Caledonian Maritime Assets Ltd

Annual Report 2012

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For the year ended 31 March 2012

The Chairman presents his statement for the year

This has been a very busy and productive year for CMAL. We have continued to deliver our mission to provide, safeguard and develop the ferries and harbours under our control and have made some major investment as part of this commitment to the communities we serve.

We were delighted when MV FINLAGGAN entered service on the Port Ellen to Kennacraig route; she joins the Caledonian MacBrayne fleet.

We have made significant progress with our hybrid ferries project which will see the world's first sea going Roll On Roll Off vehicle and passenger diesel electric hybrid ferry built at Fergusons Shipyard in Port Glasgow and operating in Scotland.

We have made substantial investment in our harbours. This has included completion of a new mooring dolphin at Kennacraig. Rebuilding of the pier at Port Ellen was started and it will be opened by the time this report is published. However we have much to complete in our harbours to bring them up to date and we have identified "shovel ready" projects available if funds permit.

We moved forward in the process of placing financial and building contracts to provide a new ship for service between Stornoway and Ullapool. For the first time this will involve funding outside the normal voted loans from Scottish Government, demonstrating the company's intent to explore innovative ways to secure investment.

Revenues for the year increased by just under £4 million. This mainly was driven by increases to our fleet charter fees following the introduction in service of MV FINLAGGAN. However despite this increase the company made a continuing net loss after taxation of £5,734,000. This is primarily caused by vessel depreciation. We now carry fixed assets at valuation following our adoption of the International Financial Reporting Standards (IFRS). It does however highlight the need for investment in our fleet and infrastructure. We also continue to incur significant cost in just maintaining our port estate to an acceptable standard, following many years of under investment.

We were pleased to contribute to the Ferries Plan which the Scottish Government will announce, after consultation, later this year. It is an impressive piece of work and we hope it will bring more investment into the lifeline ferries and harbours of Scotland.

As with many organisations, CMAL is finding the costs of funding pension benefits an increasing burden with payments totalling £2,585,000 this year. The Board is conscious that we must work with the Scottish Government, Operators and members of the schemes to find a sustainable way ahead.

One particular highlight of this year was the start of the build of our first hybrid ferry. To mark commencement of works, an official steel cutting ceremony was held at Fergusons Shipyard in January. My wife, Marylyn, did the honours and started the machine to cut the first steel. The event was attended by the Minister for the Environment and Climate Change, Stewart Stevenson, and a range of partners and dignitaries.

We said farewell to a founding member of our team this year. John Pettigrew, one of our first employees in 2006, retired in July. He was our chief accountant and company secretary and was instrumental in enabling CMAL to commence operations when it became an asset-owning company. We wish him a long and enjoyable retirement.

The Scottish Government has appointed Mark Forrest and Alistair Whyte as non-executive directors to the CMAL board. Both have extensive experience of our sector in logistics, ports, ferries and the shipping industry. We were delighted to have been able to attract such experienced and talented individuals and they are already adding value to the work of the company.

Within CMAL we have strived to create a team that works to high standards and values. It says much for them all that we stay together. Staff turnover is minimal. They have shown hard work and dedication over the past year to deliver our commitment to provide efficient, cost-effective and safe ferries, harbours and port infrastructure for operators, communities and users in Scotland. I thank them all and particularly mention our Executive Directors, Guy Platten, Andrew Duncan and Lorna Spencer. And I thank the Board for their support.

Grenville S Johnston
Chairman
26 September 2012

Airson na bliadhna a' crìochnachadh air 31 Màrt 2012

An Cathraiche a' taisbeanadh aithisg na bliadhna

Tha a' bhliadhna seo air a bhith na bliadhna an dà chuid glè dhripeil agus torrach do CMAL. Tha sinn air leantainn air adhart a' liubhairt ar rùin gus na h-aiseagan agus na calaidhean a tha fo ar smachd a sholarachadh, a dhìon agus a leasachadh agus tha sinn air tasgadh-airgid cudromach a dhèanamh mar phàirt den dealas seo a thaobh nan coimhearsnachdan a tha sinn a' frithealadh.

Bha sinn air leth toilichte nuair a thàinig MV FINLAGGAN a-steach dhan t-seirbheis air an t-slighe eadar Port Ilein agus Ceann na Creige; tha i mar phàirt de chabhlach Chaladòinian Mhic a' Bhriuthainn.

Tha sinn air adhartas mòr a dhèanamh le pròiseact nan aiseagan tar-chinealach, a chì a' chiad aiseag charbadan is thaistealaich tar-chinealach dealain dìosail Roilig Air is Dheth ga togail ann an Gàrradh-shoithichean MhicFhearghais ann am Port Ghlaschu agus ag obair ann an Alba.

Tha sinn air tasgadh susbainteach a dhèanamh nar calaidhean. Tha seo a' gabhail a-steach crìoch air structar acrachaidh aig Ceann na Creige. Chaidh ath-thogail air a' chidhe ann am Port Ilein a thòiseachadh agus bidh e air fosgladh mus bi an aithisg seo air a foillseachadh. Ach, tha mòran againn ri chrìochnachadh nar calaidhean gus an toirt gu ìre nua-aimsireil agus tha sinn air pròiseactan nas lugha a chomharrachadh airson an colieanadh, ma bheir maoineachadh cead dhuinn.

Ghluais sinn air adhart sa phròiseas ann a bhith a' suidheachadh chunnraidhean ionmhasail is togail airson soitheach ùr ann an seirbheis eadar Steòrnabhagh agus Ulapul. Airson a' chiad uair, bidh seo a' tarraing maoineachaidh taobh a-muigh nan iasadan àbhaisteach air a bhòtadh bho Riaghaltas na h-Alba, a' taisbeanadh dùil a' chompanaidh air modhan ùr-ghnàthach a rannsachadh airson airgead-tasgaidh a thèarainn.

Dh'fhàs teachd-a-steach airson na bliadhna dìreach fo shùim £4 millean. Bha seo gu mòr mar thoradh air meudachadh ann an cìsean fastaidh na cabhlaich againn a' leantainn air seirbheis MV FINLAGGAN a thoirt a-steach. Ach a dh'aindeoin a' mheudachaidh seo, lean an companaidh a' dèanamh call lom leantainneach an dèidh leagail chìsean de £5,734,000. Tha seo sa chiad àite air adhbhrachadh le ìsleachadh ann an luach nan soithichean. Tha sinn a-nis a' giùlain so-mhaoin suidhichte aig luachadh a' leantainn air dhuinn gabhail ri IFRS. Ach, tha e a' togail air an fheum airson tasgadh nar cabhlaich agus nar bun-structar. Tha sinn a' leantainn air adhart cuideachd a' tarraing cosgais chudromach ann an cumail suas ar n-oighreachd phuirt gu ìre iomchaidh, an dèidh mòran bliadhnaichean de dhìth tasgaidh.

Bha sinn toilichte cur ri Plana nan Aiseagan a bhios Riaghaltas na h-Alba ag ainmeachadh an dèidh co-chomhairle, nas fhaide air adhart am-bliadhna. Is e pìos foghainteach obrach a th' ann agus tha sinn an dòchas gun toir e barrachd tasgaidh a-steach gu aiseagan is calaidhean deatamach na h-Alba.

Coltach ri mòran bhuidhnean, tha CMAL a' lorg chosgaisean maoineachaidh socharan peinnsein na uallach a tha a' sìor fhàs le pàighidhean a' tighinn gu £2,585,000 gu h-iomlan am-bliadhna. Tha am Bòrd mothachail gum feum sinn obrachadh còmhla ri Riaghaltas na h-Alba, Stiùirichean is buill nan sgeamaichean gus slighe seasmhach air adhart a lorg.

B' e toiseach tòiseachadh air togail a' chiad aiseag tar-chinealach aon nì cudromach a ghabh àite am-bliadhna. Gus toiseach na h-obrach a chomharrachadh, chaidh seirbheis oifigeil gearradh stàilinn a chumail ann an Gàrradh-shoithichean MhicFhearghais san Fhaoilleach. B' e mo bhean, Marylyn, a bha an urra ris agus chuir i an t-inneal a dhol airson a' chiad phìos stàilinn a ghearradh. Bha Ministear na h-Àrainneachd is Atharrachadh Gnàth-shìde, Stiùbhart MacSteafain, an làthair cuide ri raon de chom-pàirtichean is urramaich.

Dh'fhàg sinn soraidh slàn aig ball stèidheachaidh ar sgioba am-bliadhna. Leig Iain Pettigrew, aon den luchd-obrach againn bhon toiseach ann an 2006, dheth a dhreuchd san Iuchair. B' e ar prìomh chunntasair is rùnaire companaidh a bh' ann agus bha esan na mheadhan air CMAL a chomasachadh gus an obair a thòiseachadh nuair a thàinig sinn gu bhith mar chompanaidh le so-mhaoinean. Tha sinn a' guidhe cluaineas fhada agus tlachdmhor dha.

Tha Riaghaltas na h-Alba air Marcas Forrest agus Alasdair MacIlleBhàin fhastadh mar stiùirichean neo-ghnìomha gu bòrd CMAL. Tha eòlas farsaing aig an dithis air an roinn-obrach againn co-cheangailte ri stiùireadh ghoireasan, puirt, aiseagan agus gnìomhachas shoithichean. Bha sinn air leth toilichte a bhith comasach air a leithid de dhaoine tàlantach is eòlach a thàladh agus tha iad mar-thà a' cur luach ri obair a' chompanaidh.

An taobh a-staigh CMAL, tha sinn air strì ri sgioba a chruthachadh a tha ag obair gu ìrean agus luachan àrda. Tha e ag ràdh mòran man deidhinn gu bheil sinn uile fhathast còmhla. Is e glè bheag atharrachaidh a tha air sgioba an luchd-obrach. Tha iad air obair chruaidh is dìcheall a nochdadh thar na bliadhna a chaidh seachad gus ar dealas a liubhairt a thaobh aiseagan èifeachdach a' toradh luach an airgid, calaidhean is bun-structaran puirt a sholarachadh do luchd-obrachaidh, coimhearsnachdan agus luchd-cleachdaidh ann an Alba. Tha mi a' toirt taing dhaibh uile agus gu h-àraid do ar Stiùirichean Gnìomha, Guy Platten, Anndra MacDhonnchaidh agus Lorna Spencer. Agus tha mi a' toirt taing dhan Bhòrd airson an cuid taic.

Grenville S MacIain
Cathraiche
26 Sultain 2012

For the year ended 31 March 2012
The CEO presents his statement for the year

This is my fifth annual report since I was appointed to the Chief Executive's role in August 2007. During this time the Company has changed and grown considerably as we fulfil our mission to provide, safeguard and develop ferries and harbours. We have recruited a small, but highly skilled team of professionals to deliver our vision and have made substantial progress on a large number of fronts. One new ship delivered, with two under construction and a further larger ship on order as this report is published.

We now fully maintain our harbours, have built new piers and mooring dolphins and have undertaken a great deal of maintenance to ensure they remain fit for purpose, with numerous small and medium sized projects delivered this year. Of course much remains to be done, but the Board and I have confidence that the team is up for the challenge.

Our innovation was highlighted in November 2011, when we signed shipbuilding contracts to build the world's first seagoing Roll On Roll Off vehicle and passenger diesel electric hybrid ferries. These ferries, when they enter service in 2013, will consume at least 20% less fuel and produce at least 20% less emissions than their conventional equivalent. Of particular pride to all involved in the project was the award of the contract to a Scottish shipyard, safeguarding and creating local jobs in our current climate of economic downturn. The ships are now well under construction and it is anticipated the first will be launched in December 2012. My harbours team, alongside our partners in Highland Council and others, are ensuring that the shore infrastructure will be fit for purpose and able to accommodate these innovative new vessels.

In May 2011 our latest ship MV Finlaggan entered service. The excitement following the delivery of this ship was tempered by the discovery of contaminated hydraulic oil in the system powering the ramps and mezzanine decks. Sadly this necessitated withdrawing the ship from service for a number of weeks to enable repairs to be carried out, however she has proved reliable and well received since re-entering service. The weeks following delivery of a highly sophisticated ship are always challenging as systems 'bed in', however we very much regretted any inconvenience suffered by customers. We have learned many lessons from this and will be incorporating them in future ship projects in order to reduce the chances of this happening again.

While delivering a number of high profile projects, we have also been planning for the future, including developing detailed specifications and securing innovative finance for a new ship to serve between Stornoway and Ullapool. Numerous plans have also been drawn up for our harbours, including Phase 2 at Kennacraig to increase the marshalling area and raise the causeway.

The CMAL team has continued to grow and early in 2012 we welcomed our new Harbour Master, David McHardie. Over the coming year the team is likely to grow further, starting to deliver more projects as the company evolves.

In closing, we can look back with a great deal of pride on what we have achieved in extremely challenging financial conditions. We look forward very much to the future.

Guy Platten

CEO

26 September 2012

Airson na bliadhna a' crìochnachadh air 31 Màrt 2012
Tha an t-Àrd-Oifigear a' taisbeanadh na h-aithisg bhliadhnail

Is i seo an còigeamh aithisg bhliadhnail agam bho chaidh m' fhastadh do dhreuchd an Àrd-Oifigeir san Lùnastal 2007. Rè na h-ùine sin, tha an Companaidh air a bhith ag atharrachadh agus a' fàs gu ìre mhòr fhad 's a tha sinn a' coileanadh ar rùin air aiseagan is calaidhean a sholarachadh, a dhìon agus a leasachadh. Tha sinn air sgioba a tha beag ach àrd-sgileil de phroifeiseantaich a thrusadh gus ar lèirsinn a liubhairt agus tha adhartas susbainteach ri fhaicinn ann am mòran dhòighean. Fhad 's a tha an aithisg seo ga foillseachadh, tha aon soitheach ùr air a liubhairt le a dhà eile gan togail agus soitheach mòr eile air a h-òrdachadh.

Tha sinn a-nis a cumail suas ar calaichean gu h-iomlan, tha sinn air cidheachan ra agus structaran acrachaidh a thogail agus tha sinn air mran cumail-suas a ghabhail os limh gus danamh cinnteach gum fuirich iad freagarrach airson na h-adhbhair, le mran phriseactan beaga agus meadhanach-mr air an liubhairt am-bliadhna. Gun teagamh sam bith, tha mòran ri dhèanamh fhathast ach tha mi fhìn agus am Bòrd misneachail gu bheil an sgioba deiseil agus deònach mu choinneamh an dùbhlain.

Chaidh togail air an ùr-ghnàthachadh againn san t-Samhain 2011, nuair a chuir sinn ar n-ainm ri cunnraidhean togail-shoithichean airson a' chiad aiseag charbadan is thaistealaich tar-chinealach dealain dìosail Roilig Air is Dheth a thogail. Bidh na h-aiseagan sin nuair a thig iad ann an seirbheis ann an 2013 ag ùisneachadh 20% nas lugha de chonnadh agus a' toradh co-dhiù 20% nas lugha de leigeil-fa-sgaoil, na tha soithichean àbhaisteach. Bha gach neach a bha an sàs sa phròiseact gu h-àraid moiteil às an cunnradh a bhith air a bhuileachadh air gàrradh-shoithichean ann an Alba, a' dìon agus a' cruthachadh obraichean ionadail aig àm a tha duilich dhan an eaconamaidh. Tha na soithichean a-nis aig ìre mhath togail agus thathar an dùil gum bi a' chiad tè air a cur air bhog san Dùbhlachd 2012. Tha an sgioba chalaidhean agam, còmhla ri ar com-pàirtichean ann an Comhairle na Gàidhealtachd agus feadhainn eile, a' dèanamh cinnteach gum bi am bun-structar air tìr freagarrach agus deiseil airson na h-adhbhair agus comasach air gabhail ris na soithichean ùra ùr-ghnàthach sin.

Sa Chèitean 2011, thòisich ar soitheach as ùire, MV FINLAGGAN, san t-seirbheis. Bha an toileachas an lùib liubhairt na soithich seo air ìsleachadh nuair a lorgadh ola uisgeach air a thruailleadh anns an t-siostam a bha ag obrachadh na rampaichean agus na deicean gu h-àrd. Gu mì-fhortanach, bha seo a' ciallachadh gun deach an t-soitheach a thoirt a-mach à seirbheis airson grunn sheachdainean gus a dhèanamh comasach càraidhean a chur an gnìomh. Ach a dh'aindeoin sin, tha i air i fhèin a dhearbhadh earbsach agus air a deagh gabhail ris bho thill i air ais ann an seirbheis. Tha na seachdainean an dèidh liubhairt air soitheach a tha neo-shìmplidh gu àrd-ìre an-còmhnaidh dùbhlanach fhad 's a tha na siostaman a' socrachadh, agus bha sinn glè dhuilich mu neo-ghoireasachd sam bith a dh'fhuiling ar luchd-cleachdaidh. Tha sinn air mòran leasanan ionnsachadh bhon seo, agus bithear gan gabhail a-steach do phròiseactan shoithichean san àm ri teachd gus cothrom a lùghdachadh air a leithid tachairt a-rithist.

Ged a bha sinn a' liubhairt àireamh de phròiseactan àrd-ìomhaigheach, bha sinn a' planadh mu choinneamh nam bliadhnaichean a tha romhainn, a' gabhail a-steach leasachadh air sònrachaidhean mionaideach agus a' dleasadh ionmhas ùr-ghnàthach airson soitheach ùr a bhios ann an seirbheis eadar Steòrnabhagh is Ulapul. Tha mòran phlanaichean air an dealbh airson ar calaidhean, a' gabhail a-steach Cuairt 2 ann an Ceann na Creige co-cheangailte ri meudachadh a' phàirce trusaidh agus àrdachadh air a' chabhsair.

Tha sgioba CMAL a' cumail oirre a' fàs agus tràth ann an 2012 chuir sinn fàilte air ar Maighstir Calaidh ùr, Daibhidh McHardie. Thar na bliadhna a tha romhainn, tha coltas ann gum fàs an sgioba nas motha, a' tòiseachadh a' liubhairt barrachd phròiseactan fhad 's a tha an companaidh a' fàs.

San dùnadh, faodaidh sinn coimhead air ais le tòrr math pròis air na tha sinn air a choileanadh ann an suidheachadh ionmhasail a bha air leth dùbhlanach. Tha sinn a' coimhead air adhart gu mòr ris an àm a tha ri teachd.

Guy Platten
Àrd-Oifigear
26 Sultain 2012

Review of the year

April 2011 MV Jupiter sale for recycling

In April, following consultation with the Scottish Government and Cowel Ferries Ltd, CMAL made a decision on the future of the MV Jupiter, which was at the end of its working life. The vessel, which was built at James Lamont and Company yard in Port Glasgow and entered service in 1974, was sent for recycling in accordance with the UK ship recycling strategy.

The MV Jupiter primarily sailed on the Gourock to Dunoon route, but also, on occasion, the Wemyss Bay to Rothesay service and passenger only cruise voyages in and around the Firth of Clyde. The vessel had been laid up in "hot standby" at Roseneath pending a decision.

The MV Jupiter was the oldest of the three "streakers" and only the MV Saturn now remains. Equipment and spares, including engine and gearbox parts, much of which is difficult to source, were removed from the vessel prior to recycling for use on the MV Saturn. The vessel was in possession of a "Green Passport" issued by Lloyd's Register of Shipping, which is an inventory of the materials it is constructed from and has on board as part of its outfit.

Quote:

Andrew Duncan, CMAL Director of Vessels, "The recycling of both the MV Juno in April this year and the MV Jupiter in May demonstrate our ongoing commitment to safeguarding the environment and I can confirm that both vessels were recycled in accordance with all applicable legislation and with reference to International Maritime Organisation Guidelines on ship recycling."

May 2011 Kennacraig Terminal Upgrade Phase 1

The berthing dolphin at Kennacraig was completed and successfully opened for use during the last week of April 2011. Graham Construction also completed all of the marine works to the south berth of the pier, which allowed the ferry services to revert to this berth and use the linkspan.

May 2011 MV Finlaggan delivery

May saw the arrival of MV Finlaggan in Scotland, following a major £24.5M investment project by CMAL last year. This is part of CMAL's long term commitment to providing efficient, cost-effective and safe ferries for remote island communities. The operator of the ship, CalMac Ferries Ltd marked the occasion with an official naming ceremony in Islay, where the MV Finlaggan is the first new ship to serve the Islay to Kennacraig route in almost 40 years.

However, shortly after going into service, a technical issue was reported and MV Finlaggan sailed to ship repairers Cammell Laird to address a fault caused by contaminated oil in the hydraulic system, which powers the bow door, bow ramp, stern ramp and mezzanine deck. The hydraulic cylinders and pumps were sent to a specialist subcontractor where they were stripped down, decontaminated and rebuilt. The MV Finlaggan was able to return to service following the additional completion of some small guarantee defects.

The safety of passengers is of paramount importance and CMAL worked closely with the shipbuilder – Remontowa shipyard, subcontractors and the operator to complete the repairs as quickly as possible, to ensure minimal disruption to the Islay service.

Quote:
Andrew Duncan, CMAL Director of Vessels, "The MV Finlaggan is a wonderful addition to our fleet and will be serving our island communities for many years to come."

June 2011 Coll moorings
Following concerns about the poor conditions of the existing moorings at Coll and subsequent discussions with The Crown Estate, CMAL announced in June that they were installing new visitor moorings to ensure safe mooring facilities for small vessels visiting Loch Eatharna, Arinagour, Isle of Coll. Six visitor moorings were initially installed, suitable for vessels with a displacement of up to 15 tonnes and earlier this year, as part of CMAL's continued investment in harbour development, the number of moorings was increased to 12, with the additional moorings suitable for vessels with a maximum displacement of 10 tonnes.

Quote:
David McHardie, Harbour Master, "Our work to create better facilities in Coll is part of our continued programme of improvements and investment in our £70m property portfolio of piers and harbours at more than 21 locations throughout Scotland.

November 2011 Announcement of Ferguson Shipbuilders to build hybrid ferries
In November, Alex Neil, Cabinet Secretary for Infrastructure & Capital Investment, announced that Ferguson Shipbuilders in Port Glasgow had won the contract to build the world's first sea-going Roll on Roll off vehicle and passenger hybrid ferry, in a deal worth over £20 million. The deal secured around 75 existing jobs in the Inverclyde area and created around 100 more.

The ferries will be built to accommodate 150 passengers, 23 cars or two HGVs, with a service speed of nine knots and are designed for use on many of the short crossing routes around the Clyde and Hebrides and will use some of the most innovative 'green' technology, including battery banks supplying a minimum of 20% of the energy consumed on board. Benefits include reduced fuel consumption and impact of CO^2 emissions and other pollutants, noise reduction and lower maintenance requirements.

The project has been supported by a loan from the Scottish Government and additional funding of £450,000 from the European Regional Development Fund (ERDF).

CMAL anticipates that our first vessel will be completed by the end of the year, with the second following six months later. It is likely that the first ship will initially serve on the Sconser to Raasay route.

Quote:
Guy Platten, CEO, "CMAL is committed to leading the way in innovative ferry design and building for the future and we hope to see the first of these vessels in operation in Spring/Summer 2013."

December 2011 Publication of draft Scottish ferries plan

A draft ferries plan was published in December, with an outline of plans for future ferry services in Scotland. CMAL has worked closely with the Scottish Government to ensure the draft plan focuses on the development and improvement of ferry services, including:

- ways to improve reliability and journey times
- the provision of more vessels and services
- options for funding and procuring services
- delivering ferry services in more environmentally friendly ways
- ensuring best value for money

One of the key areas of the plan is looking at ways to fund and procure ferries in the future and CMAL will be working closely with the government to consider options for short, medium and longer term investment opportunities and how the organisation might access funds in the future, to ensure the provision of modern, reliable vessels and infrastructure for the island communities who rely on them.

The Scottish Government consulted with local communities until March 2012 and the final plan will published later this year.

Quote:
Norman Thomson, Financial Controller, "CMAL contributed extensively to the draft ferries plan and looks forward to working with Transport Scotland in helping to develop the final plan due for publication at the end of 2012. CMAL will continue to explore innovative financing options to enable the necessary investment identified in the draft plan to be realised."

December 2011 CMAL announce Lloyds Banking Group as preferred funder

CMAL announced Lloyds Banking Group as the preferred funder for the potential new vessel between Stornoway and Ullapool and the procurement process for a suitable shipyard commenced.

January 2012 Cutting of the steel on hybrid ferry

Work began on the first hybrid ferry in January, with the cutting of the first steel at Ferguson Shipbuilders. Mrs Marylyn Johnston, wife of CMAL Chairman, Grenville Johnston, pushed the button to start the steel cutting machine, marking the official commencement of the build.

The event was attended by the Minister for the Environment and Climate Change, Stewart Stevenson, and a range of partners and dignitaries. Mr Stevenson commented that CMAL's use of cleaner, greener technology was an excellent example of what businesses need to be doing across the board to reduce emissions and meet Scotland's climate change targets.

Ferguson Shipbuilders will be working alongside Glasgow based ship design specialists Seatec and electrical specialists Tec-Source to deliver the project and the detailed design and the construction in Scotland of the world's first battery operated sea-going vessel highlights Scotland as a major player in the modern world.

Quote:

James Anderson, Electro-Technical Superintendent, "The cutting of the first steel marks an exciting stage of the project and we look forward to seeing the ship developing over the rest of 2012."

February 2012 Chief Executive Award Nomination

CMAL Chief Executive, Guy Platten, was recognised by the Institute of Directors Scotland when he was shortlisted in the Director of the Year Scotland Awards in two categories: the Glasgow and West of Scotland Regional Development Director Award and the Public Sector Award.

March 2012 Port Ellen pier reconstruction update

In March CMAL was able to announce that the Port Ellen, Islay, pier reconstruction was scheduled to be finished in June 2012. Port Ellen was closed to ferry traffic in April 2011, but remained open to fishing and leisure vessels on the fish quay and the inner harbour.

Despite challenging weather conditions, CMAL was able to accommodate the regular berthing and unloading of the grain delivery boat at Port Ellen and we worked with Diageo to transfer grain to the island by truck and ferry when necessary, to reduce disruption to the construction programme.

Local materials played a big part in the reconstruction of Port Ellen, for example, rock from Islay was used for infill rock material at the harbour. The contractor, McLaughlin & Harvey, also used local Islay and Jura sub-contractors to undertake various sections of the project.

The project was delivered on budget and is now fully operational.

Quote:

Lorna Spencer, Director of Harbours said: "CMAL was committed to completing the works at Port Ellen as quickly as possible and we are delighted that the project is now complete."

Directors' Report

The Directors have pleasure in submitting their Report and financial statements for the year ended 31 March 2012.

Structure

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

Basis of Preparation of Financial Statements

The Company is preparing its accounts in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union.

Results

During the year the Company generated revenue of £19,334,000 (2011: £15,788,000) in line with expectations, which resulted in a net loss after tax of (£5,734,000) (2011: (Loss) £(4,982,000)).

Principal Activity and Business Review

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

Cash resources decreased over the year due to final payment being made for MV Finlaggan; contract stage payments for the two Hybrid diesel electric vessels being built at Ferguson Shipbuilders Ltd, and payments on the modification and refurbishment works at Kennacraig and Port Ellen. Additionally significant costs were incurred on essential harbour maintenance work.

The Company continues to make 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 £2,585,000 were made during the year.

The Board continues to examine carefully existing practices in order to find more efficient and cost effective ways of improving and maintaining its fleet of vessels and other assets. In the opinion of the Directors, the state of affairs of the Company is satisfactory.

Political and Charitable Donations

The Company made no political or charitable donations during the year (2011: £nil).

Employees

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

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

GS Johnston *xx	- Appointment period to 30 April 2014 (Chairman)
E Østergaard **x	- Appointment period to 30 April 2014
K MacLeod *x	- Appointment period to 30 April 2014
M Forrest *x	- Appointed 1 August 2011. Appointment period to 31 July 2014
A Whyte*x	- Appointed 1 August 2011. Appointment period to 31 July 2014
G S Platten	- Chief Executive
A J Duncan	- Director of Vessels
L E Spencer	- Director of Harbours

* - Member of Audit Committee
** - Chairman of Audit Committee
x – Member of Remuneration Committee
xx – Chairman of Remuneration Committee

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

None of the Directors had any beneficial interest in the share capital of the Company at any time during the year.

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

Events after the balance sheet date
Subsequent to the year end, the Company entered into an operating lease arrangement with Lloyds Banking Group to procure a new vessel for use on the Stornoway to Ullapool route. The lease agreement is for a period of eight years from the delivery of the vessel.

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

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

By order of the Board

Guy Platten
Director

26 September 2012

Municipal Buildings
Fore Street,
Port Glasgow
PA14 5EQ
Company no SC001854

Report on Corporate Governance

The Company is committed to high standards of corporate governance, business integrity and professionalism in all its activities. Throughout the year ended 31 March 2012, the Company has complied with all the relevant provisions of the Combined Code issued by the Committee on Corporate Governance in June 1998 (notwithstanding that the Company is not a listed company to which the provisions are directed) insofar as these have not been superseded by the provisions of the revised Combined Code. In addition, the Company has complied with the provisions set out in The UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 ("the revised code") with the following exceptions:

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

Board of Directors

The Board is the principal decision-making forum for the Company. It has overall responsibility for leading and controlling the Company and is accountable to the Company's sole shareholder, the Scottish Ministers, for financial and operational performance. The Board approves Company strategy and monitors performance. The Board has adopted a formal schedule of matters specifically reserved for its decision, which is reviewed on an annual basis.

The Board meets on a regular basis, at least ten times a year. Board Meetings are structured to allow open discussion and all Directors participate in discussing the Company's strategic aims and performance and financial and risk management. The Board is supplied with comprehensive information in advance of each Board Meeting, including financial and operational reports covering the Company's business activities. Members of the senior management of the Company regularly attend and make presentations at Board Meetings. A representative of the Company's sole shareholder attends each Board Meeting.

Board Balance and Independence

At 31 March 2012, the Board comprised of five Non-Executive Directors (including the Chairman) plus three Executive Directors (including the Chief Executive). The Board considers that, based on the criteria set out in the provisions of the revised Code, all Non-Executive Directors are independent.

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

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

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

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

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

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

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

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

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

Internal Control
The Board is responsible for the Company's system of internal control and for reviewing its effectiveness in order to safeguard the Shareholder's investment and the Company's assets. The system is designed to provide reasonable, but not absolute assurance against material mis-statement or loss. In accordance with guidance issued in the document "Internal Control: Guidance for Directors on the Combined Code" which was published in September 1999 (the Turnbull guidance) procedures are in place to ensure that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which is subject to regular review by the Board. These procedures have been in place throughout this financial year and up to the date of approval of the Annual Report and Financial Statements.

The Key Elements of the System of Internal Control are as follows:
Control Environment
The Company's control environment is the responsibility of the Directors. The Company's organisational structure has clear lines of responsibility and effective communication channels which ensures that best practice in managing risks and controls is consistently applied.

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

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

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

The Company's external auditors present reports to the Audit Committee, which include any significant internal control matters which they have identified.

Identification and Monitoring of Business Risks
The Company has adopted a risk-based approach to internal control through evaluating the likelihood and impact of risk, and resting responsibility for risk management and control in a designated owner. Procedures include an ongoing process of identifying, evaluating and managing the Company's key risks and, where appropriate, enhancing the systems which manage these risks. Regular review of the risks and 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 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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, 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
- Prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

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

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

Report on Remuneration Matters

Remuneration of Directors who served during the year, is as follows:-

	Salary	Fees	Bonus	Benefits in kind *	Total 2012	Total 2011
	£000	£000	£000	£000	£000	£000
Non-Executive Directors						
G S Johnston	-	17	-	-	17	17
E Østergaard	-	11	-	-	11	14
K MacLeod	-	7	-	-	7	7
M Forrest	-	5	-	-	5	-
A Whyte	-	5	-	-	5	-
Executive Directors						
G S Platten	94	-	-	6	100	99
A J Duncan	75	-	-	6	81	80
L E Spencer	75	-	-	7	82	80
	244	45	-	19	308	297

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

In line with policy applying throughout public sector employers, the remuneration of the Chief Executive, GS Platten has been frozen for the year and bonus arrangements have been withdrawn.

Performance bonuses for other executive Directors and staff, which were deemed part of the terms and conditions of employment, were withdrawn for 2012.

E Østergaard's appointment allows for a minimum commitment of two days per month. Fees paid reflect the actual number of days undertaken on Company business.

The Executive Directors are members of the CalMac Pension Fund and their retirement benefits for the year to 31 March 2012 are as follows:

	Accrued Pension		Transfer Value		
Director	At 31 March 2012	Increase in Pension	At 31 March 2012	At 31 March 2011	Increase, net of members' Contributions
	£	£	£	£	£
G S Platten	6,883	1,559	85,810	50,102	30,098
A J Duncan	5,584	1,327	92,439	57,698	30,256
L E Spencer	5,559	1,343	69,154	39,705	25,007

	2012	2011
Band of Highest Paid Directors' Total	£100,000 to £105,000	£95,000 to £100,000
Remuneration		
Median total	£53,101	£51,123
Ratio	1.87	1.93

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the year was £100,000 - £105,000 (2011: £95,000 - £100,000). This was 1.87 times (2011: 1.93 times) the median remuneration of the workforce, which was £53,101 (2011: £51,123).

In 2012, no employees received remuneration in excess of the highest paid director (2011: nil).

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

We have audited the financial statements of Caledonian Maritime Assets Limited for the year ended 31 March 2012 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, 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 directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 20, 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
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Statement, the CEO's Statement, the Review 2011 – 2012, the report on remuneration matters and the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its loss 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 Chairman's Statement, the CEO's Statement, the Review 2011 – 2012, the report on remuneration matters and the Directors' Report 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

26 September 2012

Statement of Comprehensive Income

For the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Revenue	**6**	19,334	15,788
Cost of Sales	**7**	(18,161)	(13,993)
Gross Profit		1,173	1,795
Administrative Expenses	**7**	(3,006)	(3,136)
Operating (Loss)		(1,833)	(1,341)
Interest Receivable	**7**	63	94
Interest Payable	**7**	(3,040)	(1,967)
Other Finance Costs	**7**	12	(385)
		(2,965)	(2,258)
(Loss) on Ordinary Activities before Taxation		(4,798)	(3,599)
Taxation			
Tax Charge for the year	**8**	(936)	(1,383)
(Loss) for the Financial Year		**(5,734)**	**(4,982)**
Other comprehensive (expense)/income			
Actuarial (loss)/gain recognised in the pension scheme	**19**	(16,622)	2,241
Age related rebates recognised in the pension scheme	**19**	976	288
Tax movement relating to the actuarial gain/(loss)	**19**	3,053	(1,389)
Other Employers' contribution to pension deficit	**19**	1,588	1,265
Gain on revaluation of Property, Plant & Equipment and Investment Property	**10**	8,159	8,289
Other comprehensive(expense)/income for the year, net of tax		**(2,846)**	**10,694**
Total Comprehensive (Expense)/Income for the Year		**(8,580)**	**5,712**
Loss attributable to:			
Owners of the company		**(5,734)**	**(4,982)**
Total comprehensive (expense)/income attributable to:			
Owners of the company		**(8,580)**	**5,712**

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

Statement of Financial Position

As at 31 March 2012		**2012**	**2011**
Assets	**Note**	**£'000**	**£'000**
Non-current assets			
Property, Plant & Equipment	**10**	203,321	196,412
Investment Property	**10**	1,551	1,548
Investments	**11**	750	750
Total non-current assets		205,622	198,710
Current assets			
Trade and Other Receivables	**12**	962	4,624
Cash at Bank and in Hand	**15**	17,943	23,011
Total current assets		18,905	27,635
Total assets		**224,527**	**226,345**
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		84,588	76,734
Retained Earnings		(44,624)	(28,190)
Total equity attributable to owners of the company		68,764	77,344
Non-current liabilities			
Other payables	**14**	66,897	63,771
Capital Grants	**16**	49,593	51,017
Net Pension Liability	**19**	22,283	11,838
Deferred tax provision	**17**	6,404	5,644
Total non-current liabilities		145,177	132,270
Current liabilities			
Trade and other payables	**13**	10,586	16,731
Total liabilities		155,763	149,001
Total equity and liabilities		**224,527**	**226,345**

These financial statements were authorised for issue by the Board of Directors on 26 September 2012 and were signed on its behalf by;

Grenville Johnston
Chairman

Statement of Changes in Equity

For the Year Ended 31 March 2012

	Share capital £'000	Distributable Capital Contribution reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Total £'000
Balance at 31 March 2010	15,000	13,800	(25,613)	68,445	71,632
Loss for the year	-	-	(4,982)	-	(4,982)
Other comprehensive income for the year	-	-	2,405	8,289	10,694
Balance at 31 March 2011	15,000	13,800	(28,190)	76,734	77,344
Revaluation surplus transferred to retained earnings on disposal of asset	-	-	305	(305)	-
Loss for the year	-	-	(5,734)	-	(5,734)
Other comprehensive (expense)/income for the year	-	-	(11,005)	8,159	(2,846)
Balance at 31 March 2012	**15,000**	**13,800**	**(44,624)**	**84,588**	**68,764**

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

Statement of Cash Flows

For the Year ended 31 March 2012

	2012	2011
	£'000	**£'000**
Cash Flows From Operating Activities		
Revenue Receipts	18,963	16,806
Cash Payments for:		
Cost of sales	(5,889)	(4,468)
Pension deficit	(2,585)	(2,434)
Direct pay costs	(1,083)	(863)
General operating and administrative expenses	(998)	(1,606)
	(10,555)	(9,371)
Cash generated by operating activities	8,408	7,435
Interest Paid	(2,672)	(2,398)
Net cash generated by operating activities	**5,736**	**5,037**
Cash flows from investing activities		
Interest received	96	80
Cash receipts in respect of capital grants	1,479	4,577
Cash receipts from sale of assets	65	-
Payments to acquire property, plant and equipment	(21,467)	(9,924)
Net cash (used in) investing activities	**(19,827)**	**(5,267)**
Cash flows from financing activities		
Loans received	11,530	9,200
Loans repaid	(2,507)	(2,038)
Capital contribution received	-	-
Net cash generated by financing activities	**9,023**	**7,162**
Net (decrease)/ increase in cash and cash equivalents	**(5,068)**	**6,932**
Cash and cash equivalents at the beginning of the year	**23,011**	**16,079**
Cash and cash equivalents at the end of the year	**17,943**	**23,011**
Comprising:-		
Cash and bank balances	**17,943**	**23,011**

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 15.

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.

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 1	Presentation of Financial Statements
IAS 24	Related Party Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC 14 – IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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 12	Income Taxes
IAS 19	Defined Benefit Schemes
IAS 28	Investments in Associates and Joint Ventures
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 7	Financial Instruments: Disclosures
IFRS 9	Financial Instruments
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

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) Non-Current Assets

Operational Assets

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 on other 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 25 years
Office equipment – over 3 years

Vessels (cont'd)
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. 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 relating to that asset; all other decreases are charged to the income statement. Increases that offset previous decreases charged to the income statement on the same asset are credited to the income statement to the extent of previous decreases and subsequently to other comprehensive income. When assets are sold, any amounts included in other comprehensive income in respect of previously recognised surpluses are transferred to net earnings.

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 incomes relate 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.

(h) Current and deferred tax (cont)
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 balance sheet 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.

(j) Financial instruments
The Company classifies its financial assets in the following category. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

(k) Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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.

(l) Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost.

(m) Trade receivables
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.

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

(o) Share capital
Ordinary shares are classified as equity.

(p) 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.

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.

6. Revenue

Revenue represents gross revenue stated net of value added tax and is made up as follows:	2012	2011
	£'000	£'000
Vessel Charter Fee	16,046	12,905
Harbour access charge raised against operator	1,936	2,157
Property & equipment licence fee from operator	186	196
Revenue from harbour dues	163	159
Rental income from properties not required for harbour operations	165	164
Other cost recoveries and contributions	838	207
	19,334	**15,788**

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

7. Loss on Ordinary Activities before Tax

The Loss is stated after charging/(crediting):	2012 £'000	2011 £'000
Auditors' remuneration		
- Audit of these financial statements	24	24
- Other services relating to accounting and taxation	11	2
- Services relating to corporate finance transaction entered into or proposed to be entered into by or on behalf of the Company	-	-
Depreciation of property, plant and equipment (Note 10)	14,503	12,378
Staff Costs (Note 9)	2,062	1,732
Interest payable – Loans	2,547	1,967
Interest on MNOPF deficit contribution	493	
Interest Received on Bank Balances	(63)	(94)
Operating Lease Costs - Land & Buildings	337	332
Release of capital grants (Note 16)	(2,903)	(2,893)
Loss on sale of assets	52	-
Other finance costs - expected return on pension scheme assets	(5,354)	(4,542)
- interest on pension scheme liabilities	5,342	4,927
	(12)	385

8. Taxation

The tax charge for the year is made up as follows:	2012 £'000	2011 £'000
Corporation Tax		
UK corporation tax on loss for the year at 26% (2011: 28%)	-	-
Deferred Tax		
Increase in deferred tax provision (note 17)	760	1,289
Deferred tax in relation to pensions	176	94
Total deferred tax charge	936	1,383
Tax charge on loss on ordinary activities	**936**	**1,383**

The tax assessed for the period differs from the standard rate of corporation tax of 26% (2011: 28%)
The differences are explained below:

(Loss) on ordinary activities before tax	(4,798)	(3,599)
UK corporation tax at 26% (2011: 28%)	(1,247)	(1,008)
Effects of:		
Expenses/(Income) not allowable for tax purposes	807	(362)
Movement in deferred tax in relation to pensions	(176)	(94)
Movement in deferred tax on losses recognised	(113)	871
Effect of change in tax rate	729	593
	-	**-**

9. Employee Information

Staff Costs (including Directors)	2012 £'000	2011 £'000
Wages & salaries	791	714
Social security costs	95	71
Ongoing pension contributions	122	99
Pension contributions towards past deficits – other schemes (see below)	881	783
Staff related costs	210	134
	2,099	1,801
Employee costs included above allocated to capital projects	37	69

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	2012 No.	2011 No.
Average number of employees, including Directors		
Administrative	19	17

10. Property, plant and equipment and investment property

	Investment Property	Other Property	Piers, Slipways & Linkspan Facilities	Vessels	Office Equipment	Payments on account and assets in construction	TOTAL
COST OR VALUATION	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2010 restated	1,622	4,712	149,833	107,041	23	14,869	278,100
Additions	-	-	17	1,307	3	15,750	17,077
Revaluation increase / (decrease)	(74)	(113)	(17)	8,493	-	-	8,289
Balance as at 1 April 2011	1,548	4,599	149,833	116,841	26	30,619	303,466
Additions	-	-	10	1,198	-	12,165	13,373
Transfers	74	(74)	6,000	25,421	-	(31,421)	-
Disposals	-	-	-	(305)	-	-	(305)
Revaluation increase / (decrease)	(71)	-	-	(22,355)	-	-	(22,426)
Balance as at 31 March 2012	1,551	4,525	155,843	120,800	26	11,363	294,108
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as at 1 April 2010 restated	-	92	83,981	9,036	19	-	93,128
Depreciation expense	-	94	2,479	9,800	5	-	12,378
Balance at 1 April 2011	-	186	86,460	18,836	24	-	105,506
Transfers	11	(11)	-	-	-	-	-
Disposals	-	-	-	(188)	-	-	(188)
Depreciation expense	_	91	2,485	11,926	1	-	14,503
Revaluation Adjustment	(11)	-	-	(30,574)	-	-	(30,585)
Balance as at 31 March 2012	-	266	88,945	-	25	-	89,236
Carrying Amounts							
Balance as at 31 March 2011	1,548	4,413	63,373	98,005	2	30,619	197,960
Balance as at 31 March 2012	1,551	4,259	66,898	120,800	1	11,363	204,872
Carrying amount under cost model							
Balance as at 31 March 2011	-	4,538	27,902	68,326	2	30,619	131,387
Balance as at 31 March 2012	-	4,397	32,570	88,512	1	11,363	136,843

Included in the cost of Assets in Construction is £8,163 (2011: £1,156,400) of interest arising on the financing of a new vessel. Interest has been calculated at 3.82% (2011: rates ranging from 3.90% to 5.02%).

Investment Property assets were valued at 31 March 2011 and 2012 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 cost/valuation is as follows:

	2012	2011
	£'000	£'000
Investment Properties		
Land	576	562
Buildings	975	986
	1,551	**1,548**

Other Property assets were valued at 31 March 2011 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 cost/valuation is as follows:

Other Property Assets		
Land	2,525	2,547
Buildings - freehold	1,963	2,015
Buildings - leasehold	37	37
	4,525	**4,599**

Piers, slipways and linkspan facilities were valued at 31 March 2011 by Halcrow Group Ltd, Consulting Engineers, on a depreciated replacement cost basis and cost/valuation is as follows:

	2012	2011
	£'000	£'000
Piers and slipways	114,313	108,303
Linkspan facilities	41,530	41,530
	155,843	**149,833**

Ships were valued at 31 March 2011 and 2012 by Simsonship AB, shipbrokers of Stockholm, Sweden on a market value basis and had a total value of:

	2012	2011
	£'000	£'000
Vessels	**120,800**	**98,005**

Capital Commitments	2012	2011
No provision has been made in these accounts for:	£'000	£'000
Outstanding capital commitments contracted for amounting to:	17,841	6,028
Capital Grants receivable in respect of these commitments amounting to:	-	-

11. Investments

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

Northlink Orkney & Shetland Ferries Ltd prepared its latest accounts to 6 July 2011; the following summary financial statements extracted from the audited accounts for the year to 6 July 2011 and from unaudited management accounts for the period to 31 March 2012, show the Company's proportionate share of the results for those periods and the balance sheet at these dates:

	Period to 31/03/2012	Year to 06/07/2011
Profit & Loss Account	**£000**	**£000**
Turnover	-	-
Operating Expenditure	(6)	(16)
Gross Loss	(6)	(16)
Exceptional other operating income	6	16
Operating Profit	-	-
Interest receivable	2	2
Profit on ordinary activities before taxation	2	2
Taxation	-	-
Profit for the financial period/ year	**2**	**2**

	At 31 March 2012	At 6 July 2011
Balance Sheet	**£000**	**£000**
Current Assets		
Debtors and Prepayments	1	12
Cash and Bank	1,042	1,031
	1,043	1,043
Creditors		
Amounts falling due within one year	(4)	(6)
Net assets attributable to the Company	1,039	1,037
Represented by		
Share capital	750	750
Profit & loss account	289	287
Shareholders' Funds attributable to the Company	**1,039**	**1,037**

It is the intention of the Directors of Northlink Orkney & Shetland Ferries Limited to effect a solvent winding up of the company as soon as possible, and on the basis of all the information available to them, the Directors of Caledonian Maritime Assets Ltd are of the opinion that the investment should be held at £750,000 (Note 20).

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

12. Trade and other receivables

	2012	2011
	£'000	£'000
Trade receivables	57	65
Prepayments and accrued income	905	559
Loan Drawdown on Vessel New Build	-	4,000
	962	**4,624**

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 bad debt provision of £6,850 (2011: £6,850) was held against receivables.

13. Trade and other payables

	2012	2011
	£'000	£'000
Loans (note 14)	3,018	2,507
Trade payables	1,276	851
Other creditors and accruals	6,292	13,373
	10,586	**16,731**

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

	2012	2011
	£'000	£'000
Unsecured Vessel Loans not wholly repayable within five years, repayable in half yearly instalments	61,831	56,808
Less Repayable within twelve months (note 13)	(3,018)	(2,507)
	58,813	54,301
Other Creditors	8,084	9,470
	66,897	**63,771**
Instalments on the loans included above are repayable as follows:		
Between one and two years	3,148	2,976
Between two and five years	9,541	8,832
After five years	46,124	42,493
	58,813	**54,301**

Unless authorised by Scottish Ministers, the company can borrow only from Scottish Ministers. At 31 March 2012 the Company had 12 loans outstanding (2011: 11) all repayable to Scottish Ministers at interest rates ranging from 3.82% to 8.57%. 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.

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:

Currency	Total		Floating Rates		Fixed Rates		Weighted Average Interest rate		Weighted Average Period until maturity	
Sterling	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	£'000	£'000	£'000	£'000	£'000	£'000	%	%	Years	Years
Loans	61,831	56,808	-	-	61,831	56,808	5	5	21	21
Cash	(17,943)	(23,011)	-	-	-	-	-	-	-	-
Net Borrowing	**43,888**	**33,797**	**-**	**-**	**61,831**	**56,808**	**5**	**5**	**21**	**21**

All the Company's borrowings are at fixed rates of interest. The fair value of these loans at 31 March 2012 ascertained through discounting the future cash flows at the National Loans Fund rate was £66,138,000 (2011: £54,770,000)

(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 (2011: £3,000,000) and other liquid assets of £17,943,000 (2011: £20,011,000).

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to maturity at the balance sheet 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 2012				
Borrowings	3,018	3,148	9,541	46,124
Trade & other payables	6,519	175	-	-
At 31 March 2011				
Borrowings	2,507	2,976	8,832	42,493
Trade & other payables	13,252	496	-	-

(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.

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 ongoing 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. Subsequent to the balance sheet date the Company entered into an operating lease to procure a new vessel for delivery in 2014. This exposes the Company to a foreign currency risk and the directors have taken appropriate measures to minimise this risk. Apart from this operating lease 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, currently CalMac Ferries Ltd who have a public service contract with Scottish Ministers. This contract expires on 30 September 2013 and will be re-tendered. As a condition of the new contract, the operator will be required to charter the vessels from the company. It is envisaged the new contract will run for a period of six years.

16. Capital Grants

	2012	2011
	£'000	£'000
Balance at 1 April	51,017	49,595
Grants Received and receivable	1,479	4,315
Less: released to statement of comprehensive income	(2,903)	(2,893)
Balance at 31 March	**49,593**	**51,017**

17. Provisions for Liabilities and Charges

Deferred Tax

	2012	2011
The main components of deferred tax at 24% (2011: 26%) are:	£'000	£'000
Accelerated capital allowances	16,278	16,113
Other timing differences	(1,840)	(2,322)
Trading losses	(8,034)	(8,147)
Balance at 31 March	**6,404**	**5,644**

18. Share Capital

	2012	2011
	£'000	£'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:

	2012	2011
	£'000	£'000
Ongoing Contributions		
Company Scheme	113	91
Other Schemes	9	8
Contributions towards past deficits		
Other Schemes	881	783
	1,003	**882**

Company defined benefit scheme

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

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

A full actuarial valuation was undertaken at 6 April 2009. Assumptions which have the most significant effect on the results of the valuation are those relating to;

a) rate of return on investments
   6.75% pre retirement funds
   5.25% retirement funds
b) rate of increase in salaries and pensions
   Increase for current employees – 4.0% for 3 years, 4.5% thereafter
   increase for retired members – 3.5% on pre 2005 non GMP benefits; 2.8% on post 2005 non GMP benefits and post 1988 GMP benefits, 0% on pre 1988 GMP benefits
   Increase for former employees – 3.5%
c) Improvements in life expectancy since the last actuarial valuation have resulted in approximately a 2% increase in liabilities.

The valuation showed the market value of the schemes assets as £44,591,000 and that the actuarial value of those assets represented 61.5% of the benefits accrued to members. The 2009 actuarial valuation identified a shortfall in funding of £28million.

The triennial actuarial valuation exercise at 6 April 2012 has commenced, but has not been finalised.

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

Financial Statement
The information disclosed below is in respect of the CalMac Pension Fund for which the Company is the sponsoring employer. For the purposes of accounting disclosure requirements of IAS19 Employee Benefits, the latest actuarial valuation carried out at 6 April 2009 was updated to 31 March 2012 by a qualified independent actuary.

The amounts recognised in the statement of financial position are as follows

	2012 £'000	2011 £'000
Present Value of funded liabilities	(114,298)	(91,980)
Fair value of scheme assets	84,979	75,983
Deficit	(29,319)	(15,997)
Related deferred tax asset	7,036	4,159
Net liability	**(22,283)**	**(11,838)**

Changes in the present value of the defined benefit liabilities

At 1 April	91,980	84,625
Current service cost – Caledonian Maritime Assets Ltd	113	91
Current service cost - Others	5,021	4,641
Employee contributions	1,643	1,493
Interest cost	5,342	4,927
Actuarial losses/(gains)	13,583	(1,200)
Benefits paid	(3,384)	(2,597)
At 31 March	**114,298**	**91,980**

Changes in the fair value of the scheme assets

At 1 April	75,983	64,475
Expected return	5,354	4,542
Actuarial (losses)/ gains	(3,039)	1,041
Employer contributions	8,422	7,029
Employee contributions	1,643	1,493
Benefits paid	(3,384)	(2,597)
At 31 March	**84,979**	**75,983**

Amounts recognised in the statement of comprehensive income

	2012 £'000	2011 £'000
Current service cost	113	91
Interest cost	5,342	4,927
Expected return on pension scheme assets	(5,354)	(4,542)
Total	**101**	**476**

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

	2012	2011
	£'000	£'000
Staff costs	113	91
Other finance costs	(12)	385

The total amount recognised in the statement of comprehensive income in respect of actuarial (losses) and gains is £ (16,622,000); (2011 £2,241,000).

Cumulative actuarial (losses)/gains reported in the statement of comprehensive income are (£43,017,000); (2011 £ (26,396,000)).

The fair value of scheme assets as a percentage of total scheme assets and the return on those assets were:	2012	2011
	%	%
Equities	62.9	62.7
Bonds	18.5	17.6
Property	7.7	8.4
Other	10.9	11.3
	£'000	£'000
Actual return on scheme assets	2,316	5,872

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

	2012	2011
	%	%
Equities	7.50	7.50
Bonds	3.80	5.00
Property	6.50	6.50
Other	2.00	1.50

Principal actuarial assumptions at the year end were:	2012	2011
	%	%
Discount rate at 31 March	4.90	5.70
Expected return on scheme assets at 31 March	6.10	6.75
Future salary increases – 2011/12	-	3.60
Future salary increases – 2012/13	2.00	4.60
Future salary increases – 2013/14 and thereafter	4.25	4.60
Future pension increases	3.40	3.60

	2012	2011
Post retirement mortality	SAPS tables with 1.0% underpin rated up by 2 years with long cohort birth year projections	SAPS tables with 1.0% underpin rated up by 2 years with long cohort birth year projections

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

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of defined benefit liabilities	(114,298)	(91,980)	(84,625)	(61,052)	(58,188)
Fair value of scheme assets	84,979	75,983	64,475	44,590	50,478
Deficit	**(29,319)**	**(15,997)**	**(20,150)**	**(16,462)**	**(7,710)**
Experience adjustment on scheme liabilities	499	(406)	(4,108)	(1,911)	259
Experience adjustment on scheme assets	(3,039)	1,041	11,076	(14,388)	(7,515)

The Company expects to contribute approximately £850,000 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. Additional contributions are received into the fund in the form of age related rebates.

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

The Trustee decided that the employers will meet the deficit by paying additional contributions from September 2010 to September 2020. The Trustee has decided the payment terms for each employer in accordance with the Trustee's Contribution Collection policy. Full provision was made in the 2010 accounts for £7,237,000 representing the Company's share of the deficit. This deficit is being repaid by half yearly instalments until September 2020. The joint contribution rate required to fund future benefits for Active Members is 25% of Post 2000 Pensionable Salaries. This rate came into effect from 1 October 2010, with employers paying 15.5% and Active Members paying 9.5% of Post 2000 Pensionable Salaries. The triennial actuarial valuation exercise at 31 March 2012 has commenced, but has not been finalised.

The MNRPF is a closed scheme and the latest full triennial actuarial valuation as at 31 March 2011, carried out by the Fund actuary, showed that the scheme was in deficit of £212 million. The valuation showed that the market value of assets was 76% of the value of benefits accruing to members allowing for future increases (2008 valuation, deficit of £175 million, 78% funding level).

In July 2010 the High Court decided that the Rules of the Fund can 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 is working with its professional advisers to consider the terms of a new employer contribution rule and what consequential amendments to the Rules might be appropriate.

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

In addition, the Trustee has been working on the identification of the Participating Employers and their current status, and the Fund administrators have been working on how to calculate percentage liability shares for the widened pool of Participating Employers.

It is anticipated that the Trustee Board will be in a position in the Autumn to reach a decision on the new regime, subject to consultation with the Participating Employers. In the meantime, the existing Recovery Plan in respect of the 2008 actuarial valuation will remain in place which specifies the annual contributions towards the deficit required from participating employers for the period to 2021, until an updated Recovery Plan following the 2011 actuarial valuation is introduced.

In accordance with International Accounting Standard 37: Provisions, contingent liabilities and contingent assets, as a reliable estimate of the company's future obligation cannot currently be derived, no provision has been made in the financial statements for deficit repair contributions in respect of the 2008 or 2011 actuarial valuations. As noted previously the amounts payable by the Company in respect of past deficits are determined, to some extent, by the level of contributions made by other participating employers and on the basis of the consultation in progress, potentially widening the group of employers held liable to past deficits, the company's share of the deficit is likely, based on correspondence from the Fund Trustee, to reduce therefore introducing the element of unpredictability in assessing a reliable estimate of the company's exposure (see note 22).

The amounts payable by the Company during the current and previous financial years are shown earlier in this note under 'Other schemes – contributions towards past deficits'.

The 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

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

Land and buildings	**2012**	**2012**	**2011**	**2011**
	£'000	**£'000**	**£'000**	**£'000**
	Land	**Buildings**	**Land**	**Buildings**
Payable within one year	171	191	153	182
After one year but less than five	681	756	642	751
After more than five years	1,979	2,183	2,064	2,408
	2,831	**3,130**	**2,859**	**3,341**

Other	**2012**	**2011**
	£'000	**£'000**
Payable within one year	34	34
After one year but not more than five	23	52
	57	**86**

In providing harbour and pier facilities in support of lifeline ferry services, the Company leases land and buildings at various locations throughout the West of Scotland. Other leases are in respect of vehicles and office equipment. The company does not have the option to purchase the leased assets at the expiry of the lease terms.

Subsequent to the year end, the Company entered into an operating lease arrangement to procure a new vessel. The lease agreement will be for a period of eight years from the delivery of the vessel scheduled for June 2014. The actual lease cost is dependent on a number of factors such as currency exchange rates and interest rates which will vary over the intervening period. The Company is examining ways in which to minimise any risks arising from these fluctuations.

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

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

Property, Plant and Equipment	**2012**	**2012**	**2011**	**2011**
	£'000	**£'000**	**£'000**	**£'000**
	Investment property	**Vessels**	**Investment property**	**Vessels**
Receivable within one year	153	19,538	158	11,781
After one year but less than five	247	3,343	333	19,507
After more than five years	602	-	617	-
	1,002	**22,881**	**1,108**	**31,288**

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:

	2012 £'000	2011 £'000
Capital Grants received and receivable	1,479	4,315
Grant in Aid received and receivable	698	-
Loans received and receivable	7,530	13,200
Loans repaid	2,507	2,038
Interest paid and payable	2,547	1,699
Interest on vessel new build	101	614
Balance of loans due at 31 March	61,831	56,808

The respective amounts due to and from NorthLink Orkney & Shetland Ferries Ltd at 31 March 2012 was nil (2011: £nil).

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

	Sold to /(purchased from) David MacBrayne Group		Owed by /(owed to) David MacBrayne Group	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Vessel Leasing Charges	16,016	12,877	-	-
Harbour Access Charges / Property Licence	1,861	2,157	8	-
Property & Equipment Licence	186	196	-	-
Rent	98	98	-	-
Provision of Staff	76	74	-	6
Vessel Green Passport Costs	21	47	-	47
Repair Costs Recoveries	171	-	115	-
Vessel Upgrades & Modifications	(1,200)	(1,300)	(1,200)	(1, 200)
Ferry Travel Costs	(6)	(6)	(1)	-

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

22. Contingent liability

Further to the information disclosed within note 19 to these financial statements, in accordance with International Accounting Standard 37: Provisions, contingent liabilities and contingent assets, as a reliable estimate of the company's future obligations arising from the MNRPF 2008 and 2011 actuarial valuations cannot currently be derived, no provision has been made in these financial statements.

As detailed in note 19 the amounts payable by the Company in respect of past deficits are determined, to some extent, by the level of contributions made by other participating employers and on the basis of the consultation in progress, potentially widening the group of employers held liable to past deficits, the company's share of the deficit is likely, based on correspondence from the Fund Trustee, to reduce therefore introducing the element of unpredictability in assessing a reliable estimate of the company's exposure.

Corporate Information

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