



Caledonian Maritime Assets Ltd

ANNUAL REPORT & ACCOUNTS 2017

Company No. 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 has 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.

CONTENTS

Chair's Statement	Page 4
CEO's Statement	Page 8
Strategic Report	Page 12
Directors' Report	Page 14
Statement on Internal Control	Page 15
Statement of Directors' Responsibilities	Page 17
Independent Auditor's Report	Page 18
Statement of Comprehensive Income	Page 19
Statement of Financial Position	Page 20
Statement of Changes in Equity	Page 21
Statement of Cash Flows	Page 22
Notes to the Accounts	Page 23

CHAIR'S STATEMENT

For the year ended 31 March 2017



Financial years at CMAL end with a reflection on the variety and scale of the work we have delivered and our effectiveness at delivering to quality standards, and this year is no exception.

We have invested significantly in a range of projects across Scotland in our effort to deliver safe and efficient ferries and harbours for Scotland's islands and rural communities.

During the year, we spent almost £29 million in the construction of new vessels, including the completion of MV CATRIONA and the £97 million build of two new ferries capable of operating on liquefied natural gas (LNG). The use of LNG in transport is a growing area as more vessel owners recognise the benefits of this greener, more sustainable technology. Our vessels team is also involved in a special project to explore the potential for a hydrogen-fuelled ferry, working alongside Ferguson Marine Engineering Limited (FMEL) and the University of St Andrews.

Our appetite to progress innovative new projects of this nature is driven by a strategic commitment to sustainable transport. The Scottish Government, like many governments around the world, has bold commitments to cut emissions, meaning the demand for greener transport options is only set to increase. Building a reputation as industry leaders in this area, with a highly skilled and technically experienced workforce, will help create future opportunities for Scotland's maritime sector.

As the harbour authority for 26 locations across the west coast of Scotland, we have delivered ongoing investment to ensure our ports and harbours are fit for purpose. We invested around £3 million in maintenance activity, an annual cost, and £24 million was invested in planned upgrade works at selected harbours, including our current flagship harbours project at Brodick Ferry Terminal.

In 2016/17, CMAL generated revenue of £35,913,000, compared to £33,549,000 in 2015/16, the increase due in the main to increased harbour dues and revenue grants. Pre-tax profits increased from £813,000 to £5,524,000 with increased harbour dues and revenue grants as noted, along with a decrease in administration costs. A tax charge in 2016/17 against a significant tax credit in 2015/16 has resulted in post-tax profit of £3,063,000 compared to £7,869,000 in 2015/16. As a public sector body, all our surplus funds are invested in vessels and infrastructure and this amount will be allocated towards next year's activity.



Demand for ferry services continues to grow, driven in part by the road equivalent tariff (RET), as well as the growing popularity of Scotland's islands as visitor destinations. This is fantastic news for local communities as businesses benefit from increased visitors, as well as the national economy. But, as more people use the ferry network, it also means increased pressure on budgets to maintain and upgrade the infrastructure.

Working in partnership with the operator, CalMac Ferries Ltd, and Transport Scotland, part of our role involves prioritising what needs to be done to provide a safe, efficient and reliable ferry service for island communities. Like many public bodies, we are operating in fiscally challenging times, which means having to make strategic decisions on how we allocate our resources. In addition, we have an obligation to ensure every pound spent is accounted for and delivers maximum value for money.

Our three-year corporate plan 2016-2019 describes our vision for the delivery of ferries, ports and harbours and what we expect to achieve. In it, we outline our key projects for the few years ahead with indicative budget requirements to help ensure we remain focused on the long-term identification of funds for both small and large projects. We are aware of the need to seek new and alternative funding solutions and we will continue to apply robust financial governance to ensure our responsibilities are delivered with best value for the public purse.

Looking ahead to 2017/18, our priorities include drafting the statement of requirements and concept designs for a new 90 metre vessel to join the fleet. It is expected the vessel will be ordered in late 2018, with an estimated service entry date in 2021.

I would like to thank Chief Executive, Kevin Hobbs for service during his first year with CMAL. I hope it is the first of many to come leading the team at CMAL, who consistently demonstrate a commitment to delivering quality work.



Erik Østergaard
Chairman



AITHRIS A' CHATHRAICHE

Don deireadh-bliadhna 31 Màrt 2017



Tha bliadhnaichean ionmhasail aig CMAL a' tighinn gu ceann le bhith a' meòrachadh air a' mheasgachadh agus air an uiread de dh'obair a tha sinn air a liubhairt agus cho èifeachdach 's a tha sinn ann an liubhairt gu ìrean àrd-mhathais, agus chan eil a' bhliadhna seo eadar-dhealaichte san t-seagh sin.

Tha sinn air inbheisteadh gu mòr ann an raon de phròiseactan air feadh Alba nar n-oidhirp air aiseagan agus calaidhean sàbhailte is èifeachdach a liubhairt do dh'eileanan agus coimhearsnachdan dùthchail na h-Alba.

Rè na bliadhna, chosg sinn faisg air £29 millean air togail shoithichean ùra, a' gabhail a-steach crìoch air an MV CATRIONA agus £97 millean air dà aiseag ùr a tha comasach air obrachadh air gas nàdarra lionnach (LNG). Tha cleachdadh air LNG ann an còmhdhail a' fàs nas bitheanta agus barrachd shealbhadairean shoithichean ag aithneachadh buannachdan an teicneòlais uaine sheasmhaich seo. Tha sgioba nan soithichean againn an sàs cuideachd ann am pròiseact sònraichte airson comas a rannsachadh air aiseag le connadh haidreadsan, ag obair taobh ri taobh le Ferguson Marine Engineering Earranta (FMEL) agus Oilthigh Chill Rìmhinn.

Tha ar miann airson pròiseactan ùra ùr-ghnàthach den t-seòrsa seo adhartachadh, air a stiùireadh le dealas ro-innleachdail do chòmhdhail seasmhach. Tha dealasan dàna airson sgaoilidhean a ghearradh sìos aig Riaghaltas na h-Alba coltach ri mòran riaghaltasan eile air feadh an t-saoghail, a' ciallachadh gu bheil iarrtas air roghainnean còmhdhail uaine a' dol a dh'fhàs. Cuidichidh togail cliù mar stiùirichean gnìomhachais san raon seo le sgioba-obrach àrd-sgileil agus eòlach, le cothroman a chruthachadh do roinn mara na h-Alba san àm ri teachd.

Mar ùghdarras calaidh do 26 làrach air costa an iar na h-Alba, tha sinn air inbheisteadh leantainneach a liubhairt gus a dhèanamh cinnteach gu bheil ar puirt agus ar calaidhean freagarrach do an gnothaich. Thaisg sinn timcheall air £3 millean ann an obair-gleidhidh mar chosgais bliadhnail agus chaidh £24 millean inbheisteadh ann an obair ath-ùrachaidh air a phlanadh aig calaidhean sònraichte, a' gabhail a-steach ar prìomh phròiseact làithreach aig Port Aiseig Tràigh a' Chaisteil.

Ann an 2016/17, ghin CMAL teachd-a-steach de £35,913,000, ann an coimeas ri £33,549,000 ann an 2015/16, am meudachadh sin mar thoradh sa mhòr-chuid air cìsean calaidh meudaichte agus tabhartasan teachd-a-steach. Mheudaich prothaidean ro-chìse bho £813,000 gu £5,524,000 le cìsean calaidh meudaichte agus tabhartasan teachd-a-steach mar a thugadh fa-near roimhe, còmhla ri lùghdachadh ann an cosgaisean rianachd. Tha tàille cìse ann an 2016/17 an aghaidh creideas cìse sònraichte ann an 2015/16 air toradh ann am prothaid às dèidh cìse de £3,063,000 ann an coimeas ri £7,869,000 ann an 2015/16. Mar bhuidheann



san roinn phoblaich, tha na maoinan a tha an còrr air an tasgadh uile ann an soithichean agus bun-structar, agus bidh an sùim seo air a riarachadh a dh'ionnsaigh gnìomhachd na h-ath bhliadh.

Tha iartas air seirbheisean aiseig a' leantainn air a' fàs, air a stiùireadh ann am pàirt le cosgais co-ionann ri rathad (RET), a thuilleadh air a' mheas a tha a' fàs air eileanan na h-Alba mar chinn-uidhe luchd-tadhail.

Is e naidheachd mhìorbhaileach a tha seo do choimhearsnachdan ionadail agus gnothachasan a' faotainn buannachd bho mheudachadh ann an luchd-tadhail, cho math ris an eaconamaidh nàiseanta. Ach mar a bhios am barrachd dhaoine a' cleachdadh lionra nan aiseagan, tha e a' ciallachadh cuideachd gum bi barrachd cuideam air buidseatan gu am bun-structar a chumail suas agus ath-ùrachadh.

Ann an obair com-pàirteachais leis a' chompanaidh Aiseagan CalMac Earranta, agus Còmhdhail Alba, tha pàirt de ar dleasan an lùib prìomhachadh air na dh'fheumas a bhith air a dhèanamh gus seirbheis aiseig shàbhailte, èifeachdach agus earbsach a sholarachadh do choimhearsnachdan nan eilean. Coltach ri mòran bhuidhnean poblach, tha sinn ag obair ann an àm a tha dùbhlach a thaobh ionmhais, a tha a' ciallachadh gum feumar co-dhùnaidhean ro-innleachdail a ruighinn air mar a riarachas sinn ar stòras ghoireasan. A thuilleadh air an sin, tha e mar fhiachaibh oirnn a dhèanamh cinnteach gu bheil cunntas ga thoirt air gach nota a chosgar, agus a' liubhairt an luach airgid as àirde.

Tha ar plana corporra trì-bliadhna 2016-2019 a' toirt iomradh air ar lèirsinn a thaobh liubhairt air aiseagan, puirt agus calaidhean agus na tha sinn a' sùileachadh a choileanadh. Le sin, tha sinn a' mìneachadh ar prìomh phròiseactan airson nam beagan bhliadhnaichean a tha romhainn, le riatanasan buidseit innsachail gus cuideachadh le dhèanamh cinnteach gum fuirich sinn cuimsichte air a bhith a' dèanamh comharrachadh fad-amail air maoinan mu choinneamh phròiseactan mòra agus beaga. Tha sinn mothachail don fheum air fuasglaidhean maoinachaidh ùra is eile, agus leanaidh sinn air adhart a' cur an sàs riaghladh ionmhasail làidir airson a dhèanamh cinnteach gu bheil ar dleasan air an liubhairt leis an luach airgid as fheàrr don sporan poblach.

A' coimhead air adhart ri 2017/18, tha ar prìomhachasan a' gabhail a-steach dreachadh air aithris riatanasan agus bun-bheachdan deilbhidh airson soitheach ùr 90 meatair mar phàirt den chabhlach. Thathar an dùil gum bi an t-soitheach air a h-òrdachadh aig deireadh 2018, le ceann-latha inntigridh don t-seirbheis ann an 2021.

Bu mhath leam taing a thoirt don Àrd-Oifigear, Kevin Hobbs, airson a chuid seirbheis thairis air a' chiad bhliadhna aige le CMAL. Tha mi an dòchas gur e a' chiad bliadhna de mhòran bhliadhnaichean ri teachd a' stiùireadh na sgaioaba aig CMAL, a tha gu cunbhalach a' taisbeanadh dealas ann an liubhairt air obair àrd-chàileachdail.



Erik Østergaard
Cathraiche



CEO'S STATEMENT

For the year ended 31 March 2017



This year marks my first year as Chief Executive at CMAL, having joined the team on 1st April 2016.

I've worked in the maritime industry for more than two decades, with roles at various port and shipping companies in the private sector. Working at CMAL is my first role in the public sector and it has been no less eventful, challenging and rewarding in terms of the scale and nature of the projects I've been leading.

One of the key things I've learned in my first 12 months is how dedicated and knowledgeable the CMAL team is. I'm proud to lead this small, hard-working team, who I believe consistently deliver first class work. This can be said across our vessels, harbours, engineering, finance and corporate service teams.

It has been a busy 12 months, as the team continued to manage the ferries, ports and harbours in our portfolio, and there are a few key pieces of work that stand out for me.

We reached an important milestone within vessels when our third diesel-electric hybrid ferry, MV CATRIONA entered service in September 2016, and solid progress was made on the build of our two dual fuel ferries, which represents one of our most significant vessels projects to date.

The 102 metre ferries will be capable of operating on marine gas oil and liquefied natural gas (LNG), helping to reduce emissions, and are designed to provide a fully flexible, year-round service for the Ardrrossan to Arran and the Skye Triangle routes. In June, the dual fuel engines were delivered, and installation commenced on the 147m³ LNG tanks, which are a stand-out feature of the new vessels, measuring 20.4 metres in length and 4 metres in diameter.

The LNG ferries are the first vessels of their kind ever to be built in the UK. This is a highly innovative project, presenting a fantastic engineering and infrastructure opportunity for our team and our partners and suppliers.

On the harbours front, our team was also involved in a hugely significant project to redevelop Brodick Ferry Terminal on the Isle of Arran. Representing an investment of £30 million, including support from Transport Scotland, North Ayrshire Council, Strathclyde Partnership for Transport and Coastal Communities Fund, it is the single biggest port infrastructure construction project we have ever delivered. When completed, the harbour will be transformed with a new pier, an increased marshalling area through reclaimed land and a modern terminal building, with bus stances and parking facilities. It will offer an improved passenger experience and increased harbour resilience by allowing a broader range of vessels to berth.



Elsewhere across the harbour network, we delivered a rolling programme of maintenance and upgrade, including a £2.2 million project to build new slipways at Kerrera and Gallanach and construct a new breakwater. Port Ellen on Islay was given a new linkspan, and larger vessels can now use Lochranza pier after we dredged a new berthing pocket and modified the fender units. We also awarded a contract to reconstruct the slipways at Colintrave and Rhubodach, and a larger vehicle queuing area at Colintrave, as part of a planned £6 million investment that will commence in the next financial year.

In addition, we have continued to work closely, in collaboration with Transport Scotland and CalMac Ferries Ltd to identify the replacement of both vessel and port infrastructure assets that are reaching the end of their design life. Whilst we are extremely mindful of the future fiscal constraints, this is an important and ever evolving piece of work.

All our work, whether for vessels or harbours, is carried out with safety as the top priority. We routinely measure, appraise and report on our health and safety performance as a core part of our business activity. In December 2016, we enhanced our approach to health and safety with the appointment of a dedicated Health, Safety and Environmental Manager. Since his appointment, Richie Morgan has introduced various initiatives to strengthen our approach and to boost awareness of the importance of health and safety within our team and across our network of piers and harbours.

We also appointed a new Mechanical and Electrical Engineer, welcoming George MacRae to the engineering team and further permanent appointments within the finance team, with George McGregor as Procurement Manager, and within the engineering team, with John Quinn as Construction Project Manager.

I would like to thank all the team at CMAL for their hard work in this past year. It is only with their knowledge, experience and ongoing commitment that we will continue to deliver our objectives and support rural and island communities.



Kevin Hobbs
Chief Executive Officer



AITHRIS AN ÀRD-OIFIGEIR

Don deireadh-bliadhna 31 Màrt 2017



Tha a' bhliadhna seo a' comharrachadh a' chiad bhliadhna agam mar Àrd-Oifigear aig CMAL, an dèidh a thighinn don sgioba air 1 Giblean 2016.

Tha mi air a bhith ag obair ann an gnìomhachas na mara airson còrr air fichead bliadhna, le dreuchdan aig diofar chompanaidhean puirt is luingeis san roinn phrìobhaidich. Is e an obair seo aig CMAL a' chiad dreuchd agam san roinn phoblach agus tha e air a bhith a cheart cho tachartach, dùbhlach agus buannachdail a thaobh meud agus nàdar nam pròiseactan a tha mi air a bhith a' stiùireadh.

Is e aon de na prìomh nithean a tha mi air ionnsachadh sna dusan mhìosan a chaidh seachad, cho dealasach agus cho fiosraichte 's a tha an sgioba aig CMAL. 'S e urram a th' ann dhomh a bhith a' stiùireadh na sgioba bhig dhìcheallaich seo, a tha nam bheachd-sa a' liubhairt obair a tha aig an ìre as àirde. Gabhaidh seo a luaidh tarsainn ar soithichean, ar calaidhean, ar sgiobaidhean innleadaireachd, ionmhaïs agus seirbheis chorporra.

Tha na 12 mìosan mu dheireadh air a bhith trang agus an sgioba a' leantainn air adhart a' dèiligeadh le aiseagan, puirt is calaidhean nar cùram-roinne, agus tha grunn de phrìomh phìosan obrach a tha sònraichte dhòmhsa.

Ràinig sinn clach-mhìle chudromach a thaobh nan soithichean nuair a thòisich an MV CATRIONA, an tritheamh soitheach tar-chinealach dìosail-dealain againn, san t-seirbheis san t-Sultain 2016, agus chaidh adhartas mòr a dhèanamh air an togail air dà aiseag dà-chonnaidheach a tha a' riochdachadh aon de na pròiseactan shoithichean as cudromaiche a tha air a bhith againn gu ruige seo.

Bidh na h-aiseagan sa bheil 102 meatair de dh'fhad, comasach air obrachadh air ola gas mara agus gas nàdarach lionnach (LNG), a' cuideachadh le sgaoilidhean a lùghdachadh agus tha iad air an deilbh gus seirbheis shùbailte iomlan a sholarachadh fad na bliadhna airson nan slighean eadar Àird Rosain is Eilean Arainn agus na Triantanach Sgitheanach. San Ògmhios, chaidh na h-einneanan dà-chonnaidh a liubhairt agus thòisich stàlachadh air na tancaichean 147m³ LNG, a tha nam feart sònraichte air na soithichean ùra, a' tomas 20.4 meatair ann am fad agus 4 meatairean ann an trast-tomhas.

Is iad na h-aiseagan LNG na ciad shoithichean de an seòrsa a chaidh a-riamh a thogail san Rìoghachd Aonaichte. Is e pròiseact ùr-ghnàthach a tha seo, a' solarachadh cothrom fìor mhath a thaobh innleadaireachd is bun-structar do ar sgioba agus ar compàirtichean is solaraichean.

A thaobh nan calaidhean, bha an sgioba againn an sàs cuideachd ann am pròiseact fìor chudromach ag ath-leasachadh Port Aiseig Tràigh a' Chaisteil air Eilean Arainn. A' riochdachadh inbheisteadh de £30 millean,



a' gabhail a-steach taic bho Chòmhdhail Alba, Comhairle Siorrachd Àir a Tuath, Maoin Com-pàirteachais Shrath Chluaidh airson Còmhdhail is Coimhearsnachdan Costa, is e an t-aon phròiseact togail bun-structair puirt as motha, a tha sinn air a liubhairt a-riamh. Nuair a bhios e deiseil, bidh an acarsaid air a cruth-atharrachadh le cidhe ùr, raon marasglaidh nas fharsainge mar thoradh air fearann a fhuair a' chuid air ais, agus togalach puirt-aiseig nuadh-aimsireil le stannan bus is goireasan parcaidh. Bidh e a' tabhann eòlas turais nas fheàrr do luchd-siubhail, agus goireasan calaidh nas motha le bhith a' ceadachadh do raon nas fharsainge de shoithichean fuireach ann.

Ann an àiteachan eile tarsainn lionra nan calaidhean, chuir sinn an gnìomh prògram leantainneach de dh'obair-gleidhidh is ath-ùrachaidh, a' gabhail a-steach pròiseact £2.2 millean airson laimrigan ùra a thogail aig Cearrara agus a' Ghallanach, agus balla-fasgaidh ùr a thogail. Fhuair Port Llein ann an Ìle alt-aiseig ùr, agus is urrainn do shoithichean nas motha cidhe Loch Raonasa a chleachdadh a-nis an dèidh dhuinn pòcaid ùr mòraigidh a ghlanadh a-mach agus aonadan nan dìonadairean a leasachadh. Bhuilich sinn cunradh cuideachd airson nan laimrigan aig Caol an t-Snàimh agus aig an Rubha Bhòdach ath-thogail, agus àite ciudhaidh do charbadan mòra aig Caol an t-Snàimh, mar phàirt de dh'inbheisteadh £6 millean a chaidh a phlanadh agus a thòisicheas san ath bhliadhna ionmhasail.

A thuilleadh air an sin, tha sinn air a bhith ag obair gu dlùth ann an co-obrachadh le Còmhdhail Alba agus Aiseagan CalMac Earranta gus ionadachadh air so-mhaoin bun-structar shoithichean is puirt a chomharrachadh, a tha a' fighinn gu deireadh am beatha deilbhidh. Ged a tha sinn air leth mothachail do chuingealachdan ionmhasail san àm ri teachd, is e pìos obrach a tha seo a tha cudromach agus an-còmhnaidh a' mean-fhàs.

Tha an obair againn uile, eadar gu bheil e airson soithichean no calaidhean, air a choileanadh le sàbhailteachd na làn phrìomhachas. Bidh sinn gu cunbhalach a' tomhas, a' measadh agus ag aithris air ar coileanadh slàinte is sàbhailteachd mar phrìomh phàirt de ar gnìomhachd gnothachais. San Dùbhlachd 2016, neartaich sinn ar modh-obrach a thaobh slàinte is sàbhailteachd le fastadh a dh'aon ghnòthaich air Mhàinidsear Slàinte, Sàbhailteachd is Àrainneachd. On chaidh fhadadh don dreuchd, tha Richie Morgan air àireamh de dh'iomairtean a thoirt a-steach gus ar modh-obrach a neartachadh agus mothachadh a bhrosnachadh do chudromachd slàinte is sàbhailteachd an taobh a-staigh ar sgioba agus tarsainn ar lionra de chidheachan agus de chaidhean.

Chuir sinn Innleadair Meiceanaigeach is Dealanach ùr an dreuchd cuideachd a' cur fàilte air Seòras MacRath don sgioba innleadaireachd, agus fastaidhean maireannach eile an taobh a-staigh na sgioba ionmhais le Seòras MacGriogair mar Mhàinidsear Solair, agus an taobh a-staigh na sgioba innleadaireachd le Iain Quinn mar Mhàinidsear Phròiseactan Togail.

Bu mhath leam taing a thoirt don sgioba uile aig CMAL airson an obair chruaidh aca sa bhliadhna a dh'fhalbh. Is ann a-mhàin le an cuid fiosrachaidh, eòlais agus dealais as urrainn dhuinn leantainn air adhart a' liubhairt ar cinn-uidhe agus ar taic do choimhearsnachdan dùthchail is eileanach.



Kevin Hobbs
Àrd-Oifigear



STRATEGIC REPORT

The Directors have pleasure in submitting their Strategic Report and Financial Statements for the year ended 31 March 2017.

Structure

Caledonian Maritime Assets Limited operates as a single company. It holds 100% of the share capital of Caledonian MacBrayne Limited, a dormant company incorporated in Scotland. These are the Financial Statements of Caledonian Maritime Assets Limited only.

Principal Activity

The principal activity of the Company is the provision, safeguarding and development of ferries and harbours for use by the operator, CalMac Ferries Ltd, in the provision of lifeline ferry services in both the Clyde and Western Isles areas. It also charters two freight vessels to Serco Ltd for use in the Northern Isles ferry service.

Caledonian Maritime Assets Limited generates the majority of its revenues from the operator of the Clyde and Hebrides Ferry Services. Operating costs are funded from these revenues.

Scottish Ministers provide 100% loans to fund capital expenditure on vessels. The company makes applications to Scottish Ministers for Grant in Aid funding of up to 75% towards the costs of harbour infrastructure projects, with the balance of funding being found from its own resources.

Business Review

During the year the Company generated revenue of £35,913,000 (2016: £33,549,000), which resulted in a net profit after tax of £3,063,000 (2016: £7,869,000).

Further payments totalling £1,592,000 were made during the year towards construction of MV CATRIONA, the third small hybrid ferry built at Ferguson Marine Engineering Ltd. MV CATRIONA was launched in December 2015 and came into service in September 2016.

Work continues on the two 102 metre dual-fuel vessels being built at Ferguson Marine Engineering Ltd. These vessels will serve the Ardrossan/Arran and Uig triangle routes with delivery scheduled for 2018. Payments totalling £27,243,000 have been made during the year.

Development of the new ferry terminal at Brodick commenced in January 2016 with completion due in late summer 2017. Works undertaken to rebuild and improve the slipways at Kerrera and Gallanach were completed in August 2016.

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

The Company makes contributions to fund the deficits on the CalMac Pension Scheme, the Merchant Navy Officers' Pension Fund and the Merchant Navy Ratings' Pension Fund. Payments totalling £6,606,000 were made to these schemes during the year.

Future Developments

Future business priorities include ensuring delivery of the two 102 metre dual fuel vessels, and completion of the redevelopment of Brodick ferry terminal. Works commenced shortly after the end of the year to build two new slipways at Colintraive and Rhubodach terminals. The Company continues to invest in the infrastructure necessary to support the lifeline ferry services operated throughout the Clyde and Hebrides.

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

Following CalMac Ferries Ltd's successful bid to operate the public service contract for lifeline ferry services in the Clyde and Hebrides, the Company looks forward to working with CalMac in further developing the vessels and infrastructure necessary for these vital services.

Business Environment and Principal Risks and Uncertainties

As pressures on public finances continue, the Company strives to achieve greater value for money by further developing robust procurement processes across its purchasing activities.

Failure to recruit and retain highly skilled professional staff would have an adverse impact on the Company's ability to deliver its goals. Having appropriate reward and support packages in place assists in the attraction and retention of staff.

Achieving the goals of providing efficient, cost effective and safe vessels, harbours and associated port infrastructure for operators, communities and users in and around Scotland, the Company contributes significantly to the Scottish Government Strategic Objectives of a Wealthier and Fairer, Smarter, Healthier, Safer and Stronger and Greener Scotland.

Strategy

The strategy for the Company is detailed within the Chair's Statement and the CEO's Statement.

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

By order of the Board



Kevin Hobbs
Director

29 September 2017

Municipal Buildings
Fore Street,
Port Glasgow
PA14 5EQ

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Financial Statements for the year ended 31 March 2017.

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

Directors and their Interests

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

E Østergaard**x	Appointment period to 30 April 2020 (Chair)
M Forrest**x	Retired 31 July 2017
A Whyte*x	Retired 31 July 2017
M McNeill*x	Appointment period to 30 April 2020
P Croucher*x	Appointed 1 August 2017. Appointment period to 31 July 2020
A Graham*x	Appointed 1 August 2017 Appointment period to 31 July 2020
K P Hobbs	Chief Executive, (appointed 1 April 2016)
J Anderson	Director Vessels, (appointed 1 April 2016)
L E Spencer	Director of Harbours
G M Bruton	Director of Finance

* Member of Audit Committee

** Chairman of Audit Committee

x Member of Remuneration Committee

xx Chairman of Remuneration Committee

Two meetings of the Audit Committee were held during the year. Two members of the committee attended both meetings. One member was unavailable on the meeting dates.

No meetings of the remuneration committee were held during the year.

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

The Company is wholly owned by the Scottish Ministers.

Employees

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

Disclosure of Information to the Auditor

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

Auditor

Auditors will be appointed following a market testing exercise.

By order of the Board



Kevin Hobbs
Director

29 September 2017

Municipal Buildings
Fore Street,
Port Glasgow
PA14 5EQ

STATEMENT ON INTERNAL CONTROL

Board of Directors

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

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

Board Balance and Independence

At 31 March 2017, the Board comprised of four Non-Executive Directors (including the Chairman), plus four Executive Directors.

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

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

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

Information, Induction and Professional Development

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

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

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

Performance Evaluation

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

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

Relations with Sole Shareholder

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

STATEMENT ON INTERNAL CONTROL continued

Internal Control

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

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

Control Environment

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

Audit Committee

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

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

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

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

Identification and Monitoring of Business Risks

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

Major Corporate Information Systems

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

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

Going Concern

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CALEDONIAN MARITIME ASSETS LIMITED

We have audited the Financial Statements of Caledonian Maritime Assets Limited for the year ended 31 March 2017, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cashflows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs), as adopted by the European Union.

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

Respective Responsibilities of the Directors and the Auditor

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

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion the information given in the Chair's Statement, the CEO's Statement, the Strategic Report, the Directors' Report, the Statement on Internal Control and the Statement of Directors' Responsibilities for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements and the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



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

29 September 2017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Note	2017 (£'000)	2016 (£'000)
Revenue	6	35,913	33,549
Cost of sales		(22,705)	(22,933)
Gross profit		13,208	10,616
Administrative expenses		(3,107)	(4,428)
Other (losses)	7	(27)	(62)
Operating gain		10,074	6,126
Interest receivable	7	24	39
Interest payable	7	(3,224)	(3,525)
Other finance costs	7	(1,350)	(1,827)
		(4,550)	(5,313)
Profit on ordinary activities before taxation		5,524	813
Taxation			
Tax (charge)/credit for the year	8	(2,461)	7,056
Profit for the financial year		3,063	7,869
Other comprehensive (expense)/ income			
Actuarial (loss)/gain recognised in the pension scheme	19	(26,093)	16,124
Tax movement relating to the actuarial gain/(loss)		4,954	(2,379)
Other employers' contribution/(costs) to pension deficit		19	(4,232)
Loss on revaluation of property, plant & equipment	10	(1,900)	-
Other comprehensive (expense)/income for the year, net of tax		(23,020)	9,513
Total comprehensive (expense)/income for the year		(19,957)	17,382
Profit attributable to:			
Owners of the company		3,063	7,869
Total comprehensive (expense)/income attributable to:			
Owners of the company		(23,020)	17,382

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

STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

Assets	Note	2017 (£'000)	2016 (£'000)
<i>Non-current assets</i>			
Property, plant & equipment	10	299,920	259,136
Investment property	10	1,655	1,371
Investments	11	-	-
Total non-current assets		301,575	260,507
<i>Current assets</i>			
Trade and other receivables	12	4,682	4,565
Cash at bank and in hand	15	13,217	15,972
Total current assets		17,899	20,537
Total assets		319,474	281,044
<i>Equity and liabilities</i>			
<i>Capital and reserves</i>			
Called up share capital	18	15,000	15,000
Distributable capital contribution reserve		13,800	13,800
Revaluation reserve		62,447	68,178
Retained earnings		(36,703)	(22,477)
Total equity attributable to owners of the Company		54,544	74,501
<i>Non-current liabilities</i>			
Other payables	14	133,741	108,475
Capital grants	16	61,221	48,640
Net pension liability	19	51,595	33,136
Deferred tax provision	17	6,554	4,717
Total non-current liabilities		253,111	194,968
<i>Current liabilities</i>			
Trade and other payables	13	11,819	11,575
Total current liabilities		11,819	11,575
Total liabilities		264,930	206,543
Total equity and liabilities		319,474	281,044

These Financial Statements were authorised for issue by the Board of Directors on 29 September 2017 and were signed on its behalf by;

Erik Østergaard
Chairman



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Share capital £'000	Distributable capital contribution reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Total £'000
Balance at 31 March 2015	15,000	13,800	(43,963)	72,282	57,119
Profit for the year	-	-	7,869	-	7,869
Other comprehensive income for the year	-	-	9,513	-	9,513
Excess of depreciation on revaluation	-	-	4,104	(4,104)	-
Balance at 31 March 2016	15,000	13,800	(22,477)	68,178	74,501
Profit for the year	-	-	3,063	-	3,063
Other comprehensive (expense) for the year	-	-	(21,120)	(1,900)	(23,020)
Excess of depreciation on revaluation	-	-	3,831	(3,831)	-
Balance at 31 March 2017	15,000	13,800	(36,703)	62,447	54,544

The profit 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 2017

Cash flows from operating activities	2017 (£'000)	2016 (£'000)
Revenue receipts	36,475	33,421
Cash payments for:		
Cost of sales	(12,538)	(13,642)
Pension deficit	(6,723)	(6,482)
Direct pay costs	(1,646)	(1,539)
General operating and administrative expenses	(1,333)	(1,250)
	(22,240)	(22,913)
Cash generated by operating activities	14,235	10,508
Interest paid	(3,224)	(3,410)
Tax refund	-	4
	(3,224)	(3,406)
Net cash generated by operating activities	11,011	7,102
Cash flows from investing activities		
Interest received	24	39
Cash receipts in respect of capital grants	16,546	5,686
Cash receipts from sale of assets	19	2
Payments to acquire property, plant and equipment	(55,147)	(50,094)
Net cash (used in) investing activities	(38,558)	(44,367)
Cash flows from financing activities		
Loans received	28,727	41,159
Loans repaid	(3,935)	(3,767)
Net cash generated by financing activities	24,792	37,392
Net (decrease)/ increase in cash and cash equivalents	(2,755)	127
Cash and cash equivalents at the beginning of the year	15,972	15,845
Cash and cash equivalents at the end of the year	13,217	15,972
Comprising:		
Cash and bank balances	13,217	15,972

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 12.

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
 IAS 19 Employee benefits
 IAS 24 Related party disclosures
 IAS 40 Investment property
 IFRS 7 Financial instruments: disclosures
 IFRS 12 Disclosure of interests in other entities

At the year-end the following standards, amendments and interpretations, which have not been applied in these Financial Statements, were in issue, but not yet effective:

IAS 1 Presentation of financial statements
 IAS 39 Financial instruments: recognition and measurement
 IFRS 7 Financial instruments: disclosures
 IFRS 9 Financial instruments
 IFRS 15 Revenue from contracts with customers

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.

IFRS 16 Leases

The Standard makes substantial changes to the recognition and measurement of leases by lessees. On adoption of the standard, lessees, with certain exceptions for short term or low value leases, will be required to recognise all leased assets on their balance sheet as "right-of-use assets" with a corresponding lease liability.

The requirements for lessors are substantially unchanged. On application of the standard the disclosures are likely to increase for both lessors and lessees. The standard includes principles on disclosing the nature, amount, timing and variability of lease payments, and cash flows, by providing qualitative and quantitative information.

The Company has not as yet evaluated the full extent of the impact that the standard will have on its financial statements, nor the transitional provisions which may be utilised.

The standard is effective for periods beginning on or after 1 January 2019 but is yet to be endorsed by the EU.

NOTES TO THE ACCOUNTS continued

(b) Property, plant and equipment and investment property

Land

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

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

Property

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

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

Plant and equipment

Harbour infrastructure including piers, slipways, linkspans and associated works are held on a depreciated replacement cost basis. Increases in the replacement cost over the historic cost of the asset, is credited to other comprehensive income. Increases in the aggregate depreciation calculated on the replacement cost value is charged to other

comprehensive income. Increases that offset previous decreases on the same asset charged to the income statement are credited to the income statement to the extent of previous decreases and subsequently to other comprehensive income.

Vessels

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

Depreciation

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

Land - not depreciated

Property, freehold - over their expected useful life up to a maximum of 35 years

Property, leasehold – over the remaining period of the lease

Piers & slipways - over their expected useful life up to a maximum of 60 years

Linkspans - over their expected useful life up to a maximum of 60 years

Vessels - over their expected useful life up to a maximum of 35 years

Office equipment – over 3 years

Vehicles – over 3 years

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

Investment property

Property which is surplus to requirement for supporting lifeline ferry services is held as investment property and is carried at fair value and valued in accordance with the Valuation Standards issued by The Royal Institution of Chartered Surveyors on the basis of their existing condition. Gains or losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise.

Assets under construction

Ships, piers, linkspans and other assets under construction are carried at cost on the basis of payments to account. No depreciation is charged until the asset comes into use. Caledonian Maritime Assets Ltd borrows funds from Scottish Ministers to finance new vessel construction. The directly attributable costs of financing new vessel builds is capitalised and included in the cost of the vessel.

(c) Investments

Fixed asset investments are carried at cost.

(d) Capital grants

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

(e) Operating lease income

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

(f) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of value added tax, returns, rebates and discounts. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow

to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(g) Interest income

Interest income is recognised using the effective interest method.

(h) Current and deferred tax

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

In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

(i) Pensions

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

NOTES TO THE ACCOUNTS continued

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

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

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

The Company participates in another two multi-employer defined benefit pension schemes. It is not possible in the normal course of events for the independent actuary to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the schemes, and in line with IAS 19, the schemes are accounted for as a defined contribution scheme. The company also participates in a industry wide defined contribution scheme. The costs of these schemes are written off to the Income Statement on an accruals basis. The assets of the schemes are held separately from those of the Company in independently administered funds.

(j) Financial assets

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

Loans and receivables:

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

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

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

Financial assets at FVTPL:

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

Derecognition of financial assets:

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

(k) Financial liabilities

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

Other financial liabilities:

Trade payables:

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal cycle of business if longer). If not, they are presented as non-current liabilities.

Borrowings:

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

Financial liabilities at FVTPL:

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

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

Derecognition of financial liabilities:

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

(l) Derivative financial instruments

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

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

Embedded derivatives:

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

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

(m) Cash and cash equivalents

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

(n) Share capital

Ordinary shares are classified as equity.

(o) Operating lease expenditure

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

(p) Going concern

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

NOTES TO THE ACCOUNTS continued

(q) Revaluation surplus release

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

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

5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts.

6. Revenue

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

	2017 (£'000)	2016 (£'000)
Vessel charter fee	17,514	17,371
Harbour access charge raised against operator	13,702	11,973
Property & equipment licence fee from operator	150	156
Revenue from harbour dues	167	194
Rental income from properties not required for harbour operations	209	193
Revenue grants received	4,038	3,148
Other cost recoveries and contributions	133	514
	35,913	33,549

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

Following CalMac Ferries Ltd's successful tender for the Public Service Contract for lifeline ferry services in the Clyde and Western Isles, revenues from vessel charter fees are charged in line with the new contract terms. Harbour access charges are charged in line with the Company's standard charges for use of its harbours and are shown gross of harbour operating costs.

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 Statement of Financial Position date has been calculated based on key assumptions and estimates of future events as set out in note 19.

7. Profit on ordinary activities before tax

The profit is stated after (charging)/crediting:	2017 (£'000)	2016 (£'000)
Auditor's remuneration		
- Audit of these Financial Statements	(30)	(26)
- Other services relating to accounting and taxation	(5)	(2)
Depreciation of property, plant and equipment (Note 10)	(13,405)	(13,304)
Staff Costs (Note 9)	(2,071)	(3,608)
Interest received on bank balances	24	39
Operating lease costs - land & buildings	(362)	(419)
Release of capital grants (Note 16)	2,846	2,864
(Loss)/gain on disposal of fixed assets and investments	(254)	2
Interest payable – Loans	(2,889)	(2,856)
Interest on pension deficit contributions	(335)	(669)
	(3,224)	(3,525)
Other finance costs		
- interest on pension scheme assets (Note 19)	5,104	4,639
- interest on pension scheme liabilities (Note 19)	(6,454)	(6,466)
	(1,350)	(1,827)
Other (losses):		
- Gain/(loss) on revaluation of investment property (Note 10)	28	(62)
- abortive costs written off	(55)	-
	(27)	(62)

NOTES TO THE ACCOUNTS continued

8. Taxation

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

	2017 (£'000)	2016 (£'000)
Corporation Tax		
UK corporation tax on profit for the year at 20% (2016: 20%)	-	-
Overprovision in previous year	-	(46)
Total corporation tax charge/(credit)	-	(46)
Deferred Tax		
Increase/(decrease) in deferred tax provision (Note 17)	1,837	(7,356)
Deferred tax in relation to pensions	624	346
Total deferred tax charge/ (credit)	2,461	(7,010)
Tax charge/(credit) on profit on ordinary activities	2,461	(7,056)
The tax assessed for the period differs from the standard rate of corporation tax of 20% (2016: 20%)		
The differences are explained below:		
Profit on ordinary activities before tax	5,524	813
UK corporation tax at 20% (2016: 20%)	1,105	163
Effects of:		
Expenses not allowable for tax purposes	(1,086)	(163)
Movement in deferred tax in relation to pensions	624	346
Movement in deferred tax on losses recognised	(110)	(105)
Effect of change in tax rate	(533)	(241)
	-	-

9. Employee Information

	2017 (£'000)	2016 (£'000)
Staff Costs (including Directors)		
Wages & salaries	1,316	1,269
Social security costs	171	119
On-going pension contributions	377	406
Pension contributions towards past deficits – other schemes (see below)	5	1,480
Staff related costs	412	422
	2,281	3,696
Employee costs included above allocated to capital projects	210	88

Pension contributions towards past deficits – other schemes:

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

Employee numbers	2017 No.	2016 No.
Average number of employees, including Directors		
Administrative	29	27

Directors' remuneration	2017 (£'000)	2016 (£'000)
Non-executive directors' emoluments	53	53
Non-executive directors' pension costs	-	-
Executive directors' emoluments	405	390
Executive directors' pension costs	87	85
	545	528

Performance bonuses for Executive Directors other than the Chief Executive, and staff, which were deemed part of the terms and conditions of employments, were withdrawn for 2017.

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

4 directors are members of defined benefit pension schemes (2016: 4 directors).

The emoluments of the highest paid director were £110,242 (2016: £107,987). £16,696 (2016: £23,191) was paid into the pension scheme of the highest paid director during the year.

NOTES TO THE ACCOUNTS continued

10. Property, plant and equipment and investment property

	Investment property (£'000)	Other property (£'000)	Piers, slipways & linkspan facilities (£'000)	Vessels (£'000)	Office equipment & vehicles (£'000)	Payments on account and assets in construction (£'000)	TOTAL (£'000)
Cost or Valuation							
Balance at 1 April 2015	1,435	8,253	178,956	137,688	50	11,001	337,383
Additions	-	-	136	2,016	143	48,579	50,874
Transfers	(2)	-	6,971	-	-	(6,969)	-
Disposals	-	-	(415)	-	-	-	(415)
Revaluation (decrease)	(62)	-	-	-	-	-	(62)
Balance at 1 April 2016	1,371	8,253	185,648	139,704	193	52,611	387,780
Additions	-	-	-	966	116	56,639	57,721
Transfers	257	415	3,981	14,073	-	(18,726)	-
Disposals	-	(79)	(3,649)	-	-	(348)	(4,076)
Revaluation increase/ (decrease)	27	(3,011)	7,402	-	-	-	4,418
Balance at 31 March 2017	1,655	5,578	193,382	154,743	309	90,176	445,843
Accumulated Depreciation and Impairment							
Balance at 1 April 2015	-	88	114,246	-	50	-	114,384
Disposals	-	-	(415)	-	-	-	(415)
Depreciation expense/ impairment	-	87	3,171	10,034	12	-	13,304
Balance at 1 April 2016	-	175	117,002	10,034	62	-	127,273
Transfers	-	(1)	1	-	-	-	-
Disposals	-	(9)	(2,692)	-	-	-	(2,701)
Depreciation expense/ impairment	-	89	3,455	9,799	62	-	13,405
Revaluation adjustment	-	(254)	6,545	-	-	-	6,291
Balance at 31 March 2017	-	-	124,311	19,833	124	-	144,268
Carrying Amounts							
Balance at 31 March 2016	1,371	8,078	68,646	129,670	131	52,611	260,507
Balance at 31 March 2017	1,655	5,578	69,071	134,910	185	90,176	301,575
Carrying amount under cost model							
Balance at 31 March 2016	-	7,970	40,656	90,911	131	52,611	192,279
Balance at 31 March 2017	-	8,431	42,088	98,334	185	90,176	239,214

Included in the cost of Assets in Construction is £1,666,166 (2016: £564,949) of interest arising on the financing of new vessels. Interest has been calculated at rates ranging from 1.88% to 3.25% (2016: 2.88% to 3.25%).

Investment property assets were valued at 31 March 2016 and 31 March 2017 by Graham & Sibbald, Chartered Surveyors, on a fair value basis as defined by the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors and the valuation is as follows:

Investment properties	2017 (£'000)	2016 (£'000)
Land	719	650
Buildings	936	721
	1,655	1,371

Other property assets were valued at 31 March 2017 by Graham & Sibbald, Chartered Surveyors, on a fair value basis as defined by the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors and the cost/valuation is as follows:

Other property assets	2017 (£'000)	2016 (£'000)
Land	3,498	6,055
Buildings - freehold	2,080	2,119
Buildings - leasehold	-	79
	5,578	8,253

Piers, slipways and linkspan facilities were valued at 31 March 2017 by CH2MHill Ltd, Consulting Engineers, on a depreciated replacement cost basis and the cost/valuation is as follows:

	2017 (£'000)	2016 (£'000)
Piers and slipways	146,818	136,735
Linkspan facilities	46,564	48,913
	193,382	185,648

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

	2017 (£'000)	2016 (£'000)
Vessels	154,743	139,704

In 2016 the directors reassessed the useful economic lives of the vessels up to a maximum of 35 years. This had a consequence of reducing the annual depreciation charge by £8,476,000.

Capital commitments	2017 (£'000)	2016 (£'000)
No provision has been made in these accounts for:		
Outstanding capital commitments contracted for amounting to:	40,774	87,410
Capital Grants receivable in respect of these commitments amounting to:	-	15,475

NOTES TO THE ACCOUNTS continued

11. Investments

Caledonian Maritime Assets Ltd holds 100% of the issued capital of Caledonian MacBrayne Ltd, a dormant company incorporated in Scotland. The aggregate capital and reserves of the company as at 31 March 2017 is £2 (2016: £2).

12. Trade and other receivables

	2017 (£'000)	2016 (£'000)
Trade receivables	256	783
Prepayments and accrued income	4,426	3,782
	4,682	4,565

All of the trade and other receivables above were receivable under normal commercial terms, generally seven to 30 days. The Directors consider that the carrying value of trade and other receivables approximates to their fair value. A general provision of £8,501 (2016: £8,501) was held against receivables.

13. Trade and other payables

	2017 (£'000)	2016 (£'000)
Loans (Note 14)	4,090	4,053
Trade payables	958	2,235
Other creditors and accruals	6,771	5,287
	11,819	11,575

Trade purchases are made under normal commercial terms, generally 30 days, however where practicable, the Company follows the Scottish Government guidelines of paying suppliers within 10 working days of receipt of valid invoice. The Directors consider that the carrying value of trade and other payables approximates to their fair value.

14. Other Payables

	2017 (£'000)	2016 (£'000)
Unsecured vessel loans not wholly repayable within five years, repayable in half-yearly instalments	133,175	107,929
Less repayable within twelve months (Note 13)	(4,090)	(4,053)
	129,085	103,876
Other creditors	4,656	4,599
	133,741	108,475

Instalments on the loans included above are repayable as follows:

	2017 (£'000)	2016 (£'000)
between one and two years	5,606	4,025
between two and five years	16,902	14,255
after five years	106,577	85,596
	129,085	103,876

Unless authorised by Scottish Ministers, the Company can borrow only from Scottish Ministers. At 31 March 2017 the Company had 11 loans outstanding (2016: 12) all repayable to Scottish Ministers at interest rates ranging from 1.88% to 6.00%. Nine loans are repayable by half yearly equal instalments of principal, over periods of 20 or 25 years from the first scheduled repayment date after finalisation of loan drawdown. Two loans are repayable on an annuity basis over 25 years from the first scheduled repayment date after finalisation of loan drawdown.

15. Financial risk management

Financial risk factors

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

(a) Interest rate risk profile

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

Currency	Total		Floating rates		Fixed rates		Weighted Average			
							Interest rate		Period until maturity	
	2017 (£'000)	2016 (£'000)	2017 (£'000)	2016 (£'000)	2017 (£'000)	2016 (£'000)	2017 (%)	2016 (%)	2017 (Years)	2016 (Years)
Loans	133,175	107,929	-	-	133,175	107,929	4	4	23	22
Cash	(13,217)	(15,972)	-	-	-	-	-	-	-	-
Net Borrowing	119,958	91,957	-	-	133,175	107,929	4	4	23	22

All the Company's borrowings are at fixed rates of interest. The fair value of these loans at 31 March 2017 ascertained through discounting the future cash flows at the National Loans Fund rate was £143,290,000 (2016: £114,690,000).

(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 headroom as determined by the above mentioned forecasts. At the reporting date the Company held money market funds of £Nil (2016: £Nil) and other liquid assets of £13,217,000 (2016: £15,972,000).

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period to maturity at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year (£'000)	Between 1-2 years (£'000)	Between 2-5 years (£'000)	Over 5 years (£'000)
At 31 March 2017				
Borrowings	4,090	5,606	16,902	106,577
Trade & other payables	6,685	-	-	-
At 31 March 2016				
Borrowings	4,053	4,025	14,255	85,596
Trade & other payables	5,498	-	-	-

NOTES TO THE ACCOUNTS continued

(c) Credit risk

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

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

(d) Capital risk management

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

The Company does not have any significant foreign currency exposure, nor does it speculate in derivative transactions. It is anticipated that future capital expenditure on vessels will be funded by fixed rate unsecured loans from Scottish Ministers.

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

16. Capital grants

	2017 (£'000)	2016 (£'000)
Balance at 1 April	48,640	45,613
Grants received and receivable	16,474	5,891
Released to statement of comprehensive income	(2,846)	(2,864)
Write-off of grant on asset disposal	(754)	-
Write-off of grant on discontinued project	(293)	-
Balance at 31 March	61,221	48,640

17. Provisions for liabilities and charges

	2017 (£'000)	2016 (£'000)
Deferred tax		
The main components of deferred tax at 19% (2016: 20%) are:		
Accelerated capital allowances	6,732	6,414
Other timing differences	1,927	518
Trading losses	(2,105)	(2,215)
Balance at 31 March	6,554	4,717

18. Share capital

	2017 (£'000)	2016 (£'000)
Authorised, allotted, issued and fully paid – 1.5million ordinary shares of £10 each	15,000	15,000

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

19. Pension arrangements

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

	2017 (£'000)	2016 (£'000)
On-going contributions		
Company scheme	353	392
Other schemes	11	7
Contributions towards past deficits		
Other schemes	5	1,480
	369	1,879

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 2015. Assumptions which have the most significant effect on the results of the valuation are those relating to:

- RPI Inflation – 3.42%; CPI Inflation – 2.42%
- rate of return on investments
 - 3.74% pre-retirement funds:
 - 3.74% retirement funds
- rate of increase in salaries and pensions
 - increase for current employees – 2.7% for 1 year, CPI +1% per annum thereafter
 - increase for retired members:
 - on pre 2005 non GMP benefits – 3.42%
 - on post 2005 non GMP benefits – RPI capped at 3%;

- on post 1988 GMP benefits – CPI capped at 3.0%;
- on pre 1988 GMP benefits – 0% increase for former employees – 3.42%

d) Reductions in improvements in life expectancy since the last actuarial valuation have resulted in approximately a 2.8% decrease in liabilities.

The valuation showed the market value of the schemes assets as £136million and that the actuarial value of those assets represented 76.4% of the benefits accrued to members. The 2015 actuarial valuation identified a shortfall in funding of £41.9million.

The Trustees and Caledonian Maritime Assets Limited and participating employers (the employers) have agreed that the employers will pay total contributions of 30.8% of pensionable salaries. In addition the Board is committed to an annual payment of £4,693,000. The members contribute at a rate of 6.0% of pensionable earnings. The funding plan is expected to achieve 100% of funding level over 9 years from the valuation date.

The next actuarial valuation is due on 6 April 2018.

The information disclosed below is in respect of the CalMac Pension Fund for which the Company is the sponsoring employer. For the purposes of accounting disclosure requirements of IAS19 Employee Benefits, the latest actuarial valuation carried out at 6 April 2015 was updated to 31 March 2017 by a qualified independent actuary. The amounts recognised in the statement of financial position are as follows:

	2017 (£'000)	2016 (£'000)
Present value of funded liabilities	(242,783)	(183,473)
Fair value of scheme assets	178,573	142,052
Deficit	(64,210)	(41,421)
Related deferred tax asset	12,615	8,285
Net liability	(51,595)	(33,136)

NOTES TO THE ACCOUNTS continued

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

	2017 (£'000)	2016 (£'000)
Current service cost	353	392
Net financing cost	1,350	1,827
	1,703	2,219

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

	2017 (£'000)	2016 (£'000)
Staff costs	353	392
Other finance costs	1,350	1,827
	1,703	2,219
Actual return on scheme assets	24,635	(3,507)

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

	2017 (£'000)	2016 (£'000)
Opening cumulative statement of recognised (expense)	(56,884)	(73,008)
Remeasurements:		
- actuarial gains/(losses) – asset remeasurement	19,531	(8,146)
- actuarial gains/(losses) arising from changes in demographic assumptions	9,821	(483)
- actuarial (losses)/gains arising from changes in financial assumptions	(54,722)	30,129
- actuarial (losses) arising from experience	(723)	(5,376)
Closing cumulative statement of recognised (expense)	(82,977)	(56,884)

Changes in the present value of the defined benefit liabilities

	2017 (£'000)	2016 (£'000)
At 1 April	183,473	190,694
Current service cost – Caledonian Maritime Assets Ltd	353	392
Current service cost - Others	10,880	13,265
Employee contributions	2,528	2,308
Interest cost	6,454	6,466
Actuarial (gains)/losses arising from changes in demographic assumptions	(9,821)	483
Actuarial losses/(gains) arising from changes in financial assumptions	54,722	(30,129)
Actuarial losses arising from experience	723	5,376
Benefits paid	(6,529)	(5,382)
At 31 March	242,783	183,473

Changes in the fair value of the scheme assets

	2017 (£'000)	2016 (£'000)
At 1 April	142,052	135,651
Interest income on assets	5,104	4,639
Re-measurement gains/(losses)	19,531	(8,146)
Employer contributions	15,887	12,982
Employee contributions	2,528	2,308
Benefits paid	(6,529)	(5,382)
At 31 March	178,573	142,052

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

	2017 (%)	2016 (%)
Equities	51.7	54.7
LDI	20.9	25.0
Bonds	6.5	8.1
Property	6.7	8.2
Other	14.2	4.0

Principal actuarial assumptions at the year-end were:	2017 (%)	2016 (%)
Discount rate at 31 March	2.50	3.45
RPI Inflation	3.15	3.05
Future salary increases – 2016/17	-	1.00
Future salary increases – 2017/18	3.05	3.05
Future salary increases – 2018/19	3.05	-
Future pension increases	Derived from RPI assumptions	

Post retirement mortality assumptions are as follows:-

2017

SAPS S2 “Heavy” with scaling factors of 95% for males and 115% for females, future mortality improvements are in line with the CMI_2016 model with long-term rate of improvement of 1.5% pa

2016

SAPS S2 “Heavy” with scaling factors of 95% for males and 115% for females, future mortality improvements are in line with the CMI_2015 model with long-term rate of improvement of 1.5% pa

Sensitivity

Discount rate +0.25%
RPI inflation +0.25%
Mortality scaling factor reduced by 10%

Impact on defined benefit liability

Decreases the liability by -5.70%
Increases the liability by +4.40%
Increases the liability by +3.40%

Historical pension scheme information

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

	2017 (£'000)	2016 (£'000)	2015 (£'000)	2014 (£'000)	2013 (£'000)
Present value of defined benefit liabilities	(242,783)	(183,473)	(190,694)	(139,512)	(124,350)
Fair value of scheme assets	178,573	142,052	135,651	115,592	101,225
Deficit	(64,210)	(41,421)	(55,043)	(23,920)	(23,125)
Experience adjustment on scheme liabilities	(723)	(5,376)	1,466	2,807	1,360
Re-measurement gains/ (losses) on scheme assets	19,531	(8,146)	4,743	636	5,165

The Company expects to contribute approximately £5,092,000 to this defined benefit plan in the next financial year.

NOTES TO THE ACCOUNTS continued

On-going contributions are made to the scheme by companies which are independent of Caledonian Maritime Assets Ltd. These on-going contributions are in respect of employees who transferred from CMAL to the David MacBrayne Group following the corporate restructuring in 2006. These on-going contributions made by other companies are credited to the Statement of Comprehensive Income to the extent necessary to reduce the total current service cost calculated by the scheme actuary, to the current service cost directly attributable to CMAL employees. Contributions in excess of this amount which relate to past deficits are accounted for through the Statement of Other Comprehensive Income.

These, and any additional contributions from outside the Company, are accounted for through the Statement of Other Comprehensive Income.

Other pension schemes

On corporate restructuring at 30 September 2006, the Company retained responsibility for shortfalls in funding in the Merchant Navy Officers' Pension Fund (MNOFP) and in the Merchant Navy Ratings' Pension Fund (MNRPF). Both MNOFP and MNRPF are industry-wide defined benefit pension schemes.

The MNOFP Post 1978 Section (the New Section) is closed to new members and at 31 March 2016 was closed to future benefit accrual with existing active members being transferred to the Ensign Retirement Plan (for the MNOFP) (ERP (for the MNOFP)), a defined contribution plan established within the MNOFP. The latest finalised valuation of the MNOFP was carried out as at 31 March 2015. The valuation showed that the Section had a gross deficit of £320m at the valuation date and that the market value of the assets of £2,907m covered 90% of the value of the Section liabilities. Deficit contributions from the 2003, 2006, 2009 and 2012 valuations still to be paid over the period to September 2020 had a present value of £315m, producing a net deficit of £5m. The Trustee decided not to collect additional contributions to meet this deficit.

Prior to closure to future accrual the joint contribution rate to the MNOFP was 32.2% of Post 2000 pensionable salaries: 20% from employer and 12.2% from member.

The joint contribution rate for the ERP (for the MNOFP) is 30%: 20% from the employer and 10% from the member.

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

Following approval by the High Court the Trustees amended the rules of the fund and in July 2015 implemented a new deficit contribution regime which included Former Employers who were not making such contributions, and Current Employers who were doing so.

The Fund administrators re-calculated percentage liability shares for the widened pool of Participating Employers and the Company's share of the deficit, after taking into account the deficit contributions already made by the company towards the 2008 deficit, amounted to £2,823,189. This liability had been provided for in 2015 and 2016. During the year the Company paid £1,032,290 towards the liability which is now fully settled.

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

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

20. Other financial commitments

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

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

Land and buildings	2017	2017	2016	2016
	(£'000) Land	(£'000) Buildings	(£'000) Land	(£'000) Buildings
Payable within one year	216	183	201	181
After one year but less than five	771	719	695	709
After more than five years	1,266	511	1,118	678
	2,253	1,413	2,014	1,568

Other	2017	2016
	(£'000)	(£'000)
Payable within one year	8,720	4,946
After one year but not more than five	34,282	19,560
After more than five years	2,438	7,314
	45,440	31,820

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

Property, plant and equipment	2017	2017	2016	2016
	(£'000) Investment property	(£'000) Vessels	(£'000) Investment property	(£'000) Vessels
Receivable within one year	232	15,312	140	7,766
After one year but less than five	844	51,759	277	5
After more than five years	810	5,721	471	-
	1,886	72,792	888	7,771

NOTES TO THE ACCOUNTS continued

21. Related party transactions

The Scottish Ministers are the Company's sole shareholder. The results of the Company are consolidated within Whole of Government Accounts, which are publicly available. Details of transactions with the Scottish Ministers are as follows:

	2017 (£'000)	2016 (£'000)
Capital grants received and receivable	15,974	5,891
Capital grants due at 31 March	1,834	1,305
Grant in aid received and receivable	3,993	3,000
Loans received and receivable	28,727	41,159
Project management fees & other charges	68	53
Project management fees & other charges payable at March	28	13
Marine licence and other fees	13	21
Loans repaid	3,935	3,767
Interest paid and payable	2,889	2,856
Interest on vessel new build	1,542	534
Balance of loans due at 31 March	133,175	107,929

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

	Sold to/(purchased from) David MacBrayne Group		Owed by/(owed to) David MacBrayne Group	
	2017 (£'000)	2016 (£'000)	2017 (£'000)	2016 (£'000)
Vessel leasing charges	17,162	17,339	322	322
Harbour access charges	13,702	11,773	441	17
Property & equipment licence	152	155	72	-
Rent	115	98	66	-
Repair & other costs recoveries	201	264	233	175
Vessel upgrades, modifications & repairs	(2,749)	(1,817)	(969)	(1,200)
Ferry travel costs	(9)	(8)	(1)	(1)
New vessel build project supervision & costs	(96)	(7)	-	(4)
Pier operations	(2,555)	(209)	-	-

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

	Charge in year		Owed by HIAL	
	2017 (£'000)	2016 (£'000)	2017 (£'000)	2016 (£'000)
Services of Finance Director	51	38	-	18

Company Number	SC001854
Registered Office	Municipal Buildings Fore Street Port Glasgow PA14 5EQ
Auditors	Scott-Moncrieff
Solicitors	DWF Biggart Baillie CMS Addleshaw Goddard LLP
Bankers	Royal Bank of Scotland

