CALEDONIAN MARITIME ASSETS ANNUAL REPORT AND ACCOUNTS 2013

company number: SC001854

Caledonian Maritime Assets Limited owns the ferries, ports, harbours and infrastructure necessary for vital ferry services serving the West coast of Scotland and the Clyde Estuary.

We are wholly owned by the Scottish Government with Scottish Ministers the sole shareholders. The Caledonian Maritime Assets Limited Board have an executive management team and supporting staff at headquarters in Port Glasgow.

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

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Chairman's Statement

For the year ended 31 March 2013

CMAL has now been operational for six years and the company has achieved a huge amount to deliver our mission to provide, safeguard and develop the ferries and harbours under our control. As with other public bodies, we are operating in a fiscally challenging environment, however this year we have once again managed significant investment in the asset base to fulfill our mission.

At the end of June we signed a lease with Lloyds Banking Group to finance a new ferry for service on the Stornoway to Ullapool route. The ship will be built by Flensburg Schiffbau Gessellschaft and will be launched in February 2014.

In December we launched the MV HALLAIG – the world's first roll-on roll-off sea going diesel electric passenger and vehicle hybrid ferry. I was very proud to be at Ferguson Shipbuilders Ltd in Port Glasgow to see Nicola Sturgeon, Deputy First Minister of Scotland, launch the vessel with a bottle of Talisker whisky to honour the first route for the ferry between Skye and Raasay. The second ferry, the MV LOCHINVAR, was launched in May 2013 and we will see both ferries in service later in 2013.

We continue to make significant investment in our harbours, tackling long standing maintenance issues, as well as completing a new pier at Port Ellen. I had the honour of officially opening the new pier on a glorious sunny day in August 2012, the highlight being the wonderful singing from Port Ellen Primary School pupils. Significant planning work is well underway for a number of large scale harbour investment projects, including an ambitious plan to redevelop Brodick. Although financial resources remain tight, the harbours team are always ready to take advantage of funds as and when they come available with a number of 'shovel ready' projects. For example this year we were delighted when funds became available to progress the next phase of development at Kennacraig. Tendering took place at the end of 2012 and work started on site in May 2013.

The Board remains focused on good financial governance and revenues for the year came in at £20,232,000. Although we continue to report a net loss after taxation this is mainly due to the depreciation of our asset base following our adoption of International Financial Reporting Standards (IFRS). This does of course highlight the continuing need to invest in the asset base and we are working closely with our colleagues in Transport Scotland to address this as funding for ships and harbours primarily comes from the Scottish Government.

The Scottish Ferries Plan was published in December, setting out the short, medium and long term improvements needed in ferry services over the next decade, as well as a commitment to retain all existing essential services. We are pleased that the plan covers investment priorities over the coming years and CMAL looks forward to working with the Scottish Government and key stakeholders in delivering these elements.

It was a relief that the uncertainty was removed over the Clyde and Hebrides Ferry Service following the announcement of a three year extension to the current public service contract for CalMac Ferries Limited from October 2013. We look forward to continuing to work with them to improve the vital infrastructure across the network. We have and will continue to work with Transport Scotland to develop the contractual arrangements, as they affect the asset base, that will come into force during the new contract period from autumn 2013.

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

We are a small team at CMAL and everyone works incredibly hard to deliver our vision to be the pre-eminent provider of the most cost effective and innovative vessels and port infrastructure for the communities we serve. I thank the Board for their support in this and of course our Executive, along with the rest of the highly skilled CMAL team.

Grenville S Johnston
Chairman

Aithris a' Chathraiche

Airson na bliadhna a' crìochnachadh 31 Màrt 2013

Tha CMAL air a bhith stèidhte a-nis airson sia bliadhna agus tha a' chompanaidh air an t-uabhas a choileanadh anns an ùine sin nar n-amas na h-aiseagan agus na calachan a tha fo ar smachd a thabhann, a ghlèidheil agus a leasachadh. Mar a tha fìor do bhuidhnean poblach eile, tha sinn ag obrachadh ann an àrainneachd a tha dùbhlanach a thaobh ionmhais ach, am-bliadhna, chaidh againn a-rithist air an deagh chuid de dh'airgead a chur a-steach gu ruige an stèidh maoin gus ar n-amasan a choileanadh.

Aig deireadh an Òg-mhios chuir sin ainm ri aonta le Buidheann Bancaidh Lloyds gus maoineachadh fhaighinn airson an aiseig ùir a bhios a' seirbheiseachadh na slighe eadar Steòrnabhagh is Ulapul. Thèid an soitheach a thogail le Flensburg Schiffbau Gessellschaft agus thèid a cur air bhog sa Ghearran 2014. San Dùbhlachd, chuir sinn air bhog an MV HALLAIG – a' chiad aiseag dà-chonnaidh ROLO air an t-saoghal do luchd-coise is charbadan. Bha mi fhèin air leth pròiseil a bhith an làthair aig Gàradh-shoitheach MhicFhearghais ann am Port Ghlaschu airson Nicola Sturgeon, leas-phrìomh Mhinistear na h-Alba, fhaicinn a' cur a' bhàta air bhog, a' cleachdadh botal den uisge-bheatha Talaisgear, mar chomharra air a' chiad slighe air am bi an t-aiseag a' siubhal eadar Sgusair agus Ratharsair. Chaidh an dàrna aiseag, an MV LOCH AN INBHIR, a cur air bhog sa Chèitean 2013 agus bidh an dà aiseag san t-seirbheis nas fhaide air adhart ann an 2013.

Tha sinn a' leantainn òirnn le bhith a' cur a-steach airgead gu ruige calachan, a' dèiligeadh ri duilgheadasan cumail-suas a tha fad-ùineil, cho math ri crìoch a chur air cidhe ùr ann am Port Ilein. Fhuair mise an t-urram an cidhe ùr fhosgladh gu h-oifigeil air làtha brèagha, grìanach san Lùnastal 2012, le gnothaichean air an dèanamh nas fheàrr buileach le seinn bho sgoilearan à Bun-sgoil Phort Ilein. Tha obair dealbhachaidh sònraichte a-nis a' gabhail àite airson grunn phròiseactan mòra ann an calachan, a' gabhail a-steach planaichean innteanach airson ath-leasachadh aig Tràigh a' Chaisteil. Ged a tha cùisean fhathast gu math teann a thaobh ionmhais, tha sgioba nan calachan an còmhnaidh deiseil gus an cothrom a ghabhail ma tha maoineachadh ri fhaighinn aig àm sam bith gus gluasad air adhart leis an ath ìre de leasachadh aig Ceann na Creige. Chaidh obair-tairgse a dhèanamh aig deireadh 2012 agus thòisich obair air an làraich sa Chèitean 2013.

Tha am Bòrd-stiùiridh a' leantainn le bhith faicealach ann a bhith a' cosg airgead agus thàinig teachd-a-steach airson na bliadhna gu £20,232,000. Ged a tha sinn ag aithris call lom às dèidh chìsean, tha seo gu mòr air sgàth ìsleachadh nar stèidh maoin a' leantainn bho bhith a' gabhail ri Ìrean Cunntais Ionmhasail Eadar-nàiseanta (IFRS).

Tha seo gun teagamh a' ciallachadh gum bu chòir dhuinn feuchainn ri airgead a chur a-steach dhan stèidh maoin againn agus tha sinn ag obrachadh cruaidh comhla ri ur caraidean air Còmhdhail Alba airson dèiligeadh ris a seo, oir tha a' mhòr-chuid de mhaoineachadh airson aiseagan is calachan a' tighinn bho Riaghaltas na h-Alba.

Chaidh am Plana airson Aiseagan na h-Alba fhoillseachadh san Dùbhlachd, a' cur an cèill leasachaidhean gèarr-, meadhan- is fàd-ùineil a tha dhìth ann an seirbheisean aiseig anns na deich bliadhna a tha romhainn, cho math ri gealladh gun tèid gach seirbheis riatanach a tha a' ruith an-dràsta a chumail.
Tha sinn toilichte gu bheil am plana a' coimhead ri prìomhachasan seilbh anns na bliadhnachan a th' air thoiseach òirnn agus tha CMAL a' coimhead air adhart ri bhith ag obair còmhla ris an Riaghaltas agus buidhnean eile gus na nithean seo a thoirt gu buil.

B' e faochadh a bh' ann gun deach cur às dhan mhì-chinnt a bh' ann a thaobh Seirbheis Aiseig Chluaidh is Innse Gall nuair a chaidh ainmeachadh gu robh leudachadh de thrì bliadhna a' dol air a' chùmhnant seirbheis poblach a th' ann mar-thà le Aiseagan CalMac Earranta, bhon Dàmhair 2013. Tha sinn toilichte a bhith a' leantainn air adhart ag obrachadh còmhla riutha gus a' bhun-structair deatamach a leasachadh air feadh an lìonradh. Cumaidh sinn òirnn le bhith ag obrachadh còmhla ri Còmhdhail Alba gus gnothaichean cùmhnantail a leasachadh, oir bheir iad seo buaidh air an stèidh maoin a thig a-steach tron àm-cùmhnant ùr bhon fhoghair 2013.

Mar a dh'aithris sinn an-uiridh, tha na cosgaisean a tha an lùib Sgeama Peinsean CalMac, Maoin Peinsein Oifigearan a' Chabhlaich Mharsanta agus Maoin Peinsein Reitidh a' Chabhlaich Mharsanta a' sìor fhàs trom òirnn agus tha sinn a' leantainn air adhart le bhith a' còmhradh ri urrasairean nan sgeamachan agus Riaghaltas na h-Alba gus slighe air adhart èifeachdach is seasmhach a chur an cèill.

'S e sgioba beag a th' againn aig CMAL agus tha a h-uile neach ag obair air leth cruaidh gus ar n-amasan a choileanadh ann a bhith a' tabhann aiseagan a tha èifeachdach is nua-thionnsgach cho math ri bun-structair puirt dhan na coimhearsnachdan a tha sinn a' seirbheiseachadh.
Bu mhath leam taing a thoirt dhan Bhòrd-stiùiridh airson an cuid taic leis a seo, agus cuideachd dhan àrd-oifigear agus an còrr den sgioba sgileil aig CMAL.

Grenville S MacIain
Cathraiche

CEO's Statement

For the year ended 31 March 2013

It has been a busy and challenging year for CMAL, with a number of major investments and substantial progress made in many key areas. Both of our hybrid ferries are now nearing completion, with the MV HALLAIG in the final stage of being fitted out and due to enter service on the Sconser to Raasay route after her sea trials this autumn.

I was very proud that my wife, Patricia, launched our newest hybrid ferry, MV LOCHINVAR, in May this year. This vessel will service the Tarbert to Portavadie route when she is completed towards the end of 2013.

Maintenance work continues at our harbours and, whilst this work may not be as high profile as some of the large scale capital projects, nonetheless it is a vital part of keeping the harbours safe and operational. In addition, as well as looking after our own estate, the harbours team are increasingly involved in helping other harbour authorities to deliver vital improvement works. For example we are assisting Ullapool Harbour Trust in delivering the necessary improvements needed at the harbour in order to accommodate the new ferry for the Stornoway to Ullapool route that will be delivered in 2014.

We signed contracts with Lloyds Banking Group and the Flensburger shipyard in June 2012 and the ship is now in the final design stage before building starts in autumn. At the end of August 2012, our Chairman, Grenville Johnston, officially opened the new pier at Port Ellen and he took the opportunity to thank the project team for their work and to pay tribute to the community for their patience and understanding during the period of reconstruction.

We believe that our future ferries and port infrastructure should reduce their impact on the environment as much as possible. Our cutting edge hybrid ferries have been designed to reduce their CO2, Nitrous and Sulphur Oxide emissions compared with equivalent vessels, and lower their fuel consumption by at least 20%. The new ship ordered for the Stornoway to Ullapool route will also have significantly reduced CO2 and fuel consumption compared to the vessel she will replace.

In addition, we were fortunate to be part of a consortium chosen to receive funding from Scottish Enterprise to carry out a feasibility study evaluating the technical and commercial possibilities of using hydrogen fuel cells to enable the development of zero emission ferries. The consortium also includes Logan Energy, St Andrews University and Scottish Hydrogen Fuel Cell

Association (SHFCA) and we will evaluate a number of projects that will focus on cost efficient, innovative and environmentally-friendly ferries and harbours, which will benefit Scotland's rural and island communities.

The Scottish Ferries Plan is the first ever comprehensive review of ferry services in Scotland and we welcome that it sets out to ensure a future with sustainable vessels, as well as the necessary ports and harbours infrastructure to meet the needs of communities in Scotland for vital ferry services. The plan also includes an update of the progress made in issues around funding, fares, accessibility, responsibility and the environment. We have welcomed a number of new recruits to CMAL this year, strengthening our team in a number of areas, including finance, procurement and engineering. Having the right people in place is as important as having the right financial resources if we are to deliver our mission. I would like to thank all of the CMAL team for all their hard work and support over the last year.

Over the coming year we will keep looking for other business opportunities to bring additional revenue into the company and continue our investigations into how to realise the vital investment in our assets. Capital projects will include investment in phase 2 at Kennacraig, large scale maintenance projects and of course progress and delivery of the three ships under construction. We look forward to working with all of our stakeholders to ensure we continue to provide vital maritime transport assets for the communities we serve.

Guy Platten
Chief Executive

Aithisg an Àrd-oifigeir

Airson na bliadhna a' criochnachadh 31 Màrt 2013

Tha bliadhna thrang, dhùbhlanach air a bhith againn aig CMAL, le grunn phròiseactan cosgail agus adhartas ga dhèanamh ann an iomadach earrann chudromach. Tha an dà aiseag dà-chonnaidh againn a-nis faisg air a bhith deiseil, leis an MV HALLAIG aig an ìre mu dheireadh de dheasachadh agus tha sinn an dùil gun tòisich i san t-seirbheis eadar Sgusair is Ratharsair as t-fhoghar, às dèidh deuchainnean mara.

Bha mi air leth pròiseil gun do chuir mo bhean, Patricia, an t-aiseag dà-chonnaidh as ùire, an MV LOCH AN INBHIR, air bhog sa Chèitean am-bliadhna. Bidh an t-aiseag seo ag obrachadh eadar an Tairbeart is Port a' Mhadaidh nuair a thèid crìoch a chur oirre faisg air deireadh na bliadhna 2013.
Tha obair càraidh is cumail-suas a' leantainn aig ar calachan agus, ged nach eil an obair seo, 's dòcha, cho follaiseach ri na pròiseactan mòra cosgail, tha e fhathast na phàirt mhòr dhen obair againn ann a bhith a' cumail calachan ag obrachadh agus sàbhailte. Cuideachd, cho math ri bhith a' coimhead ris na calachan a bhuineas dhuinn fhèin, tha sgioba nan calachan nas motha an sàs ann a bhith a' cuideachadh ùghdarrasan chalachan eile le bhith a' dol an lùib obraichean leasachaidh deatamach. Mar eisimpleir, tha sinn a' cuideachadh Urras Chala Ulapuil le bhith a' cur air dòigh na leasachaidhean a tha a dhìth aig a' chala gus gabhail ris an aiseag ùr a bhios a' ruith eadar Steòrnabhagh is Ulapul bho 2014.

Chuir sinn ainm ri cùmhnantan le Buidheann Bancaidh Llyods agus gàradh-shoitheach Flensburger san Ògmhios 2012 agus tha an bàta a-nis aig an ìre deireannach dealbhaidh mus tòisichear ga togail as t-foghar. Aig deireadh an Lùnastail, dh'fhosgail ar Cathraiche, Grenville Maclain, an cidhe ùr aig Port Ilein gu h-oifigeil agus gabh e an cothrom gus taing a thoirt dhan sgioba pròseict airson an obair a rinn iad agus thug e cuideachd taing dhan choimhearsnachd airson am foighidinn agus tuigse fhad 's a bha an obair leasachadh ga dhèanamh.

Tha sinne a' creidsinn gum bu chòir dha na h-aiseagan againn bho seo a-mach agus bun-structair nam port a bhith a' toirt cho beag de bhuaidh air an àrainneachd sa ghabhas.
Tha na h-aiseagan ùra dà-chonnaidh air an dealbhadh gus an leigeil a-mach de CO2, Nitrous is Sulfar a lùghdachadh an coimeas ri aiseagan eile den t-seòrsa agus tha sinn ag amas air 20% nas lugha de chonnadh a chleachdadh. Bidh an t-aiseag ùr a chaidh òrdanachadh airson Steòrnabhagh-Ulapul cuideachd a' leigeil a-mach nas lugha de CO2 agus a' cleachadadh nas lugha de chonnadh na tha am bàta a th' air an t-slighe an-dràsta.

Tha sinn cuideachd fortanach a bhith mar phàirt de chobhanntachd a chaidh a thaghadh gus airgead fhaighinn bho Iomart na h-Alba airson rannsachadh so-dhèantachd

a chur air bhonn a choimheadas air na cothroman teicnigeach is coimearsalta a thigeadh an lùib cleachdadh cealan conaidh hydrogen ann a bhith a' coimhead ri leasachadh aiseagan 'zero-emission'.
Tha an cobhanntachd cuideachd a' gabhail a-steach Logan Energy, Oilthigh Chill Rìbhinn agus an Scottish Hydrogen Fuel Cell Association (SHFCA) agus beachdaichidh sinn air grunn phròiseactan a bhios a' coimhead ri aiseagan is puirt a tha èifeachdach a thaobh ionmhais, nua-thionnsgach agus nas fheàrr dhan àrainneachd, agus bidh seo na bhuannachd do choimhearsnachdan dùthchail is eileanach na h-Alba.

Tron Phlana airson Aiseagan na h-Alba, tha sinn an lùib a' chiad lèirmheas a chaidh a dhèanamh rìamh air seirbheisean aiseig na h-Alba agus tha sinn a' cur fàilte air a' bheachd gum bu chòir coimhead ri aiseagan seasmhach airson na h-ama ri teachd, cho math ris a' bhun-structair a tha dhìth aig puirt is calachan gus feumalachdan choimhearsnachdan na h-Alba a choinneachadh airson seirbheisean deatamach aiseig. Tha am plana cuideachd a' toirt fios às ùr air an adhartas a thathar a' dèanamh mu thimcheall air gnothaichean co-cheangailte ri maoineachadh, faraidhean, ruigsinneachd, dleastanasan agus an àrainneachd.

Tha sinn air fàilte a chur air luchd-obrach ùr aig CMAL am-bliadhna, a' neartachadh ar sgioba ann an grunn raointean, ionmhas , solarachadh is innleadaireachd nam measg. Tha e cheart cho cudromach gu bheil an luchd-obrach ceart againn san sgioba sa tha na goireasan ionmhais ceart ma tha sinn gu bhith a' buileachan ar n-amasan. Bu mhath leam taing a thoirt dhan sgioba aig CMAL airson an obair chruaidh a ghabh iad orra fhèin anns a' bhliadhna a chaidh seachad cho math ris an taic a tha iad a' toirt seachad.

Anns a' bhliadhna a th' air thoiseach òirnn, cumaidh sinn a' dol le bhith a' sireadh chothroman gnìomhachais eile a bheir a-steach an tuilleadh ionmhais dhan chompanaidh agus leanaidh sinn le bhith a' rannsachadh a thaobh ciamar as urrainn dhuinn na ghabhas de bhuannachd fhaighinn às na tha sinn a' cosg. A thaobh pròiseactan calpa, bidh sinn a' coimhead ri ìre 2 den leasachadh aig Ceann na Creige agus pròiseactan mòra càraidh, cho math ri adhartas is criochnachadh air na trì aiseagan a thathar a' togail às ùr. Tha sin a' coimhead air adhart ri tuilleadh obair a dhèanamh còmhla ri na buidhnean aig a bheil ùidh shònraichte san obair againn, gus dèanamh cinnteach gu bheil sinn a' tabhann seirbheis comhdhail deatamach dha na coimhearsnachdan a tha sinn a' seirbheiseachadh.

Guy Platten
Àrd-oifigear

Review 2012-2013

Ambition

In common with other organisations in the public sector, we are facing a number of fiscal challenges and the Scottish Ferries Plan (2013-2022), published in December 2012 details a number of options for an alternative structural or financing route to help us deliver our desired investment programmes.

In the past year, we have arranged financing for our replacement ferry for the Stornoway to Ullapool route through an innovative operating lease financing arrangement with Lloyds Banking Group (LBG) and she is due to be delivered in summer 2014. This has a number of advantages. The £41.8 million investment capital will be provided by the vessel's owners, LBG, and lease payments will be made annually, once the vessel is delivered, avoiding the challenge of finding a large sum of money during the construction period.

The new vessel will be faster, quieter and more reliable than the current vessels, the MV ISLE OF LEWIS and MV MUIRNEAG. The replacement ferry will be able to carry up to 700 passengers, 143 cars or 20 commercial vehicles and can operate around the clock. The ferry is being built at Flensburger Schiffbau-Gesellschaft MBH & Co. KG in Germany and is scheduled for delivery in June 2014 and will go into service shortly after this. At 116m long, highly fuel efficient and with a service speed of over 19 knots she will be the largest and fastest ship in the CMAL fleet.

Over the coming months we will work closely with the Scottish Government and Transport Scotland to agree funding for the replacement of our existing vessels and will also seek alternative sources of funds from both private and commercial avenues, as well as accessing grants from both Europe and UK programmes.

We have ambitious plans for the future and we will support, through our assets, exciting developments in the renewable energy sector.

Innovation

Our aim is to provide modern, sustainable ferries that are reliable, fuel-efficient and have lower operating costs, making public transport more accessible and a viable alternative to car use (where this is possible).

Our hybrid ferries project, funded by a £20 million investment from the Scottish Government and £450,000 from the European Regional Development Fund (ERDF), has seen the launch of two unique battery powered vessels, which are at the cutting edge of innovative ferry design and greener technology, with CO2 emissions at 20% lower that a similar sized conventional powered vessel.

The technology for the hybrid ferries is cleaner, quieter and cheaper to operate and maintain than ever before. Their introduction to our fleet demonstrates the vast economic potential of developing green technology within the transport industry and we have made a commitment that all of our future capital projects, whether ship or harbour, will have reduced environmental impacts at the heart of their designs.

Our feasibility study for Scottish Enterprise, evaluating the technical and commercial possibilities of using hydrogen fuel cells to power ferries, will be used to support future applications for European Union funding to develop a zero emission ferry. This is very interesting developmental work to create a future hydrogen economy, as until recently hydrogen has only been manufactured using fossil fuels, often referred to as 'brown hydrogen'. However, hydrogen can also be produced through the electrolysis of water using electricity generated from renewable resources such as wind, hydro, solar, biomass and geothermal.

The 'green hydrogen' can then be used to deliver lower carbon energy systems which can be used in transportation and our consortium will explore the technical and commercial feasibility of this proposition. This will put us at the forefront of global developments in sustainable ferries and could result in the design, development and manufacturing of hybrid engines being located here in Scotland, providing a massive boost for Scotland's marine industry.

Review 2012-2013 continued

Sustaining

We have made major investments in our ports and harbours infrastructure over the course of this year. The reconstruction of Port Ellen pier was completed successfully in June 2012, with the pier re-opening to ferry traffic on 1st July 2012.

The new pier has provided two substantial berths for the regular ferry service, one of which will also accommodate the grain vessel bringing in barley for the island's whisky industry. As well as accommodating the regular ferries, MV FINLAGGAN, MV HEBRIDEAN Isle and the grain vessel, the pier can also be accessed by vehicles for the first time, which will allow for the unloading of other bulk carrier vessels if required. The works have also upgraded the ferry terminal's water, lighting and sewage systems and have increased the size of the marshalling area.

We have been working with Highland Council, CalMac Ferries Ltd and SSE to ensure that the infrastructure is in place at Sconser and that appropriate "plug in" facilities are ready in Raasay in time for the arrival of the hybrid ferry this summer. We are working with Tarbert Harbour Authority to identify and complete the necessary works for the second ferry to be ready to service the Portavadie to Tarbert route from the end of 2013.

We are also working closely with our partners, Stornoway Port Authority and Ullapool Harbour Trustees, to ensure that the necessary shore infrastructure is in place for the new ferry. At Ullapool, changes are needed to the port infrastructure to accommodate the larger vessel, which involve an extension to Ullapool pier, improvements to the berth fendering and local traffic management in the village. New passenger access systems to improve pedestrian access onto the replacement ferry are also planned for both Ullapool and Stornoway Ferry terminals.
We have held a number of meetings with stakeholders and the local people in both communities to discuss designs and update on progress.

The ferry terminal infrastructure at Brodick is reaching the end of its serviceable life and we are now in the process of redeveloping the terminal. We have held a number of public meetings with residents, businesses and stakeholders as we work towards finalising designs and tendering the construction works. We anticipate that the works on site will commence in 2014, subject to funding.

Following the successful completion of the phase 1 redevelopment works at Kennacraig in 2011, we have now moved into phase 2, which includes raising and widening the causeway, reclaiming land for marshalling and parking and upgrading the pier fendering.

Fostering

As part of our aim to contribute to the economic wellbeing and development of the communities where we conduct business, over the past year we have been working with ferry operators, harbour trusts, local councils and the Scottish Government to explore ways in which new methods of working and sharing best practice can improve services, reduce costs and increase revenues, while delivering value for money to the public purse.

This has included working closely with both Stornoway and Ullapool Port Authorities in preparation for the new vessel, the MV LOCH SEAFORTH which will replace the existing ferries on this route.

We have continued to work closely with the Port Authorities across the west coast to administer the Harbours Grant in Aid fund, which aims to benefit local communities on the routes we operate.

We were proud to be a part of the Shipshape Eco-Ferry Challenge in December. The challenge was set by the Scottish Council for Development and Industry, the Lloyd's Register Educational Trust and Enterprising Inverclyde to coincide with the launch of our hybrid ferry. Twenty two teams of four pupils from primary and secondary schools across Inverclyde gathered in Greenock Town Hall and were given a kit of electrics and two hours to design and build an eco-ferry.

The eco ferry model had to transport cargo along a tank, with points awarded for speed of transfer of cargo, successful transfer of cargo, eco power, cost of materials used and innovative ferry name. The winners were St. Mary's Primary School, St. Columba's Senior School (S1-S3) and Inverclyde Academy (S4-S6).

Directors' Report

The Directors have pleasure in submitting their Report and financial statements for the year ended 31 March 2013.

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 £20,232,000 (2012: £19,334,000) which resulted in a net loss after tax of (£5,475,000) (2012: (Loss) (£5,734,000)).

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.

Further payments totalling £12,195,000 were made during the year towards construction of two small "hybrid" ferries being built at Fergusons Shipbuilders Ltd. The first of the vessels, MV HALLAIG was launched in December 2012 and will be delivered in autumn 2013. In June 2012 an operating lease was entered into with Lloyds Banking Group for the provision of a 116 metre Ro-Pax vessel to serve the Stornoway to Ullapool route. The vessel will be built at Flensburger Schiffbau-Gesellschaft in Germany and will be delivered in June 2014. Port Ellen pier on Islay, refurbished at a total cost of £6,048,000 was officially opened in August 2012. Significant costs continue to be incurred on essential harbour maintenance works.

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 £1,867,000 were made to these schemes 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 (2012: £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	Appointment period to 31 July 2014
A Whyte *x	Appointment period to 31 July 2014
G S Platten	Chief Executive
A J Duncan	Director of Vessels
L E Spencer	Director of Harbours

G M Bruton was appointed as Financial Director on 23 May 2013.

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

Three meetings of the audit committee and a number of 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, Scottish Ministers extended for a further three years, the public service contract for the provision of lifeline ferry services in the Clyde and Western Isles, with CalMac Ferries Ltd. Consequently the Company's contracts with CalMac Ferries Ltd, in respect of vessel charters and harbour access charges and other services, have been extended for a similar period to 30 September 2016.

Disclosure of information to the auditor

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

Auditor

A resolution to appoint Scott-Moncrieff, chartered accountants, as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Guy Platten
Director
18 September 2013

Municipal Buildings
Fore Street,
Port Glasgow
PA14 5EQ

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 2013, 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 2013, 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 on-going process for identifying, evaluating and managing the significant risks faced by the Company, which is subject to regular review by the Board. These procedures have been in place throughout this financial year and up to the date of approval of the Annual Report and Financial Statements.

Report on Corporate Governance continued

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 on-going process of identifying, evaluating and managing the Company's key risks and, where appropriate, enhancing the systems which manage these risks. Regular review of the risks and the risk register is undertaken by the Audit Committee.

Major corporate information systems

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

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

Going concern

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the 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; and
- 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 Conduct 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 £000	Fees £000	Bonus £000	Benefits in kind * £000	Total 2013 £000	Total 2012 £000
Non-Executive Directors						
G S Johnston	-	17	-	-	17	17
E Østergaard	-	11	-	-	11	11
K MacLeod	-	7	-	-	7	7
M Forrest	-	7	-	-	7	5
A Whyte	-	7	-	-	7	5
Executive Directors						
G S Platten	94	-	-	6	100	100
A J Duncan	76	-	-	7	83	81
L E Spencer	76	-	-	7	83	82
	246	**49**	**-**	**20**	**315**	**308**

* 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 2013. 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 2013 are as follows:

	Accrued Pension		Transfer Value		
	At 31 March 2013 (£)	Increase in Pension (£)	At 31 March 2013 (£)	At 31 March 2012 (£)	Increase, net of members' Contributions (£)
Director					
G S Platten	8,441	1,558	123,977	85,810	32,557
A J Duncan	6,849	1,265	127,469	92,439	30,478
L E Spencer	6,849	1,290	100,068	69,154	26,383

	2013	2012
Band of Highest Paid Directors' Total	£100,000 to £105,000	£100,000 to £105,000
Remuneration		
Median total	£55,577	£53,101
Ratio	1.80	1.87

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 (2012: £100,000 - £105,000). This was 1.80 times (2012: 1.87 times) the median remuneration of the workforce, which was £55,577 (2012: £53,101).

In 2013, no employees received remuneration in excess of the highest paid Director (2012: nil).

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

We have audited the financial statements of Caledonian Maritime Assets Limited for the year ended 31 March 2013 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cashflows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

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

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 23, 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 2012 – 2013, the Directors' Report, the Report on Corporate Governance, the Statement of Directors' Responsibilities, and the Report on Remuneration Matters 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 2013 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 2012 – 2013, the Directors' Report, the Report on Corporate Governance, the Statement of Directors' Responsibilities, and the Report on Remuneration Matters 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
25 Bothwell Street, Glasgow G2 6NL
18 September 2013

Statement of Comprehensive Income

For the year ended 31 March 2013

	Note	2013 (£'000)	2012 (£'000)
Revenue	6	20,232	19,334
Cost of sales		(18,568)	(18,161)
Gross profit		**1,664**	**1,173**
Administrative expenses		(4,201)	(3,006)
Other gains and losses	12/14	(424)	-
Operating loss		**(2,961)**	**(1,833)**
Interest receivable	7	53	63
Interest payable	7	(3,138)	(3,040)
Other finance costs	7	(356)	12
		(3,441)	**(2,965)**
Loss on ordinary activities before taxation		(6,402)	(4,798)
Taxation			
Tax credit/(charge) for the year	8	927	(936)
Loss for the financial year		**(5,475)**	**(5,734)**
Other comprehensive income/(expense)			
Actuarial gain/(loss) recognised in the pension scheme	21	5,673	(16,622)
Age related rebates recognised in the pension scheme		700	976
Tax movement relating to the actuarial gain/(loss)		(1,637)	3,053
Other employers' contribution to pension deficit		(526)	1,588
(Loss)/gain on revaluation of property, plant & equipment and investment property	10	(69)	8,159
Other comprehensive income/(expense) for the year, net of tax		**4,141**	**(2,846)**
Total comprehensive expense for the year		**(1,334)**	**(8,580)**
Loss attributable to: Owners of the Company		**(5,475)**	**(5,734)**
Total comprehensive expense attributable to: Owners of the Company		**(1,334)**	**(8,580)**

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

Statement of Financial Position

For the year ended 31 March 2013

	Note	2013 £'000	2012 Restated £'000	2011 Restated £'000
Non-current assets				
Property, plant & equipment	10	201,292	203,321	196,412
Investment property	10	1,482	1,551	1,548
Investments	11	750	750	750
Other financial assets	12	2,093	-	-
Total non-current assets		**205,617**	**205,622**	**198,710**
Current assets				
Trade and other receivables	13	1,033	962	4,624
Cash at bank and in hand	17	16,999	17,943	23,011
Total current assets		18,032	18,905	27,635
Total assets		**223,649**	**224,527**	**226,345**
Equity and liabilities				
Capital and reserves				
Called up share capital	20	15,000	15,000	15,000
Distributable capital contribution reserve		13,800	13,800	13,800
Revaluation reserve		84,641	84,588	76,734
Retained earnings		(44,043)	(42,656)	(26,222)
Total equity attributable to owners of the company		**69,398**	**70,732**	**79,312**
Non-current liabilities				
Other payables	16	75,195	66,897	63,771
Other financial liabilities	14	2,517	-	-
Capital grants	18	44,485	47,625	49,049
Net pension liability	21	17,807	22,283	11,838
Deferred tax provision	19	5,355	6,404	5,644
Total non-current liabilities		**145,359**	**143,209**	**130,302**
Current liabilities				
Trade and other payables	15	**8,892**	**10,586**	**16,731**
Total liabilities		**154,251**	**153,795**	**147,033**
Total equity and liabilities		**223,649**	**224,527**	**226,345**

These financial statements were authorised for issue by the Board of Directors on 18 September 2013 and were signed on its behalf by;

Grenville Johnston
Chairman
Company number: SC001854

Statement of Changes in Equity

For the year ended 31 March 2013

	Share capital £'000	Distributable capital contribution reserve £'000	Retained earnings restated £'000	Revaluation reserve £'000	Total restated £'000
Balance at 31 March 2011	**15,000**	**13,800**	**(26,222)**	**76,734**	**79,312**
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**	**(42,656)**	**84,588**	**70,732**
Revaluation deficit transferred to retained earnings on disposal of asset	-	-	(122)	122	-
Loss for the year	-	-	(5,475)	-	(5,475)
Other comprehensive income/ (expense) for the year	-	-	4,210	(69)	4,141
Balance at 31 March 2013	**15,000**	**13,800**	**(44,043)**	**84,641**	**69,398**

The loss for the year and other comprehensive expense for the year is wholly attributable to the owners of the Company.

Statement of Cash Flows

For the year ended 31 March 2013

	2013 (£'000)	2012 (£'000)
Cash flows from operating activities		
Revenue receipts	19,694	18,963
Cash payments for:		
Cost of sales	(5,578)	(5,889)
Pension deficit	(1,867)	(2,585)
Direct pay costs	(1,144)	(1,083)
General operating and administrative expenses	(926)	(998)
	(9,515)	**(10,555)**
Cash generated by operating activities	**10,179**	**8,408**
Interest Paid	(3,058)	(2,672)
Net cash generated by operating activities	**7,121**	**5,736**
Cash flows from investing activities		
Interest received	53	96
Cash receipts in respect of capital grants	207	1,479
Cash receipts from sale of assets	-	65
Payments to acquire property, plant and equipment	(15,907)	(21,467)
Net cash (used in) investing activities	**(15,647)**	**(19,827)**
Cash flows from financing activities		
Loans received	10,600	11,530
Loans repaid	(3,018)	(2,507)
Capital contribution received	-	-
Net cash generated by financing activities	**7,582**	**9,023**
Net decrease in cash and cash equivalents	**(944)**	**(5,068)**
Cash and cash equivalents at the beginning of the year	**17,943**	**23,011**
Cash and cash equivalents at the end of the year	**16,999**	**17,943**
Comprising:-		
Cash and bank balances	**16,999**	**17,943**

Notes to the Accounts

1. General information
Caledonian Maritime Assets Limited is a limited Company incorporated in Scotland. Its ultimate controlling party is Scottish Ministers. Its registered office and principal place of business is Municipal Buildings, Fore Street, Port Glasgow PA14 5EQ. The principal activities of the Company are shown on page 18.

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

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

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

4. Summary of significant accounting policies
The accounting policies adopted in the preparation of these financial statements are set out below.

(a) Adoption of new and revised standards

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

IAS 1	Presentation of financial statements
IAS 16	Property, plant and equipment
IFRS 7	Financial instruments: disclosures

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 12	Income taxes
IAS 19	Defined benefit schemes
IAS 28	Investments in associates and joint ventures
IFRS 7	Financial instruments: disclosures
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) Property, plant and equipment and investment property

Land
Land is held at fair value and is valued in accordance with the Valuation Standards issued by The Royal Institution of Chartered Surveyors on the basis of existing condition.

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

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

Increases in the carrying amount arising on revaluation of buildings are credited to other comprehensive income, with the exception of increases on the same asset that offset previous decreases charged to the income statement, which are credited to the income statement to the extent of previous decreases and subsequently to other comprehensive income. Decreases that offset previous increases on the same asset are charged against other comprehensive income. When revalued assets are sold the amounts included in other comprehensive income are transferred to net earnings.

Plant and Equipment
Harbour infrastructure including piers, slipways, linkspans and associated works are held on a depreciated replacement cost basis. Increases in the replacement cost over the historic cost of the asset, is credited to other comprehensive income. Increases in the aggregate depreciation calculated on the replacement cost value is charged to other comprehensive income. Increases that offset previous decreases on the same asset charged to the income statement are credited to the income statement to the extent of previous decreases and subsequently to other comprehensive income.

Vessels
Vessels are held on an open market value basis.

Increases in the carrying amount arising on revaluation of vessels are credited to other comprehensive income, with the exception of increases that offset previous decreases on the same asset charged to the income statement, which are credited to the income statement to the extent of previous decreases and subsequently to other comprehensive income. Decreases that offset previous increases on the same asset are charged against other comprehensive income. When revalued assets are sold the amounts included in other comprehensive income are transferred to net earnings.

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

Land - not depreciated
Property, freehold - over their expected useful life up to a maximum of 35 years
Property, leasehold – over the remaining period of the lease
Piers & slipways - over their expected useful life up to a maximum of 60 years
Linkspans - over their expected useful life up to a maximum of 60 years
Vessels - over their expected useful life up to a maximum of 25 years
Office equipment – over 3 years
Vehicles – over 3 years

The asset residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. Gains or losses on disposal are determined by comparing the proceeds from the asset with its carrying amount and are recognised in the income statement.

Investment property
Property which is surplus to requirement for supporting lifeline ferry services is held as investment property and is carried at fair value and valued in accordance with the Valuation Standards issued by The Royal Institution of Chartered Surveyors on the basis of their existing condition. 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.

Notes to the Accounts continued

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.

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

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

The Company's loans and receivables comprise trade and other receivables in the statement of financial position.

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

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

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

(k) Financial liabilities
Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Other financial liabilities:

Trade payables:
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

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

Financial liabilities at FVTPL:
A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives.

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

Derecognition of financial liabilities:
The Company derecognises a financial liability, when, and only when, the Company's obligations are discharged, cancelled or they expire.

(l) Derivative financial instruments
Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument.

Notes to the Accounts continued

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

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

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

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

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

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

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

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 21.

6. Revenue

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

	2013 (£'000)	2012 (£'000)
Vessel charter fee	16,923	16,046
Harbour access charge raised against operator	1,919	1,936
Property & equipment licence fee from operator	186	186
Revenue from harbour dues	152	163
Rental income from properties not required for harbour operations	183	165
"Small project" grants received	722	698
Other cost recoveries and contributions	147	140
	20,232	**19,334**

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):

	2013 (£'000)	2012 (£'000)
Auditors' remuneration		
- Audit of these financial statements	37	24
- Other services relating to accounting and taxation	6	11
Depreciation of property, plant and equipment (Note 10)	16,293	14,503
Staff costs (note 9)	3,473	2,062
Interest payable – loans	2,519	2,547
Interest on MNOPF deficit contribution	619	493
Interest received on bank balances	(53)	(63)
Operating lease costs - land & buildings	381	337
Release of capital grants (note 18)	(3,479)	(2,903)
Loss on disposal of assets	696	52
Other finance costs		
- expected return on pension scheme assets (note 21)	(5,387)	(5,354)
- interest on pension scheme liabilities (note 21)	5,743	5,342
	356	**(12)**

Notes to the Accounts continued

8. Taxation

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

	2013 (£'000)	2012 (£'000)
Corporation tax		
UK corporation tax on loss for the year at 20% (2012: 26%)	42	-
Deferred tax		
(decrease)/increase in deferred tax provision (note 19)	(1,049)	760
Deferred tax in relation to pensions	80	176
Total deferred tax (credit)/charge	(969)	936
Tax (credit)/charge on loss on ordinary activities	**(927)**	**936**

The tax assessed for the period differs from the standard rate of corporation tax of 24% (2012: 26%)
The differences are explained below:

Loss on ordinary activities before tax	(6,402)	(4,798)
UK corporation tax at 24% (2012: 26%)	(1,537)	(1,247)
Effects of:		
Expenses not allowable for tax purposes	2,345	807
Movement in deferred tax in relation to pensions	(80)	(176)
Movement in deferred tax on losses recognised	(1,463)	(113)
Effect of change in tax rate	777	729
	42	**-**

9. Employee information

	2013 (£'000)	2012 (£'000)
Staff costs (including Directors)		
Wages & salaries	892	791
Social security costs	99	95
On-going pension contributions	153	122
Pension contributions towards past deficits – other schemes (see below)	2,167	881
Staff related costs	237	210
	3,548	**2,099**
Employee costs included above allocated to capital projects	**75**	**37**

Pension contributions towards past deficits – other schemes
This represents provisions and payments made towards past deficits in industry-wide schemes as described in note 21.

	2013 No.	2012 No.
Employee numbers		
Average number of employees, including Directors		
Administrative	**21**	**19**

10. Property, plant and equipment and investment property

	Investment property £'000	Other property £'000	Piers, slipways & linkspan facilities £'000	Vessels £'000	Office equipment & vehicles £'000	Payments on account and assets in construction £'000	Total £'000
Cost or valuation							
Balance as at 1 April 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 1 April 2012	1,551	4,525	155,843	120,800	26	11,363	294,108
Additions	-	-	(245)	810	39	14,356	14,960
Transfers	-	-	6,241	-	-	(6,241)	-
Disposals	-	-	(3,500)	-	-	(696)	(4,196)
Revaluation increase / (decrease)	(69)	-	-	-	-	-	(69)
Balance as at 31 March 2013	**1,482**	**4,525**	**158,339**	**121,610**	**65**	**18,782**	**304,803**
Accumulated depreciation and impairment							
Balance as 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 at 1 April 2012	-	266	88,945	-	25	-	89,236
Transfers	-	-	-	-	-	-	-
Disposals	-	-	(3,500)	-	-	-	(3,500)
Depreciation expense	-	81	2,498	13,705	9	-	16,293
Revaluation adjustment	-	-	-	-	-	-	-
Balance as at 31 March 2013	**-**	**347**	**87,943**	**13,705**	**34**	**-**	**102,029**
Carrying amounts							
Balance as at 31 March 2012	1,551	4,259	66,898	120,800	1	11,363	204,872
Balance as at 31 March 2013	1,482	4,178	70,396	107,905	31	18,782	202,774
Carrying amount under cost model							
Balance as at 31 March 2012	-	4,397	32,570	88,512	1	11,363	136,843
Balance as at 31 March 2013	-	4,255	36,996	83,140	31	18,782	143,204

Included in the cost of assets in construction is £362,137 (2012: £8,163) of interest arising on the financing of a new vessel.
Interest has been calculated at rates ranging from 3.13% to 3.82% (2012: 3.82%).

Notes to the Accounts continued

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

Investment property assets were valued at 31 March 2013 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:

	2013 (£'000)	2012 (£'000)
Investment properties		
Land	647	576
Buildings	835	975
	1,482	**1,551**

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:

	2013 (£'000)	2012 (£'000)
Other property assets		
Land	2,525	2,525
Buildings - freehold	1,963	1,963
Buildings - leasehold	37	37
	4,525	**4,525**

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:

	2013 (£'000)	2012 (£'000)
Piers and slipways	116,809	114,313
Linkspan facilities	41,530	41,530
	158,339	**155,843**

Ships were valued at 31 March 2012 by Simsonship AB, Shipbrokers of Stockholm, Sweden on a market value basis and cost/valuation is as follows:

	2013 (£'000)	2012 (£'000)
Vessels	**121,610**	**120,800**

	2013 (£'000)	2012 (£'000)
Capital commitments		
No provision has been made in these accounts for: Outstanding capital commitments contracted for amounting to:	8,127	17,841
Capital grants receivable in respect of these commitments amounting to:	244	-

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 2012; the following summary financial statements extracted from the audited accounts for the year to 6 July 2012 and from unaudited management accounts for the period to 31 March 2013, show the Company's proportionate share of the results for those periods and the balance sheet at these dates:

	Period to 31/03/2013 £000	Year to 06/07/2012 £000
Profit & loss account		
Turnover	-	-
Operating Expenditure	(7)	(12)
Gross loss	(7)	(12)
Exceptional other operating income	7	12
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 2013 £000	At 6 July 2012 £000
Balance sheet		
Current assets		
Debtors and prepayments	7	6
Cash and bank	1,043	1,040
	1,050	1,046
Creditors		
Amounts falling due within one year	(8)	(6)
Net assets attributable to the Company	1,042	1,040
Represented by		
Share capital	750	750
Profit & loss account	292	290
Shareholders' funds attributable to the Company	**1,042**	**1,040**

On 10 July 2013, a written resolution was passed by the Directors of Northlink Orkney & Shetland Ferries Limited to effect a solvent winding up of the Company. 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.

Caledonian Maritime Assets Ltd holds 100% of the issued capital of Caledonian MacBrayne Ltd, a dormant Company incorporated in Scotland. The aggregate capital and reserves of the Company as at 31 March 2013 is £2.

Notes to the Accounts continued

12. Other financial assets

Financial assets carried at fair value through profit or loss (FVTPL)

	2013 (£'000)	2012 (£'000)
Foreign exchange swap	**2,093**	--

The Company does not speculate in derivative transactions. During the year 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 by entering into the above foreign exchange swap. The above asset is categorised within level 2 in the fair value hierarchy. The fair values of foreign currency forward contracts are measured using quoted forward exchange rates matching maturities on the related contract.

The gains arising on remeasurement are recognised in profit or loss, and is included in the "other gains and losses" line item in the Statement of Comprehensive Income/Income Statement.

13. Trade and other receivables

	2013 (£'000)	2012 (£'000)
Trade receivables	407	57
Prepayments and accrued income	626	905
	1,033	**962**

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 (2012: £6,850) was held against receivables.

14. Other financial liabilities

Financial liabilities carried at fair value through profit or loss (FVTPL)

	2013 (£'000)	2012 (£'000)
Embedded derivative	**2,517**	--

During the year the Company entered into an operating lease to procure a new vessel for delivery in 2014. The lessor is making payments in respect of the vessel build in Euros. On inception of the operating lease the rent is subject to change as the lease charge has been based on a budgeted rate of 1.20€:£. There is a clause within the operating lease which states that the definition of contract price sterling equivalent (CPSE) (used to calculate the rent) will be determined at delivery and therefore most likely to change for foreign currency movements, if not other items. The definition of CPSE contains an embedded derivative as the vessel price will be fixed based on foreign exchange movements as well as other build related items. The fact the contract is subject to foreign exchange movements, results in that characteristic meeting the definition of an embedded derivative, and hence the above liability is being recognised.

As the CPSE permits the use of a sterling rate at delivery (the spot rate) or a contracted rate, the derivative is valued based on the expected contract price (currently estimated to be €52.3m) compared with the spot rate and the contracted rate. The embedded derivative value is derived from comparing the forward spot rate 1.1855 and the 1.22 in the contract which is the lowest rate that can be applied in the swap. The above liability is categorised within level 2 in the fair value hierarchy.

The losses arising on remeasurement are recognised in profit or loss, and is included in the "other gains and losses" line item in the Statement of Comprehensive Income/Income Statement.

15. Trade and other payables

	2013 (£'000)	2012 (£'000)
Loans (note 16)	3,018	3,018
Trade payables	115	1,276
Other creditors and accruals	5,759	6,292
	8,892	**10,586**

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.

16. Other payables

	2013 (£'000)	2012 (£'000)
Unsecured vessel loans not wholly repayable within five years, repayable in half-yearly instalments	69,412	61,831
Less repayable within twelve months (note 15)	(3,018)	(3,018)
	66,394	58,813
Other creditors	8,801	8,084
	75,195	66,897
Instalments on the loans included above are repayable as follows:		
between one and two years	3,702	3,148
between two and five years	10,591	9,541
after five years	52,101	46,124
	66,394	**58,813**

Unless authorised by Scottish Ministers, the Company can borrow only from Scottish Ministers. At 31 March 2013 the Company had 12 loans outstanding (2012: 12) all repayable to Scottish Ministers at interest rates ranging from 3.13% 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.

Notes to the Accounts continued

17. Financial risk management

Financial risk factors

The Company's activities expose it to the financial risks of interest rate risk, liquidity risk and credit risk.

(a) Interest rate risk profile

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

Currency	Total		Floating rates		Fixed rates		Weighted average Interest rate		Weighted average Period until maturity	
Sterling	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 %	2012 %	2013 years	2012 years
Loans	69,412	61,831	-	-	69,412	61,831	4	5	21	21
Cash	(16,999)	(17,943)	-	-	-	-	-	-	-	-
Net borrowing	**52,413**	**43,888**	**-**	**-**	**69,412**	**61,831**	**4**	**5**	**21**	**21**

All the Company's borrowings are at fixed rates of interest. The fair value of these loans at 31 March 2013 ascertained through discounting the future cash flows at the National Loans Fund rate was £75,435,000 (2012: £66,138,000).

(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 (2012: £Nil) and other liquid assets of £16,999,000 (2012: £17,943,000).

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 2013				
Borrowings	3,018	4,044	10,591	51,759
Trade & other payables	4,445	-	-	-
At 31 March 2012				
Borrowings	3,018	3,148	9,541	46,124
Trade & other payables	6,519	175	-	-

c)Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Company and arises principally from the Company's receivables and cash deposits.

At the year end no receivables were past due or considered impaired. Cash and cash equivalents are held with financial institutions of high credit rating. Credit risk as assessed by the Directors is considered low.

(d) Capital risk management
The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide benefits for all its stakeholders. The Company has no externally imposed capital requirements. The Directors monitor the Company's capital requirements on an on-going basis within the confines of the public sector funding regime.

The Company does not have any significant foreign currency exposure, nor does it speculate in derivative transactions. During the year 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 (note 12). 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 was due to expire on 30 September 2013 and has been extended by Scottish Ministers for three years until 30 September 2016 at which time it will be re-tendered.

18. Capital grants

	2013 (£'000)	2012 Restated (£'000)
Balance at 1 April	47,625	49,049
Grants received and receivable	339	1,479
Less: released to statement of comprehensive income	(3,479)	(2,903)
Balance at 31 March	**44,485**	**47,625**

19. Provisions for liabilities and charges

	2013 (£'000)	2012 (£'000)
Deferred tax		
The main components of deferred tax at 23% (2012: 24%) are:		
Accelerated capital allowances	13,676	16,278
Other timing differences	(1,750)	(1,840)
Trading losses	(6,571)	(8,034)
Balance at 31 March	**5,355**	**6,404**

20. Share capital

	2013 (£'000)	2012 (£'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.

Notes to the Accounts continued

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

	2013 (£'000)	2012 (£'000)
On-going contributions		
Company scheme	143	113
Other schemes	10	9
Contributions towards past deficits		
Other schemes	2,167	881
	2,320	**1,003**

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 IAS 19 employee benefits, the latest draft actuarial valuation carried out at 6 April 2012 was updated to 31 March 2013 by a qualified independent actuary.

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

	2013 (£'000)	2012 (£'000)
Present value of funded liabilities	(124,350)	(114,298)
Fair value of scheme assets	101,225	84,979
Deficit	(23,125)	(29,319)
Related deferred tax asset	5,318	7,036
Net liability	**(17,807)**	**(22,283)**

Changes in the present value of the defined benefit liabilities

	2013 (£'000)	2012 (£'000)
At 1 April	114,298	91,980
Current service cost – Caledonian Maritime Assets Ltd	143	113
Current service cost - others	7,238	5,021
Employee contributions	1,699	1,643
Interest cost	5,743	5,342
Actuarial (gains)/ losses	(1,568)	13,583
Benefits paid	(3,203)	(3,384)
At 31 March	**124,350**	**114,298**

Changes in the fair value of the scheme assets

	2013 (£'000)	2012 (£'000)
At 1 April	84,979	75,983
Expected return	5,387	5,354
Actuarial gains/(losses)	4,105	(3,039)
Employer contributions	8,258	8,422
Employee contributions	1,699	1,643
Benefits paid	(3,203)	(3,384)
At 31 March	**101,225**	**84,979**

Amounts recognised in the statement of comprehensive income

	2013 (£'000)	2012 (£'000)
Current service cost	143	113
Interest cost	5,743	5,342
Expected return on pension scheme assets	(5,387)	(5,354)
Total	**499**	**101**

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

	2013 (£'000)	2012 (£'000)
Staff costs	143	113
Other finance costs	356	(12)

The total amount recognised in the statement of comprehensive income in respect of actuarial gains and (losses) is £5,673,000 (2012: (£16,622,000)).

Notes to the Accounts continued

Cumulative actuarial (losses)/gains reported in the statement of comprehensive income are (£37,344,000) (2012: (£43,017,000)).

	2013 (%)	2012 (%)
The fair value of scheme assets as a percentage of total scheme assets and the return on those assets were:		
Equities	61.9	62.9
Bonds	17.4	18.5
Property	6.4	7.7
Other	14.3	10.9
	£'000	£'000
Actual return on scheme assets	9,493	2,316

An amended IAS 19 was issued on 16 June 2011. The change to the standard means that in the year of adoption of the revised standard the expected return on assets will be calculated at the discount rate instead of as currently at an expected return rate based on actual plan assets held.

At 31 March 2012 the expected return on assets was derived from assumptions of long term expected returns on each asset class which were as follows:

	2012 (%)
Equities	7.50
Bonds	3.80
Property	6.50
Other	2.00

Principal actuarial assumptions at the year-end were:

	2013 (%)	2012 (%)
Discount rate at 31 March	4.70	4.90
Expected return on scheme assets at 31 March	n/a	6.10
Future salary increases – 2012/13	-	2.00
Future salary increases – 2013/14	0.50	4.25
Future salary increases – 2014/15	0.50	4.25
Future salary increases – 2015/16	1.00	4.40
Future pension increases	3.50	3.40

Post retirement morality assumptions are as follows:-

2013	2012
SAP "all lives" tables with scaling factor of 130% for females and 115% for males with improvements in the near future in line with CMI_2011 with a 1.25% underpin	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:

	2013 (£'000)	2012 (£'000)	2011 (£'000)	2010 (£'000)	2009 (£'000)
Present value of defined benefit liabilities	(124,350)	(114,298)	(91,980)	(84,625)	(61,052)
Fair value of scheme assets	101,225	84,979	75,983	64,475	44,590
Deficit	**(23,125)**	**(29,319)**	**(15,997)**	**(20,150)**	**(16,462)**
Experience adjustment on scheme liabilities	1,361	499	(406)	(4,108)	(1,911)
Experience adjustment on scheme assets	4,105	(3,039)	1,041	11,076	(14,388)

The Company expects to contribute approximately £930,000 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 2012. The valuation showed that the section had a gross deficit of £492m at the valuation date and that the market value of the assets of £2,169m covered 68% of the value of the section liabilities. Deficit contributions from the 2003, 2006 and 2009 valuations still to be paid over the period to September 2020 had a present value of £340m, producing a net deficit of £152m. The Trustee has made some allowance for future additional investment returns resulting in the net deficit to be collected from employers being reduced to £120m.

The Trustee decided that the employers will meet the deficit by paying additional contributions either in one payment in September 2013, or by instalments from September 2013 to September 2023. The Trustee has decided the payment terms for each employer in accordance with the Trustee's Contribution Collection policy. Full provision has been made in the 2013 accounts for £2,291,419 representing the Company's share of the deficit inclusive of interest to 31 March 2013 at 6.3%. This deficit will be repaid via 6 monthly instalments over a 10 year period commencing in September 2013. The Trustee has proposed that the joint contribution rate required to fund future benefits for active members will increase from 25% to 32.2% of post 2000 pensionable salaries. It is proposed that this rate will come into effect from 1 October 2013, with employers' contribution increasing from 15.5% to 20.0% and active members' contribution increasing from 9.5% to 12.2% of post 2000 pensionable salaries. In addition a one off payment by participating employers of 7.2% of pensionable salaries for the period 1 April 2012 to 30 September 2013 will be payable on 30 September 2013.

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).

Notes to the Accounts continued

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, working with its professional advisers, has considered the terms of a new employer contribution rule and what consequential amendments to the rules might be appropriate.

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

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

The Trustee has proposed a new deficit contribution regime (the Proposed New Regime) and has asked the Court to approve the introduction of the Proposed New Regime before it is implemented. Collection of contributions under the existing Recovery Plan in respect of the 2008 actuarial valuation have been suspended until the Court Judgement on the Proposed New Regime is received in 2014.

The Trustee has been working on the identification of the participating employers and their current status, and the fund administrators have re-calculated indicative percentage liability shares for the widened pool of participating employers. Indications are that after taking into account the deficit contributions already made by the Company towards the 2008 deficit, the Company will have effectively overpaid its share of the liability calculated in line with the Proposed New Regime.
As a consequence no provision has been made in the current financial year for further payments to the deficit.

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 24).

The amounts payable by the Company during the previous financial year 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 IAS 19 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

22. Other financial commitments

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

Land and buildings

	2013 (£'000) land	2013 (£'000) buildings	2012 (£'000) land	2012 (£'000) buildings
Payable within one year	137	211	171	191
After one year but less than five	513	822	681	756
After more than five years	1,404	1,406	1,979	2,183
	2,054	**2,439**	**2,831**	**3,130**

Other

	2013 (£'000)	2012 (£'000)
Payable within one year	33	34
After one year but not more than five	13	23
	46	**57**

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.

During the year, 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

	2013 (£'000) investment property	2013 (£'000) vessels	2012 (£'000) investment property	2012 (£'000) vessels
Receivable within one year	126	11,532	153	19,538
After one year but less than five	261	19,183	247	3,343
After more than five years	601	-	602	-
	988	**30,715**	**1,002**	**22,881**

Notes to the Accounts continued

23. 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:

	2013 (£'000)	2012 (£'000)
Capital grants received and receivable	133	1,479
Grant in aid received and receivable	722	698
Loans received and receivable	10,600	7,530
Loans repaid	3,018	2,507
Interest paid and payable	2,519	2,547
Interest on vessel new build	354	101
Balance of loans due at 31 March	69,412	61,831

The respective amounts due to and from Northlink Orkney & Shetland Ferries Ltd at 31 March 2013 was £nil (2012: £nil).

A significant element of the Company's turnover is generated from our relationship with the Clyde and Hebridean Ferry Services Operator, CalMac Ferries Ltd, 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	
	2013 (£'000)	2012 (£'000)	2013 (£'000)	2012 (£'000)
Vessel leasing charges	16,893	16,016	-	-
Harbour access charges / property licence	1,919	1,861	-	8
Property & equipment licence	186	186	-	-
Rent	98	98	-	-
Provision of staff	81	76	8	-
Vessel green passport costs	72	21	-	-
Repair & other costs recoveries	414	171	410	115
Vessel upgrades & modifications	(810)	(1,200)	(920)	(1,200)
Ferry travel costs	(11)	(6)	(1)	(1)
New vessel build project supervision	(45)	-	(30)	-

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

24. 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 21 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. The Trustee has proposed a new deficit contribution regime (the Proposed New Regime) and has asked the Court to approve the introduction of the Proposed New Regime before it is implemented. Collection of contributions has been suspended until the Court Judgement is received in 2014. 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.

25. Prior year adjustment

A revenue grant of £1,967,794 was received in March 2011 and was fully accounted for as a deferred capital grant on receipt.

The prior year adjustment in this respect has the following impact on previously reported results.

Statement of financial position

	Deferred capital grants £'000	Retained earnings £'000	Total equity £'000
Balance as at 31 March 2011	51,017	(28,190)	77,344
Prior year adjustment	(1,968)	1,968	1,968
	49,049	**(26,222)**	**79,312**

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

Municipal Buildings
Fore Street
Port Glasgow
PA14 5EQ

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