

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

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

Report of the Independent Auditor 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 2016, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cashflows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

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 the Directors and the Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 24 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 and express an opinion on 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

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, 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 Chair's Statement, the CEO's Statement, the Annual Report 2015/2016, the Strategic Report, the Directors' Report, the Statement on Internal Control and the Statement of Directors' Responsibilities for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

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
29 September 2016

Statement of Comprehensive Income

For the year ended 31 March 2016

	Note	2016 (£'000)	2015 (£'000)
Revenue	6	33,549	29,850
Cost of sales		(22,933)	(28,872)
Gross profit		10,616	978
Administrative expenses		(4,428)	(3,577)
Other gains and (losses)	7	(62)	446
Operating gain/(loss)		6,126	(2,153)
Interest receivable	7	39	36
Interest payable	7	(3,525)	(3,566)
Other finance costs	7	(1,827)	(984)
		(5,313)	(4,514)
Profit/(Loss) on ordinary activities before taxation		813	(6,667)
Taxation			
Tax credit/(charge) for the year	8	7,056	(2,356)
Profit/(Loss) for the financial year		7,869	(9,023)
Other comprehensive income/(expense)			
Actuarial gain/(loss) recognised in the pension scheme	19	16,124	(34,269)
Tax movement relating to the actuarial gain/(loss)		(2,379)	6,545
Other employers' (costs)/contribution to pension deficit		(4,232)	350
Gain on revaluation of property, plant & equipment	10	-	13,247
Other comprehensive income/(expense) for the year, net of tax		9,513	(14,127)
Total comprehensive income/(expense) for the year		17,382	(23,150)
Profit/(Loss) attributable to:			
Owners of the company		7,869	(9,023)
Total comprehensive income /(expense) attributable to:			
Owners of the company		17,382	(23,150)

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

Statement of Financial Position

As at 31 March 2016

Assets	Note	2016 (£'000)	2015 (£'000)
Non-current assets			
Property, plant & equipment	10	259,136	221,564
Investment property	10	1,371	1,435
Investments	11	-	-
Total non-current assets		260,507	222,999
Current assets			
Trade and other receivables	12	4,565	2,695
Cash at bank and in hand	15	15,972	15,845
Total current assets		20,537	18,540
Total assets		281,044	241,539
Equity and liabilities			
Capital and reserves			
Called up share capital	18	15,000	15,000
Distributable capital contribution reserve		13,800	13,800
Revaluation reserve		68,178	72,282
Retained earnings		(22,477)	(43,963)
Total equity attributable to owners of the Company		74,501	57,119
Non-current liabilities			
Other payables	14	108,475	72,240
Capital grants	16	48,640	45,613
Net pension liability	19	33,136	44,034
Deferred tax provision	17	4,717	12,073
Total non-current liabilities		194,968	173,960
Current liabilities			
Trade and other payables	13	11,575	10,460
Total current liabilities		11,575	10,460
Total liabilities		206,543	184,420
Total equity and liabilities		281,044	241,539

These financial statements were authorised for issue by the Board of Directors on 29 September 2016 and were signed on its behalf by;

Erik Østergaard, Chairman

Statement of Changes in Equity

For the year ended 31 March 2016

	Share capital £'000	Distributable capital contribution reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Total £'000
Balance at 31 March 2015	15,000	13,800	(19,760)	71,229	80,269
Loss for the year	-	-	(9,023)	-	(9,023)
Other comprehensive (expense)/income for the year	-	-	(27,374)	13,247	(14,127)
Excess of depreciation on revaluation	-	-	12,194	(12,194)	-
Balance at 31 March 2015	15,000	13,800	(43,963)	72,282	57,119
Profit for the year	-	-	7,869	-	7,869
Other comprehensive income for the year	-	-	9,513	-	9,513
Excess of depreciation on revaluation	-	-	4,104	(4,104)	-
Balance at 31 March 2016	**15,000**	**13,800**	**(22,477)**	**68,178**	**74,501**

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

Statement of Cash Flows

For the year ended 31 March 2016

Cash flows from operating activities	2016 (£'000)	2015 (£'000)
Revenue receipts	33,421	31,355
Cash payments for:		
Cost of sales	(13,642)	(9,966)
Pension deficit	(6,482)	(6,753)
Direct pay costs	(1,539)	(1,415)
General operating and administrative expenses	(1,250)	(996)
	(22,913)	(19,130)
Cash generated by operating activities	10,508	12,225
Interest paid	(3,410)	(4,565)
Tax refund/(paid)	4	(39)
	(3,406)	(4,604)
Net cash generated by operating activities	7,102	7,621
Cash flows from investing activities		
Interest received	39	36
Cash receipts in respect of capital grants	5,686	1,689
Cash receipts from sale of assets	2	1,151
Payments to acquire property, plant and equipment	(50,094)	(13,955)
Net cash (used in) investing activities	(44,367)	(11,079)
Cash flows from financing activities		
Loans received	41,159	3,680
Loans repaid	(3,767)	(5,938)
Net cash generated/(expended) by financing activities	37,392	(2,258)
Net increase/(decrease) in cash and cash equivalents	127	(5,716)
Cash and cash equivalents at the beginning of the year	15,845	21,561
Cash and cash equivalents at the end of the year	15,972	15,845
Comprising:		
Cash and bank balances	15,972	15,845

Notes to the Accounts

1. General information

Caledonian Maritime Assets Limited is a limited company incorporated in Scotland. Its ultimate controlling party is 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 18.

2. Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board, International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union and the Companies Act 2006 where applicable to companies reporting under IFRSs.

3. Basis of preparation

The accounts have been prepared under the historical cost convention modified to account for land and buildings, plant and equipment, and vessels at their fair value.

The Company is preparing its accounts in accordance with International Financial Reporting Standards, as adopted by the European Union.

4. Summary of significant accounting policies

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

(a) Adoption of new and revised standards

The following standards, amendments and interpretations became effective during the year and have been adopted in these Financial Statements. Their adoption has not had any impact on the amounts reported in these Financial Statements:

IAS 16	Property plant and equipment
IAS 19	Employee benefits
IAS 24	Related party disclosures
IAS 40	Investment property
IFRS 13	Fair value measurement

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:

IAS 1	Presentation of financial statements
IAS 16	Property, plant and equipment
IAS 19	Employee benefits
IFRS 7	Financial instruments - diclosures

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 are credited to other comprehensive income. Decreases that offset previous increases on the same asset are charged against other comprehensive income; all other decreases are charged to the income statement. Increases on the same asset that offset previous decreases charged to the income statement, are credited to the income statement to the extent of previous decreases and subsequently to other comprehensive income. When land assets are sold, any amounts included in other comprehensive income in respect of previously recognised surpluses are transferred to net earnings.

Property

Property used in support of lifeline ferry services is held on a fair value basis and is valued in accordance with the Valuation Standards issued by The Royal Institution of Chartered Surveyors on the basis of their existing condition.

Increases in the carrying amount arising on revaluation of buildings are credited to other comprehensive income, with the exception of increases on the same asset that offset previous decreases charged to the income statement, which are credited to the income statement to the extent of previous decreases and subsequently to other comprehensive income. Decreases that offset previous increases on the same asset are charged against other comprehensive income. 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, is credited to other comprehensive income. Increases in the aggregate depreciation calculated on the replacement cost value is charged 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.

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. When revalued assets are sold the amounts included in other comprehensive income are transferred to net earnings.

Depreciation

Depreciation on assets is calculated using the straight line method, to allocate their cost or revalued amounts to their residual values over their expected useful lives as follows:

- Land - not depreciated
- Property, freehold - over their expected useful life up to a maximum of 35 years
- Property, leasehold - over the remaining period of the lease
- Piers & slipways - over their expected useful life up to a maximum of 60 years
- 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

Notes to the Accounts *continued*

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
Ships, 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. Caledonian Maritime Assets Ltd borrows funds from Scottish Ministers to finance new vessel construction. The directly attributable costs of financing new vessel builds is capitalised and included in the cost of the vessel.

(c) Investments

Fixed asset investments are carried at cost.

(d) Capital grants

Capital grants are deferred and taken to the income statement over the anticipated lives of the relevant assets.

(e) 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.

(f) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale 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 as described below. The Company bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(g) Interest income

Interest income is recognised using the effective interest method.

(h) Current and deferred tax

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

Deferred tax is recognised using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet 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.

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

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

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

The Company participates in two multi-employer 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 cost of which is written off to the Statement of Comprehensive Income on an accruals basis. The assets of the schemes are held separately from those of the Company in independently administered funds.

(j) Financial assets

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

Notes to the Accounts *continued*

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 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.

(k) 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 as 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.

(l) 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.

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.

(m) 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.

(n) Share capital

Ordinary shares are classified as equity.

(o) Operating lease expenditure

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits of the leased assets are consumed.

(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.

(q) Revaluation surplus release

International Accounting Standard 16 (IAS16) allows for an element of the revaluation surplus included in equity in respect of an item of property, plant and equipment to be transferred directly to retained earnings as the asset is used by an entity. The amount of the surplus transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from 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.

Notes to the Accounts *continued*

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:

Defined benefit scheme

The company has a defined benefit scheme. The present value of the scheme's liabilities recognised at the balance sheet date has been calculated based on key assumptions and estimates of future events as set out in note 19.

Vessels

Depreciation on vessels is calculated using the straight line method to allocate their costs or revalued amounts over their expected useful lives. The Directors have reassessed the vessel useful lives and the impact on the depreciation charge in the Statement of Comprehensive Income is shown in note 10.

6. Revenue

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

	2016 (£'000)	2015 (£'000)
Vessel charter fee	17,371	14,321
Harbour access charge raised against operator	11,973	11,413
Property & equipment licence fee from operator	156	156
Revenue from harbour dues	194	215
Rental income from properties not required for harbour operations	193	204
Revenue grants received	3,148	3,000
Other cost recoveries and contributions	514	541
	33,549	29,850

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

Following the extension to the Public Service Contract for lifeline ferry services in the Clyde and Western Isles in 2013, the harbour access charges and vessel charter fees were re-calculated for the extension period at values which better matched the costs of operating and maintaining the harbours and the costs of providing the vessels. Overall the total charges remain in line with the original contract values with annual increases over the three year extension to September 2016.

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

The profit/(loss) is stated after (charging)/crediting:	2016 (£'000)	2015 (£'000)
Auditor's remuneration		
- Audit of these Financial Statements	(26)	(26)
- Other services relating to accounting and taxation	(2)	(4)
Depreciation of property, plant and equipment (Note 10)	(13,304)	(21,896)
Staff Costs (Note 9)	(3,608)	(3,024)
Interest payable – Loans	(2,856)	(3,001)
Interest on pension deficit contributions	(669)	(565)
	(3,525)	(3,566)
Interest received on bank balances	39	36
Operating lease costs - land & buildings	(419)	(363)
Release of capital grants (Note 16)	2,864	2,841
Gain on disposal of fixed assets and investments	2	240
Other finance costs - interest on pension scheme assets (Note 19)	4,639	5,422
- interest on pension scheme liabilities (Note 19)	(6,466)	(6,406)
	(1,827)	(984)

	2016 (£'000)	2015 (£'000)
Other gains and (losses):		
- (loss) on crystallisation of other financial assets	-	(721)
- gain on crystallisation of other financial liabilities	-	1,309
- (loss) on revaluation of investment property (Note 10)	(62)	-
- Wemyss Bay abortive costs written off	-	(142)
	(62)	446

Notes to the Accounts *continued*

8. Taxation

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

	2016 (£'000)	2015 (£'000)
Corporation Tax		
UK corporation tax on profit/(loss) for the year at 20% (2015: 20%)	-	46
Overprovision in previous year	(46)	(6)
Total corporation tax (credit)/charge	(46)	40
Deferred Tax		
(Decrease)/increase in deferred tax provision (Note 17)	(7,356)	1,757
Deferred tax in relation to pensions	346	559
Total deferred tax (credit)/charge	(7,010)	2,316
Tax (credit)/charge on profit on ordinary activities	**(7,056)**	**2,356**

The tax assessed for the period differs from the standard rate of corporation tax of 20% (2015: 21%)

The differences are explained below:

Profit/(Loss) on ordinary activities before tax	813	(6,667)
UK corporation tax at 20% (2015: 21%)	163	(1,400)
Effects of:		
Expenses not allowable for tax purposes	(163)	1,722
Movement in deferred tax in relation to pensions	346	(559)
Movement in deferred tax on losses recognised	(105)	(469)
Effect of change in tax rate	(241)	752
	-	**46**

9. Employee Information

Staff Costs (including Directors)	2016 (£'000)	2015 (£'000)
Wages & salaries	1,269	1,163
Social security costs	119	126
On-going pension contributions	406	161
Pension contributions towards past deficits – other schemes (see below)	1,480	1,360
Staff related costs	422	244
	3,696	3,054
Employee costs included above allocated to capital projects	88	30

Pension contributions towards past deficits – other schemes

This represents provisions and payments made towards past deficits in industry-wide schemes as described in Note 19.

Employee numbers	2016 No.	2015 No.
Average number of employees, including Directors		
Administrative	27	27

Directors' remuneration	2016 (£'000)	2015 (£'000)
Non-executive directors' emoluments	53	50
Non-executive directors' pension costs	-	-
Executive directors' emoluments	390	366
Executive directors' pension costs	85	69
	528	485

In line with policy applying throughout public sector employers, bonus arrangements for the Chief Executive were withdrawn. Performance bonuses for other Executive Directors and staff, which were deemed part of the terms and conditions of employment were withdrawn for 2016.

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

Four directors are members of defined benefit pension schemes (2015: 4 directors).

The emoluments of the highest paid director were £107,987 (2015: £102,980). £23,191 (2015: £11,314) was paid into the pension scheme of the highest paid director during the year.

Notes to the Accounts *continued*

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 construction (£'000)	TOTAL (£'000)
Cost or Valuation							
Balance as at 1 April 2014	1,378	5,768	178,157	129,202	65	14,532	329,102
Additions	-	-	-	2,499	-	12,140	14,639
Transfers	-	2,485	799	12,245	-	(15,529)	-
Disposals	-	-	-	(225)	(15)	(142)	(382)
Revaluation increase /(decrease)	57	-	-	(6,033)	-	-	(5,976)
Balance as at 1 April 2015	1,435	8,253	178,956	137,688	50	11,001	337,383
Additions	-	-	136	2,016	143	48,579	50,874
Transfers	(2)	-	6,971	-	-	(6,969)	-
Disposals	-	-	(415)	-	-	-	(415)
Revaluation decrease	(62)	-	-	-	-	-	(62)
Balance as at 31 March 2016	1,371	8,253	185,648	139,704	193	52,611	387,780
Accumulated Depreciation and Impairment							
Balance as at 1 April 2014	-	-	111,012	-	46	732	111,790
Transfers	-	-	-	732	-	(732)	-
Disposals	-	-	-	(74)	(5)	-	(79)
Depreciation expense/ impairment	-	88	3,234	18,565	9	-	21,896
Revaluation adjustment	-	-	-	(19,223)	-	-	(19,223)
Balance at 1 April 2015	-	88	114,246	-	50	-	114,384
Disposals	-	-	(415)	-	-	-	(415)
Depreciation expense/ impairment	-	87	3,171	10,034	12	-	13,304
Balance as at 31 March 2016	-	175	117,002	10,034	62	-	127,273
Carrying Amounts							
Balance as at 31 March 2015	1,435	8,165	64,710	137,688	-	11,001	222,999
Balance as at 31 March 2016	1,371	8,078	68,646	129,670	131	52,611	260,507
Carrying amount under cost model							
Balance as at 31 March 2015	-	8,118	35,033	96,452	-	11,000	150,603
Balance as at 31 March 2016	-	7,970	40,656	90,911	131	52,611	192,279

Included in the cost of Assets in Construction is £564,949 (2015: £30,978) of interest arising on the financing of new vessels. Interest has been calculated at rates ranging from 2.88% to 3.25% (2015: 3.03% to 3.08%).

Investment property assets were valued at 31 March 2015 and 31 March 2016 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:

Investment properties	2016 (£'000)	2015 (£'000)
Land	650	658
Buildings	721	777
	1,371	1,435

Other property assets were valued at 31 March 2014 by Graham & Sibbald, Chartered Surveyors, on a fair value basis as defined by the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors and the cost/valuation is as follows:

Other property assets	2016 (£'000)	2015 (£'000)
Land	6,055	6,055
Buildings - freehold	2,119	2,119
Buildings - leasehold	79	79
	8,253	8,253

Piers, slipways and linkspan facilities were valued at 31 March 2014 by CH2MHill Ltd, Consulting Engineers, on a depreciated replacement cost basis and the cost/valuation is as follows:

	2016 (£'000)	2015 (£'000)
Piers and slipways	136,735	130,043
Linkspan facilities	48,913	48,913
	185,648	178,956

Ships were valued at 31 March 2014 and 31 March 2015 by Simsonship AB, shipbrokers of Stockholm, Sweden on a market value basis and the cost/valuation is as follows:

	2016 (£'000)	2015 (£'000)
Vessels	139,704	137,688

The directors reassessed the useful economic lives of the vessels up to a maximum of 35 years. This has a consequence of reducing the annual depreciation charge by £8,476,000.

Capital commitments	2016 (£'000)	2015 (£'000)
No provision has been made in these accounts for:		
Outstanding capital commitments contracted for amounting to:	87,410	6,765
Capital Grants receivable in respect of these commitments amounting to:	15,475	14

Notes to the Accounts *continued*

11. 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 2016 is £2.

12. Trade and other receivables

	2016 (£'000)	2015 (£'000)
Trade receivables	783	83
Prepayments and accrued income	3,782	2,612
	4,565	2,695

All of the trade and other receivables above were receivable under normal commercial terms, generally seven to 30 days. The Directors consider that the carrying value of trade and other receivables approximates to their fair value. A general provision of £8,501(2015: £6,850) was held against receivables.

13. Trade and other payables

	2016 (£'000)	2015 (£'000)
Loans (Note 14)	4,053	3,767
Trade payables	2,235	2,039
Other creditors and accruals	5,287	4,654
	11,575	10,460

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.

14. Other payables

	2016 (£'000)	2015 (£'000)
Unsecured vessel loans not wholly repayable within five years, repayable in half-yearly instalments	107,929	70,537
Less repayable within twelve months (Note 13)	(4,053)	(3,767)
	103,876	66,770
Other creditors	4,599	5,470
	108,475	72,240
Instalments on the loans included above are repayable as follows:		
between one and two years	4,025	3,901
between two and five years	14,255	11,218
after five years	85,596	51,651
	103,876	66,770

Unless authorised by Scottish Ministers, the Company can borrow only from Scottish Ministers. At 31 March 2016 the Company had 12 loans outstanding (2015: 12) all repayable to Scottish Ministers at interest rates ranging from 2.88% to 7.75%. 10 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. Two loans are repayable on an annuity basis over 25 years from the first scheduled repayment date after finalisation of loan drawdown.

15. 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:

							Weighted Average			
Currency	Total		Floating rates		Fixed rates		Interest rate		Period until maturity	
Sterling	2016 (£'000)	2015 (£'000)	2016 (£'000)	2015 (£'000)	2016 (£'000)	2015 (£'000)	2016 (%)	2015 (%)	2016 (Years)	2015 (Years)
Loans	107,929	70,537	-	-	107,929	70,537	4	4	22	20
Cash	(15,972)	(15,845)	-	-	-	-	-	-	-	-
Net Borrowing	**91,957**	**54,692**	**-**	**-**	**107,929**	**70,537**	**4**	**4**	**22**	**20**

All the Company's borrowings are at fixed rates of interest. The fair value of these loans at 31 March 2016 ascertained through discounting the future cash flows at the National Loans Fund rate was £114,690,000 (2015: £78,059,000).

(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 head-room as determined by the above mentioned forecasts. At the reporting date the Company held money market funds of £Nil (2015: £Nil) and other liquid assets of £15,972,000 (2015: £15,845,000).

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 2016				
Borrowings	4,053	4,025	14,255	85,596
Trade & other payables	5,498	-	-	-
At 31 March 2015				
Borrowings	3,767	3,901	11,218	51,651
Trade & other payables	4,918	-	-	-

Notes to the Accounts *continued*

(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 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.

The Company charters its vessels to the operator of the Clyde & Hebrides lifeline ferry services, CalMac Ferries Ltd who have a public service contract with Scottish Ministers. This contract was due to expire on 30 September 2013 and was extended by Scottish Ministers for three years until 30 September 2016. Following a competitive tender process, Scottish Ministers have awarded a public service contract for lifeline ferry services to CalMac Ferries Ltd for a period of 8 years from October 2016.

16. Capital grants

	2016 (£'000)	2015 (£'000)
Balance at 1 April	45,613	45,065
Grants received and receivable	5,891	3,389
Less: released to statement of comprehensive income	(2,864)	(2,841)
Balance at 31 March	48,640	45,613

17. Provisions for liabilities and charges

Deferred tax	2016 (£'000)	2015 (£'000)
The main components of deferred tax at 20% (2015: 20%) are:		
Accelerated capital allowances	6,414	14,180
Other timing differences	518	213
Trading losses	(2,215)	(2,320)
Balance at 31 March	4,717	12,073

18. Share capital

	2016 (£'000)	2015 (£'000)
Authorised, allotted, issued and fully paid – 1.5million 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.

19. Pension arrangements

The amount charged to the statement of comprehensive income in respect of employer contributions to pension schemes is:

	2016 (£'000)	2015 (£'000)
On-going contributions		
Company scheme	392	146
Other schemes	7	10
Contributions towards past deficits		
Other schemes	1,480	1,360
	1,879	**1,516**

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 2012. Assumptions which have the most significant effect on the results of the valuation are those relating to:

a) RPI Inflation – 3.60%; CPI Inflation – 2.90%
b) rate of return on investments 4.80% pre-retirement funds: 4.80% retirement funds
c) rate of increase in salaries and pensions
   increase for current employees – 4.25% for 2 years, RPI +1% per annum thereafter
   increase for retired members:
   - on pre 2005 non GMP benefits - 3.6%;
   - on post 2005 non GMP benefits – RPI capped at 3%;
   - on post 1988 GMP benefits – CPI capped at 3.0%;
   - on pre 1988 GMP benefits – 0%;

   increase for former employees – 3.6%
d) 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 £85,189,000 and that the actuarial value of those assets represented 72.6% of the benefits accrued to members. The 2012 actuarial valuation identified a shortfall in funding of £32million.

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 £3,700,000. The members contribute at a rate of 6.0% of pensionable earnings. The funding plan is expected to achieve 100% of funding level over 12 years from the valuation date with 70% probability.

An actuarial valuation exercise was undertaken on 6 April 2015, the results of which were not finalised at the date of approval of these financial statements.

Notes to the Accounts *continued*

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 2012 was updated to 31 March 2016 by a qualified independent actuary. The amounts recognised in the statement of financial position are as follows

	2016 (£'000)	2015 (£'000)
Present value of funded liabilities	(183,473)	(190,694)
Fair value of scheme assets	142,052	135,651
Deficit	(41,421)	(55,043)
Related deferred tax asset	8,285	11,009
Net liability	(33,136)	(44,034)

The amounts recognised in the statement of comprehensive income are as follows:

	2016 (£'000)	2015 (£'000)
Current service cost	392	146
Net financing cost	1,827	984
	2,219	1,130

The expense is recognised in the following line items in the statement of comprehensive income:

Staff costs	392	146
Other finance costs	1,827	984
	2,219	1,130
Actual return on scheme assets	(3,507)	10,164

Changes in the amounts recognised in the statement of recognised income/(expense) are as follows:

	2016 (£'000)	2015 (£'000)
Opening cumulative statement of recognised (expense)/income	(73,008)	(38,739)
Remeasurements:		
- actuarial (losses)/gains– asset remeasurement	(8,146)	4,743
- actuarial (losses) arising from changes in demographic assumptions	(483)	-
- actuarial gains/(losses) arising from changes in financial assumptions	30,129	(40,478)
- actuarial (losses)/gains arising from experience	(5,376)	1,466
Closing cumulative statement of recognised (expense)/income	(56,884)	(73,008)

Changes in the present value of the defined benefit liabilities

	2016 (£'000)	2015 (£'000)
At 1 April	190,694	139,512
Current service cost – Caledonian Maritime Assets Ltd	392	146
Current service cost - Others	13,265	7,556
Employee contributions	2,308	2,011
Interest cost	6,466	6,406
Actuarial losses arising from changes in demographic assumptions	483	-
Actuarial (gains)/losses arising from changes in financial assumptions	(30,129)	40,478
Actuarial losses/(gains) arising from experience	5,376	(1,466)
Benefits paid	(5,382)	(3,949)
At 31 March	**183,473**	**190,694**

Changes in the fair value of the scheme assets

At 1 April	135,651	115,592
Interest income on assets	4,639	5,422
Re-measurement (losses)/gains	(8,146)	4,743
Employer contributions	12,982	11,832
Employee contributions	2,308	2,011
Benefits paid	(5,382)	(3,949)
At 31 March	**142,052**	**135,651**

The fair value of scheme assets as a percentage of total scheme assets and the return on those assets were:	2016 (%)	2015 (%)
Equities	54.7	55.2
LDI	25.0	22.7
Bonds	8.1	9.2
Property	8.2	7.9
Other	4.0	5.0

Principal actuarial assumptions at the year-end were:	2016 (%)	2015 (%)
Discount rate at 31 March	3.45	3.30
RPI Inflation	3.05	3.20
Future salary increases – 2015/16	-	1.00
Future salary increases – 2016/17	1.00	1.00
Future salary increases – 2017/18	3.05	1.00
Future pension increases	Derived from RPI assumptions	Derived from RPI assumptions

Notes to the Accounts *continued*

Post retirement mortality assumptions are as follows:-

2016	2015
SAPS S2 "Heavy" with scaling factors of 95% for males and115% for females, future mortality improvements are in line with theCMI_2015 model with long-term rate of improvement of 1.5% pa	SAP "All lives" tables with scaling factor of 130% for females and 115% for males with improvements in the near future in line with CMI_2011 with a 1.25% underpin

Sensitivity	Impact on defined benefit liability
Discount rate +0.25%	Decreases the liability by -5.50%
RPI inflation +0.25%	Increases the liability by +4.70%
Mortality scaling factor reduced by 10%	Increases the liability by +3.30%

Historical pension scheme information

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

	2016 (£'000)	2015 (£'000)	2014 (£'000)	2013 (£'000)	2012 (£'000)
Present value of defined benefit liabilities	(183,473)	(190,694)	(139,512)	(124,350)	(114,298)
Fair value of scheme assets	142,052	135,651	115,592	101,225	84,979
Deficit	**(41,421)**	**(55,043)**	**(23,920)**	**(23,125)**	**(29,319)**
Experience adjustment on scheme liabilities	(5,376)	1,466	2,807	1,360	499
Re-measurement (losses)/ gains on scheme assets	(8,146)	4,743	636	5,165	(3,039)

The Company expects to contribute approximately £3,974,000 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. Up until March 2014, additional contributions were 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 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 (MNOPF) and in the Merchant Navy Ratings' Pension Fund (MNRPF). Both MNOPF and MNRPF are industry-wide defined benefit pension schemes.

The MNOPF 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 MNOPF), (ERP(for the MNOPF)) a defined contribution plan established within the MNOPF. The latest finalised valuation of the MNOPF was carried out as at 31 March 2015. The valuation showed that the Section had a gross deficit of £320m at the valuation date and that the market value of the assets of £2,907m covered 90% of the value of the Section liabilities. Deficit contributions from the 2003, 2006, 2009 and 2012 valuations still to be paid over the period to September 2020 had a present value of £315m, producing a net deficit of £5m. The Trustee decided not to collect additional contributions to meet this deficit.

The Trustee decided that the employers would meet the 2012 valuation deficit by paying additional contributions either in one payment in September 2013, or by instalments from September 2013 to September 2023. Full provision was made in the 2013 accounts for £2,291,419 representing the Company's share of the deficit inclusive of interest to 31 March 2013 at 6.3%. The Company was paying its share of the deficit via half yearly instalments over a 10 year period commencing in September 2013. This payment arrangement was not accepted by the Trustee and the Company settled the outstanding deficit in March 2015.

With effect from 1 October 2013 the joint contribution rate required to fund future benefits for Active Members increased from 25% to 32.2% of Post 2000 pensionable salaries. The employers' contribution increased from 15.5% to 20.0% and Active Members' contribution increased from 9.5% to 12.2% of Post 2000 pensionable salaries. The joint contribution rate for the ERP (for the MNOPF) is 30%: 20% from the employer and 10% from the member.

The MNRPF is a closed scheme and the latest full triennial actuarial valuation as at 31 March 2014, carried out by the Fund actuary, showed that the scheme was in deficit by £354million. The valuation showed that the market value of assets was 67% of the value of benefits accruing to members allowing for future increases (2011 valuation, deficit of £212million, 76% funding level).

In July 2010 the High Court decided that the Rules of the Fund could be amended to widen the group of companies who can be required to pay deficit repair contributions to include Former Employers (who are not currently making such contributions) as well as Current Employers (who are currently doing so). The High Court's ruling was upheld by the Court of Appeal in May 2011. Then in November 2011 the Supreme Court declined to grant permission for a further appeal to be brought on behalf of the Former Employers.

This means that the Trustee is now in a position to apply the guidance given by the Court regarding the scope of its power to amend the Rules. The Trustee, working with its professional advisers, has considered the terms of a new employer contribution rule and what consequential amendments to the Rules might be appropriate.

Notes to the Accounts *continued*

In essence, the legal advice received by the Trustee is that:

- The Trustee has the power to widen the pool of Participating Employers which can be required to pay deficit contributions.
- The Trustee has the power (but is not obliged) to introduce a new deficit contribution regime which takes into account deficit contributions already paid.
- An important matter for the Trustee to consider as part of its decision making process in relation to the new regime is the impact on the strength of the overall employer covenant.

The Trustee had proposed a new deficit contribution regime (the Proposed New Regime) and had asked the Court to approve the introduction of the Proposed New Regime before it was implemented. Collection of contributions under the existing Recovery Plan in respect of the 2008 actuarial valuation had been suspended until the Court judgement on the Proposed New Regime was received. The Court judgement approving the introduction of the new regime was handed down in February 2015 and a formal Order was subsequently made by the Court confirming that the Trustee has the authorisation of the Court to introduce the New Regime. The Trustee implemented the new deficit contribution in July 2015.

The Fund administrators have re-calculated percentage liability shares for the widened pool of Participating Employers and the Company's share of the deficit, after taking into account the deficit contributions already made by the company towards the 2008 deficit, amounted to £2,823,189. £1,350,000 of this liability had been provided for in 2015 and the balance has been provided in the current financial year. The Company paid £1,790,899 towards the liability during the year. The Trustee communicated the new deficit contribution to the Company on 28 August 2015.

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

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

20. Other financial commitments

In providing harbour and pier facilities in support of lifeline ferry services, the Company leases land and buildings at various locations throughout the West of Scotland. Other leases are in respect of a vessel, vehicles and office equipment. The Company entered into an operating lease arrangement to procure a new vessel. The lease agreement is for a period of eight years from the delivery of the vessel in October 2014. The Company does not have the option to purchase the leased assets at the expiry of the lease terms.

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

Land and buildings	2016 (£'000) Land	2016 (£'000) Buildings	2015 (£'000) Land	2015 (£'000) Buildings
Payable within one year	201	181	190	187
After one year but less than five	695	709	700	704
After more than five years	1,118	678	1,247	910
	2,014	**1,568**	**2,137**	**1,801**

Other	2016 (£'000)	2015 (£'000)
Payable within one year	4,946	4,925
After one year but not more than five	19,560	19,535
After more than five years	7,314	12,189
	31,820	**36,649**

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

Property, plant and equipment	2016 (£'000) Investment property	2016 (£'000) Vessels	2015 (£'000) Investment property	2015 (£'000) Vessels
Receivable within one year	140	7,766	179	16,370
After one year but less than five	277	5	337	7,748
After more than five years	471	-	537	-
	888	**7,771**	**1,053**	**24,118**

21. 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:

	2016 (£'000)	2015 (£'000)
Capital grants received and receivable	5,891	3,389
Capital grants due at 31 March	1,305	1,700
Grant in aid received and receivable	3,000	3,000
Loans received and receivable	41,159	3,680
Project management fees & other charges	53	-
Project management fees & other charges payable at March	13	-
Marine licence fees	21	10
Marine licence fees payable at 31 March	-	4
Loans repaid	3,767	5,938
Interest paid and payable	2,856	3,001
Interest on vessel new build	534	83
Balance of loans due at 31 March	107,929	70,537

Notes to the Accounts *continued*

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 into 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	
	2016 (£'000)	2015 (£'000)	2016 (£'000)	2015 (£'000)
Vessel leasing charges	17,339	14,288	322	322
Harbour access charges	11,773	11,413	17	17
Property & equipment licence	155	155	-	-
Rent	98	98	-	-
Repair & other costs recoveries	264	(50)	175	34
Vessel upgrades & modifications	(1,817)	(2,499)	(1,200)	(2,068)
Ferry travel costs	(8)	(10)	(1)	-
New vessel build project supervision & costs	(7)	(1,543)	(4)	-
Pier operations	(209)	(209)	-	-

The Company's Finance Director also serves as Finance Director for Highlands & Islands Airports Ltd (HIAL) which is owned by Scottish Ministers. Charges for services during the year and the balance outstanding at 31 March are as follows:

	Charge in year		Owed by HIAL	
	2016 (£'000)	2015 (£'000)	2016 (£'000)	2015 (£'000)
Services of Finance Director	38	39	18	12

Company Number	SC001854
Registered Office	Municipal Buildings Fore Street Port Glasgow PA14 5EQ
Auditors	Scott-Moncrieff
Solicitors	DWF Biggart Baillie CMS HBJ Gateley
Bankers	Royal Bank of Scotland Lloyds TSB Bank plc