Caledonian v Assets Ltd
Company No. SC001854

ANNUAL REPORT & ACCOUNTS 2018

Caledonian Maritime Assets Limited (CMAL) owns ferries, ports, harbours and infrastructure necessary for vital ferry services serving the west coast of Scotland, the Clyde estuary and the Northern Isles.

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

The CMAL 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.

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CHAIR'S STATEMENT

An Audit Scotland report, published in October 2017, highlighted that spending on Scotland's ferry services has more than doubled since 2007/08. Since 2007, the Scottish Government has spent more than £1 billion on ferries, representing significant investment in a vital part of Scotland's economy and improving and increasing vital links to the islands for people and businesses, as well as visitors from across Scotland and beyond.

In 2016, 5.7 million passengers travelled on Scotland's ferries, a number which continues to rise as a result of the road equivalent tariff (RET) and the popularity of Scotland's islands as visitor destinations.

This is great news for Scotland's maritime sector, for tourism and the wider economy. However, we recognise that increased traffic means increased maintenance and upgrade requirements for ferries and the harbours infrastructure that supports them.

A key part of CMAL's role involves ensuring the ferry and harbour services on the Clyde and Hebrides Ferry Services network are fit-for-purpose, that they are safe, efficient and reliable. Like many other public sector organisations, we have to do this through a process of prioritisation to maximise public funds, ensuring we are delivering value for money, and that areas with the greatest need are being addressed first.

Our plans in this regard are laid out in our three-year corporate plan (2016-2019), which acts as a blueprint for the key projects we will deliver. Our priorities have been agreed in consultation with Transport Scotland and Calmac Ferries Ltd as the operator of our ferries, and we meet regularly to discuss current and future ferry requirements and supporting infrastructure.

During the year 2017/18, we spent £41.4 million on harbour maintenance and upgrade. This has included investment in the £31.2 million Brodick Ferry Terminal upgrade project, which was built over the last two years, although planning began several years earlier. It is the biggest and most comprehensive redevelopment of a terminal facility in CMAL's history and it is one we are rightly proud of. The Isle of Arran is one of Scotland's most popular islands and, with the future arrival of MV Glen Sannox, one of two dual fuel ferries, Arran is set to have a visitor gateway befitting its tourism status.

We continued to invest significant sums in ferry construction, including the dual fuel ferries project and construction and delivery of a replacement vessel for the island of Kerrera. Our fleet provides ferries which are vital links to Scotland's islands and we know that the communities in Arran and Uig, Lochmaddy and Tarbert (Harris) eagerly anticipate the arrival of the new vessels to help with increased traffic on these routes.

As part of our work in the Skye triangle area, we are working in partnership with the Highland Council and Comhairle Nan Eilean Siar to manage public consultation on harbour improvements to prepare for the arrival of the new LNG ferry. Masterplans have been completed for each harbour and design plans are now being undertaken alongside applications for the required consents and orders. The proposals represent significant investment at each location and as always, the proposals are subject to funding availability, a subject that will form part of ongoing discussions and consultation.

Throughout the year, we have invested significantly in a range of projects to deliver ferry transport to Scotland's island communities. We know further investment is needed across the entire network and we are committed to working with Transport Scotland and our other partners and stakeholders to scope those needs and to identify funds to allow projects to be developed.

The latest version of the Vessel Replacement and Deployment Plan, which was published in January 2018, has identified the Outer Hebrides as a priority area and Transport Scotland is conducting a study to assess potential options for future investment and the provision of services. We look forward to the findings of the study and working with our partners to progress any actions that follow from it.

Looking to 2018/19, our focus will remain on delivery of the dual fuel ferry project, a number of small scale capital harbour projects and our ongoing programme of harbour maintenance and upgrade.

Erik Østergaard
Chairman

AITHRIS A' CHATHRAICHE

Thog aithisg Sgrùdadh Alba a chaidh fhoillseachadh san Dàmhair 2017, gu bheil caiteachas air aiseagan na h-Alba air barrachd is dùblachadh bho 2007/08. Bho 2007, tha Riaghaltas na h-Alba air còrr agus £1 billean a chosg air aiseagan, a' riochdachadh inbheisteadh cudromach ann am pàirt dheatamach de dh'eaconamaidh na h-Alba agus a' leasachadh 's a' meudachadh cheanglaichean ro-chudromach gu na h-eileanan do dhaoine agus do ghnothachasan, a thuilleadh air luchd-tadhail bho air feadh Alba agus nas fhaide.

Ann an 2016, shiubhail 5.7 millean taistealach air aiseagan na h-Alba, àireamh a tha a' cumail ag àrdachadh mar thoradh air cosgais co-ionann ri rathad (RET) agus am mòr-mheas air eileanan na h-Alba mar cheann-uidhe luchd-tadhail.

Is e fìor dheagh naidheachd a tha seo do roinn mara na h-Alba, do thurasachd agus don eaconamaidh fharsaing. Ach, tha sinn a' tuigsinn gu bheil barrachd trafaig a' ciallachadh barrachd cumail-suas is riatanasan ath-ùrachaidh do dh'aiseagan agus do bhun-structar chalaidhean a tha a' cur taic riutha.

Is e prìomh phàirt de dhleastanas CMAL, dèanamh cinnteach gu bheil seirbheisean aiseig is calaidh ann an lìonra Sheirbheisean Aiseig Chluaidh is Innse Gall freagarrach don adhbhar, gu bheil iad sàbhailte, èifeachdach agus earbsach. Coltach ri mòran bhuidhnean eile san roinn phoblaich, tha againn ri seo a dhèanamh tro phròiseas prìomhachaidh gus an fheum as fheàrr a thoirt à maoinean poblach, a' dèanamh cinnteach gu bheil sinn a' lìbhrigeadh luach an airgid agus gu bheilear a' dèiligeadh le raointean as motha feum an toiseach.

Tha na planaichean againn a thaobh seo air am mìneachadh sa phlana chorporra trì-bliadhna againn (2016-2019), a tha ag obair mar riochdachadh air na prìomh phròiseactan a tha sinn a' lìbhrigeadh. Tha na prìomhachasan againn air an aontachadh ann an co-chomhairle le Còmhdhail Alba agus Aiseagan Calmac Earranta a bhios ag obrachadh nan aiseagan againn, agus bidh sinn a' coinneachadh gu cunbhalach gus riatanasan làithreach is teachdail aiseig is bun-structair a dheasbad.

Tron bhliadhna 2017/18, chosg sinn £41.4 millean air obair-càraidh is ath-ùrachadh chalaidhean. Tha seo air a bhith a' gabhail a-steach inbheisteadh ann am pròiseact ath-ùrachaidh fiach £31.2 millean air Port Aiseig Bhreadhaig a thogadh thar an dà bhliadhna a dh'fhalbh, ged a thòisich planadh grunn bhliadhnaichean roimhe sin. Is e seo an t-ath-leasachadh as motha agus as ioma-chuimseach air port aiseig ann an eachdraidh CMAL, agus bu chòir a bhith moiteil às. Tha Eilean Arainn mar aon de na h-eileanan as ainmeil ann an Alba, agus leis an aiseag MV Glen Sannox, aon de dhà aiseag dà-chonnaidh, tha Eilean Arainn deiseil le port aiseig do luchd-tadhail a bhios freagarrach do dh'inbhe an eilein a thaobh luchd-turais.

Lean sinn air adhart ag inbheisteadh shùimean cudromach ann an togail aiseagan, a' gabhail a-steach pròiseact aiseagan dà-chonnaidh agus togail is lìbhrigeadh air soitheach ionadachaidh do dh'eilean Chearara. Tha an cabhlach againn a' solarachadh aiseagan a tha nan ceanglaichean deatamach gu eileanan Alba agus tha fios againn gu bheil coimhearsnachdan Eilean Arainn agus

Ùige, Loch nam Madadh 's An Tairbeart (na Hearadh) a' coimhead air adhart gu mòr ris na h-aiseagan ùra a chuidicheas le trafaig mheudaichte air na slighean sin.

Mar phàirt de ar n-obair ann an raon triantan an Eilein Sgitheanaich, tha sinn ag obair ann an com-pàirteachas le Comhairle na Gàidhealtachd agus Comhairle Nan Eilean Siar gus co-chomhairle phoblach a stiùireadh air leasachaidhean chalaidhean gus deisealachadh airson na h-aiseig LNG ùr. Tha prìomh phlanaichean air an crìochnachadh do gach cala agus tha planaichean dealbhaidh a-nis gan gabhail os làimh taobh ri taobh le tagraidhean airson nan ceadan riatanach agus òrdughan. Tha na molaidhean a' riochdachadh inbheisteadh cudromach aig gach làrach agus mar as àbhaist, tha na molaidhean umhail do fhaotainneachd air maoineachadh, cuspair a bhios na phàirt de na deasbadan leantainneach agus den cho-chomhairle.

Tron bhliadhna, tha sinn air tasgadh gu mòr ann an raon de phròiseactan an lùib lìbhrigeadh air còmhdhail aiseagan gu coimhearsnachdan eileanach na h-Alba. Tha fios againn gu bheil tuilleadh tasgaidh a dhìth tarsainn na lìonra air fad agus tha sinn dealasach a thaobh a bhith ag obair le Còmhdhail Alba agus ar com-pàirtichean is luchd-ùidhe eile gus farsaingeachd nam feumalachdan sin a dhearbhadh agus maoinean a chomharrachadh a cheadaicheas do na pròiseactan sin a bhith air an leasachadh.

Tha an tionndadh deireannach de Phlana Ionadachaidh is Gnìomhachaidh Shoithichean, a dh'fhoillsicheadh san Fhaoilleach 2018, air na h-Eileanan Siar a chomharrachadh mar raon prìomhachais agus tha Còmhdhail Alba a' coileanadh sgrùdadh air na roghainnean san amharc airson tuilleadh inbheistidh agus solar air seirbheisean. Tha sinn a' coimhead air adhart ri toraidhean an sgrùdaidh agus a bhith ag obair còmhla ri ar com-pàirtichean gus gnìomhan sam bith a leanas bhuaithe a chur an cèill.

A' coimhead air adhart ri 2018/19, fuirichidh am fòcas againn air lìbhrigeadh air a' phròiseact aiseig dà-chonnaidh, àireamh de phròiseactan calpa beaga calaidh agus ar program leantainneach an lùib cumail suas is ùrachadh chalaidhean.

Erik Østergaard
Cathraiche

CEO'S STATEMENT

One of the most exciting parts of my job is the launch of a new ferry. In my career, I've been privileged to attend many vessel-launching ceremonies, but the thrill and enthusiasm around such an occasion never fades. So, it was a proud day when the first of two dual fuel ferries, MV Glen Sannox, was launched at the Ferguson Marine Engineering Limited (FMEL) shipyard in November 2017. This traditional launch into the Clyde is always a spectacle and draws the crowds, both local and from further afield.

The event was special in so many ways, not least because the vessel is the first of class. It is capable of operating on marine gas oil, as well as liquefied natural gas (LNG), using proven technology to deliver sustainability and environmental benefits.

In addition, we were honoured to have Scotland's First Minister Nicola Sturgeon there to lead the celebrations and officially launch the vessel, alongside the Minister for Transport and the Islands, Humza Yousaf. Hundreds of people, including shipyard workers, local primary school pupils and others from the local community, turned up to see MV Glen Sannox touch water for the first time. While shipbuilding on the Clyde has come a long way since its peak, there is still something unique about launching a ferry on the Clyde.

It was the second ferry launch we were involved in during the financial year 2017/18. MV Carvoria was launched in August 2017 and while it is a much smaller vessel than MV Glen Sannox, its value and importance is no less significant. At just 12 metres, MV Carvoria is the smallest vessel in our fleet and it was built as a replacement vessel to service the link between the small island of Kerrera and the mainland south of Oban at Gallanach. Built by Malakoff Limited in Shetland and brought into service in just 60 days, it includes improvements to enhance passenger comfort and provide greater cargo carrying capacity to the island.

Our vessels team has had a full schedule during 2017/18, a picture that will be reflected in the next financial year as they continue to manage the build phase of the two dual fuel ferries. A key focus remains the completion by FMEL of MV Glen Sannox and Hull 802 which have not been delivered within their original contracted schedule. Their delays in delivery remains a challenge to our organisation. Our vessels team will also be involved in discussions with CalMac Ferries Ltd and Transport Scotland on the design of a new ferry for Islay, which will represent the next vessel procurement exercise.

The Kennacraig to Islay route is one of the busiest in the network and the island's economy continues to thrive, driven by tourism. More information will be available through 2018 and, as always, consultation with the local community will form a key part of the vessel design process.

On the harbours side, we have also been busy delivering our programme of investment around the network, most notably with our flagship harbour project on the Isle of Arran, the Brodick Ferry Terminal upgrade.

The £6 million project to reconstruct the slipways at Colintraive and Rhubodach and create a larger vehicle queuing area at Colintraive got underway in April 2017. The new slipways will provide islanders with a more resilient ferry service, offering increased flexibility around tide levels.
Our contractor on the project has implemented a phased approach; meaning ferries can continue

to operate to timetable, minimising disruption for islanders and ferry users.

The harbours team gained some well-deserved recognition with a regional and national RICS award for their upgrade of the Wemyss Bay Ferry Terminal. Working with partners, we managed to maintain the original character of the historic building.

Looking ahead to next year, we have implemented a tender process to appoint a contractor to supply a new linkspan at Oban Ferry Terminal. The linkspan has reached the end of its serviceable life and needs to be replaced, with work due to be carried out in early 2019. The linkspan upgrade is just one of many being carried out at harbours around the network as part of our ongoing harbour investment programme.

A notable development in the maritime industry in Scotland during 2017/18 was the launch of the Scottish Maritime Cluster. The new membership body is aimed at boosting economic growth and securing a larger share of the multi-billion dollar global maritime market. While this is separate to CMAL's core business, it is an important development given the significance of maritime transport to Scotland's communities and economy. We can learn from the expertise and experience of a range of organisations involved in the sector and apply that learning to the ongoing improvement of ferry and harbour provision on the west coast of Scotland.

As we move into another financial year, it remains for me to thank the team at CMAL once again for their dedication. We are a small team, but I believe we deliver beyond our capacity, which is testament to the commitment of the individuals who work here.

We look forward to the opportunities of the year ahead.

Kevin Hobbs
Chief Executive

AITHRIS AN CEO

Is e cur-air-bhog na h-aiseig ùir aon de na pàirtean as brosnachaile de m' obair. Nam dhreuchd, fhuair mi cothrom air leth a bhith an làthair aig mòran sheirbheisean cur-air-bhog shoithichean, ach tha an dìoghras agus a' mhoit an lùib nan amannan sin a' leantainn leat gu bràth. Mar sin, 's e latha uailleil a bh' ann nuair a chaidh a' chiad aiseag de dhà aiseag dà-chonnaidh, an MV Glen Sannox, a chur air bhog ann an gàrradh-iarainn Ferguson Marine Engineering Earranta (FMEL) san t-Samhain 2017. Tha an cur-air-bhog traidiseanta a-steach do dh'Abhainn Chluaidh an-còmhnaidh na shealladh a tha a' tarraing sluagh, an dà chuid bhon sgìre ionadail agus nas fhaide air falbh.

Bha an tachartas sònraichte ann an iomadh dòigh, cha bu lugha a-mhàin a chionn 's gur e an soitheach seo a' chiad fhear den chlas. Tha e comasach air obrachadh air ola gas mara a thuilleadh air gas nàdarra lionnte (LNG), a' cleachdadh teicneòlas dearbhte airson seasmhachd is buannachdan àrainneachdail a lìbhrigeadh.

A thuilleadh air an sin, bha sinn urramaichte gun robh Ciad Mhinistear na h-Alba, Nicola Sturgeon, ann gus na subhachasan a stiùireadh agus gus an soitheach a chur air bhog guh-oifigeil, còmhla ri Ministear a' Chomhdhail agus nan Eilean, Humza Yousaf. Thionndaidh na ceudan de dhaoine a-mach, a' gabhail a-steach luchd-obrach nan gàrraidhean-iarainn, sgoilearan à bun-sgoiltean na sgìre agus daoine eile às an sgìre ionadail, gus an MV Glen Sannox fhaicinn a' bualadh san uisge airson a' chiad turais. Ged a tha togail-shoithichean air Cluaidh air a thighinn astar mòr bho bha e aig àirde, tha rudeigin air leth mu dheidhinn cur-air-bhog aiseig air Abhainn Chluaidh.

B' e an dàrna cur-air-bhog air aiseag san robh sinn an sàs sa bhliadhna ionmhais 2017/18. Chuireadh MV Carvoria air bhog san Lùnastal 2017 agus ged is e soitheach mòran nas lugha a th' ann na an MV Glen Sannox, tha a luach agus a chudromachd a cheart cho sònraichte. Aig dìreach 12 meatar, is e an MV Carvoria an soitheach as lugha sa chabhlach againn agus chaidh a thogail mar shoitheach ionadachaidh don t-seirbheis eadar eilean beag Chearara agus tìr-mòr deas air an Òban aig a' Ghallanaich. Air a thogail le Malakoff Earranta ann an Sealtainn agus air a thoirt a-steach don t-seirbheis an ceann 60 latha, tha e a' gabhail a-steach leasachaidhean airson cofhurtachd thaistealaich àrdachadh agus comas air cargu nas motha a ghiùlain.

Tha sgioba nan soitheach againn air a bhith an sàs ann an clàr-ama loma-làn tron bhliadhna 2017/18, dealbh a nochdas san ath bhliadhna ionmhasail agus iad a' leantainn air adhart a' lìbhrigeadh togail air an dà aiseag dà-chonnaidh. Tha e cudromach a-nis cuimseachadh air crìoch a chur le FMEL air an Glen Sannox agus Hull 802 nach tàinig gu buil taobh a-staigh a' chlàir-ama thùsail aca. Tha an dàil leis an seo na fhìor dhùbhlan fhathast don bhuidhinn againn. Bidh iad cuideachd an lùib chòmhraidhean le Aiseagan CalMac Earranta agus Còmhdhail Alba mun dealbhadh air aiseag ùr do dh'Ìle a riochdaicheas an ath ghnìomhadh air solar shoithichean. Is e slighe Cheann na Creige gu Ìle aon de na slighean as gnìomhaiche san lìonra agus tha eaconamaidh an eilein a' cumail air a' neartachadh, air a stiùireadh tro thurasachd. Bidh tuilleadh fiosrachaidh ri fhaotainn tro 2018 agus mar as àbhaist bidh co-chomhairleachadh leis a' choimhearsnachd ionadail a' dèanamh suas prìomh phàirt de phròiseas dealbhaidh an t-soithich.

Air taobh nan calaidhean, tha sinn air a bhith a' lìbhrigeadh ar program inbheistidh air feadh an lìonraidh, gu h-àraid tro ar prìomh phròiseact calaidh air Eilean Arainn, ath-ùrachadh air Port Aiseig Bhreadhaig.

Chaidh am pròiseact £6 millean airson na laimrig ath-thogail aig Caol an t-Snàimh agus An Rubha Bòdach agus àite ciuthaidh charbadan nas motha a chruthachadh aig Caol an t-Snàimh, a chur a dhol sa Ghiblean 2017. Bheir na cidheachan ùra seirbheis aiseig nas làidire do dh'Eilean Bhòid, a' tairgsinn sùbailteachd a bharrachd mu thimcheall ìrean mara. Tha cunnradair a' phròiseict air modh-obrach ceumaichte a chur an gnìomh; a' ciallachadh gun urrainn aiseagan leantainn orra ag obrachadh gu clàr-ama, a' lùghdachadh troimh-a-chèile sam bith do dh'eileanaich agus luchd-cleachdaidh nan aiseagan.

Fhuair sgioba nan calaidhean aithne air an robh iad airidh le duais RICS roinneil is nàiseanta airson an ath-ùrachadh air Port Aiseig Bhàgh Uamhais. Ag obair le com-pàirtichean, chaidh againn air caractar tùsail an togalaich eachdraidheil a ghleidheadh.

A' coimhead air adhart gu an ath-bhliadhna, chuir sinn pròiseas tagraidh an gnìomh airson cunnradair fhastadh gus alt-aiseig ùr a thogail do Phort Aiseig an Òbain. Tha an t-alt-aiseig air deireadh a shaoghal seirbheis a ruighinn agus tha feum air ionadachadh, le obair ri choileanadh air tràth ann an 2019. Tha an t-ath-ùrachadh air an alt-aiseig mar aon de mhòran a tha gan coileanadh mu thimcheall an lìonraidh mar phàirt de ar program inbheistidh leantainneach air calaidhean.

B' e cur-air-bhog air Buidheann Mara na h-Alba aon leasachadh sònraichte anns a' ghnìomhachas mara ann an Alba ann an 2017/18. Tha am buidheann ballrachd ùr ag amas air fàs eaconamach a neartachadh agus roinn nas motha fhaotainn den mhargaid mara chruinneil luach ioma-mhilleanan doilear. Ged a tha seo air leth bho phrìomh gnothachais CMAL, is e leasachadh cudromach a th' ann a thaobh cudromachd còmhdhail mara do choimhearsnachdan is eaconamaidh na h-Alba. Is urrainn dhuinn ionnsachadh bho ealantas is eòlas raon de bhuidhnean a tha an lùib na roinne agus an t-ionnsachadh sin a chur an cèill ann an leasachadh leantainneach air solar aiseagan is calaidhean air costa an iar na h-Alba.

Mar a tha sinn a' gluasad air adhart gu bliadhna ionmhais ùr, tha e air fhàgail agamsa taing a thoirt don sgioba aig CMAL uair eile airson an dìchill. 'S e sgioba bheag a th' annainn, ach tha mise a' creidsinn gu bheil sinn a' liubhairt seachad air ar comais, nì a tha na theisteanas do dhealas nan daoine fa leth a tha ag obair an seo.

Tha sinn a'coimhead air adhart ri cothroman na bliadhna a tha romhainn.

Kevin Hobbs
Àrd-Oifigear

THE DIRECTORS HAVE PLEASURE IN SUBMITTING THEIR STRATEGIC REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018.

STRATEGIC REPORT

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 £43,320,000 (2017: £35,913,000), which resulted in a net profit after tax of £2,099,000 (2017: £3,063,000).

Work on the two new dual fuel vessels continues to be progressed by Ferguson Marine Engineering Limited (FMEL) at their shipyard in Port Glasgow. These vessels will serve the Ardrossan/Arran and Skye triangle routes with delivery of the vessels now expected in 2019/20. Payments totalling £21,568,504 have been made during the year.

The extensive upgrade of Brodick Ferry Terminal has been completed and is now open to passengers. Work began on the £31m project in January 2016 and has delivered a new 110 metre, two-berth pier, designed to accommodate the new dual fuel vessel when it enters service.

Work continues on the construction of two new slipways at Colintraive and Rhubodach terminals with completion anticipated in late summer.

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 £5,958,000 were made to these schemes during the year. The company was notified of a further charge of £2,462,000 in respect of the Merchant Navy Ratings' Pension Fund 2017 deficit and this has been fully provided for within the Accounts.

Future Developments

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

To prepare for the new ferry that is being procured, upgrade work is proposed at the harbours at Tarbert (Harris), Lochmaddy and Uig, known as the Skye Triangle ports. This upgrade in collaboration with Comhairle nan Eilean Siar and The Highland Council has now entered the design stage.

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.

The procurement of three passenger vessels serving the Northern Isles has concluded post year-end with the vessels being added to the fleet in April 2018. The vessels were purchased from an RBS subsidiary, Northern Isles Ferries Limited.

Business Environment and Principal Risks and Uncertainties

It is the responsibility of the Directors to consider the risks associated with delivery and cost of any contract. As such the Directors have reviewed the current situation with the late delivery of the vessels Glen Sannox and Hull 802 and continue to hold a Surety Bond should there be financial difficulties or the vessels are not delivered within the revised dates that are proposed by the shipyard.

The delay to the delivery of the vessels under construction at FMEL is an unwelcome development and puts additional pressure on the existing fleet.

Ensuring successful delivery of these design and build contracts by the shipyard remains a high risk for the Company and is a clear focus for the Directors. CMAL does not have full visibility on the financial position of FMEL.

A revised schedule, provided to CMAL by FMEL, indicates the delivery of the vessels known as MV Glen Sannox and Hull 802 will fall within financial year 2019/20; MV Glen Sannox being approximately 13 months behind schedule and Hull 802 presently some 20 months delayed.

We have reviewed all potential claims with the benefit of legal and expert advice, and have concluded that there are no contingent liabilities to be noted in the accounts.

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.

Kevin Hobbs
Chief Executive

25 September 2018. Municipal Buildings
Fore Street, Port Glasgow PA14 5E.

THE DIRECTORS HAVE PLEASURE IN SUBMITTING THEIR REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018.

DIRECTORS' REPORT

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

Directors and their Interests

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

E Østergaard[xx]	Appointment period to 30 April 2020 (Chair)
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
M Forrest[**x]	Retired 31 July 2017
A Whyte[*x]	Retired 31 July 2017
K P Hobbs	Chief Executive
J Anderson	Director of Vessels
L E Spencer	Director of Harbours
G M Bruton	Director of Finance

* Member of Audit and Risk Committee

** Chairman of Audit and Risk Committee

x Member of Remuneration Committee

xx Chairman of Remuneration Committee

Four meetings of the Audit and Risk Committee were held during the year. Two members of the committee attended both meetings.

One meeting of the remuneration committee was 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

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

By order of the Board

Kevin Hobbs
Director

25 September 2018. 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 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 is entitled to attend each Board meeting.

Board Balance and Independence

At 31 March 2018, 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.

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.

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 and Risk Committee

The Audit and Risk Committee is appointed by the Board from amongst the independent Non-Executive Directors of the Company. The Chairman of the Audit and Risk 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 and Risk 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 is currently assessing the future requirement for an Internal Audit service.

The Company's external auditors present reports to the Audit and Risk 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 on a designated owner. Procedures include an ongoing process of identifying, evaluating and managing the Company's key risks and, where appropriate, enhancing the systems which manage these risks. Regular review of the risks and the risk register is undertaken by the Audit and Risk 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, 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 (the 'Company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Chair's Statement, the CEO's Statement, the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Chair's Statement, the CEO's Statement, 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 the 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 Chair's Statement, the CEO's Statement, 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities.
This description forms part of our auditor's report.

Use of our report

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.

Allison Gibson

Allison Gibson
(Senior Statutory Auditor)
for and on behalf of Scott-Moncrieff, Statutory Auditor

25 September 2018. Chartered Accountants,
25 Bothwell Street, Glasgow G2 6NL.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 (£'000)	2017 (£'000)
Revenue	6	43,320	35,913
Cost of sales		(26,737)	(22,705)
Gross profit		16,583	13,208
Administrative expenses		(5,773)	(3,107)
Other gains/(losses)	7, 10	152	(27)
Operating profit		10,962	10,074
Interest receivable	7	10	24
Interest payable	7	(3,116)	(3,224)
Other finance costs	7	(1,575)	(1,350)
		(4,681)	(4,550)
Profit on ordinary activities before taxation		6,281	5,524
Taxation			
Tax(charge) for the year	8	(4,182)	(2,461)
Profit for the financial year		2,099	3,063
Other comprehensive income/(expense)			
Actuarial gain/(loss) recognised in the pension scheme	19	16,933	(26,093)
Tax movement relating to the actuarial gain/(loss)		(2,810)	4,954
Other employers' (costs)/ contribution to pension deficit		(2,138)	19
Gain /(loss) on revaluation of property, plant & equipment	10	16,103	(1,900)
Other comprehensive income /(expense) for the year, net of tax		28,088	(23,020)
Total comprehensive income /(expense) for the year		30,187	(19,957)
Profit attributable to:			
Owners of the company		2,099	3,063
Total comprehensive income/(expense) attributable to:			
Owners of the company		30,187	(19,957)

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

The notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

Assets	Note	2018 (£'000)	2017 (£'000)
Non-current assets			
Property, plant & equipment	10	342,622	299,920
Investment property	10	1,799	1,655
Investments	11	-	-
Total non-current assets		344,421	301,575
Current assets			
Assets held for sale		285	-
Trade and other receivables	12	43,124	4,682
Cash at bank and in hand	15	13,538	13,217
Total current assets		56,947	17,899
Total assets		401,368	319,474
Equity and liabilities			
Capital and reserves			
Called up share capital	18	15,000	15,000
Distributable capital contribution reserve		13,800	13,800
Revaluation reserve		76,089	62,447
Retained earnings		(20,158)	(36,703)
Total equity attributable to owners of the Company		84,731	54,544
Non-current liabilities			
Other payables	14	187,447	133,741
Capital grants	16	64,966	61,221
Net pension liability	19	37,152	51,595
Deferred tax provision	17	10,159	6,554
Total non-current liabilities		299,724	253,111
Current liabilities			
Trade and other payables	13	16,913	11,819
Total current liabilities		16,913	11,819
Total liabilities		316,637	264,930
Total equity and liabilities		401,368	319,474

These Financial Statements were authorised for issue by the Board of Directors on 25 September 2018 and were signed on its behalf by; Erik Østergaard, Chairman. The notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share capital £'000	Distributable capital contribution reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Total £'000
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
Profit for the year	-	-	1,947	152	2,099
Other comprehensive income for the year	-	-	11,985	16,103	28,088
Excess of depreciation on revaluation	-	-	2,613	(2,613)	-
Balance at 31 March 2018	15,000	13,800	(20,158)	76,089	84,731

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

The notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

Cash flows from operating activities	Note	2018 (£'000)	2017 (£'000)
Revenue receipts		42,789	36,475
Cash payments for:			
Cost of sales		(17,901)	(12,538)
Pension deficit		(5,742)	(6,723)
Direct pay costs		(2,061)	(1,646)
General operating and administrative expenses		(1,508)	(1,333)
		(27,212)	(22,240)
Cash generated by operating activities		15,577	14,235
Interest paid		(3,116)	(3,224)
Net cash generated by operating activities		12,461	11,011
Cash flows from investing activities			
Interest received		10	24
Cash receipts in respect of capital grants		5,671	16,546
Cash receipts from sale of assets		512	19
Payments to acquire property, plant and equipment		(73,672)	(55,147)
Net cash (used in) investing activities		(67,479)	(38,558)
Cash flows from financing activities			
Loans received		59,449	28,727
Loans repaid		(4,110)	(3,935)
Net cash generated by financing activities	20	55,339	24,792
Net increase/(decrease) in cash and cash equivalents	20	321	(2,755)
Cash and cash equivalents at the beginning of the year	20	13,217	15,972
Cash and cash equivalents at the end of the year	20	13,538	13,217
Comprising:			
Cash and bank balances		13,538	13,217

The notes form part of these financial statements.

IMPROVING AND INCREASING VITAL LINKS TO THE ISLANDS FOR PEOPLE AND BUSINESSES.

Erik Østergaard
Chairman

NOTES TO THE ACCOUNTS

1. General information

Caledonian Maritime Assets Limited is a private limited company incorporated in Scotland. Its ultimate controlling party is the 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 investment property, land and buildings, piers, slipways and linkspan facilities, 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 7	Statement of Cash Flows
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 40	Investment Properties
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The Directors have not yet had an opportunity to consider the potential impact of the adoption of these amendments other than as noted below. 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 15 Revenue from Contracts with Customers

This Standard establishes the principles that are to be applied when reporting the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. In applying the standard the Company recognises revenue to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled to, in exchange for those goods or services.

To recognise revenue under IFRS 15 it is necessary to identify the contracts with customers, the performance obligations of such contracts, and the transaction price.

The Company has assessed that the impact of the application of this standard is minimal.

This standard is effective for accounting periods beginning on or after 1 January 2018.

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 fully evaluated the extent of the impact that the standard will have on its financial statements, nor the transitional provisions which may be utilised. However it is certain that the implementation of the standard will have a significant impact on the company with operating leases currently valued at approximately £36 million over the next five years.

The standard is effective for periods beginning on or after 1 January 2019.

(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 of land 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 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. Decreases that offset previous increases on the same asset are charged against 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.

NOTES TO THE ACCOUNTS (CONT'D)

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

Piers, slipways & 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

Vessels, 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.

Assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale.

Assets held for sale are carried at the lower of their carrying amount and the fair value less costs to sell. Any impairment of the asset is recognised immediately in the Income Statement and there is no depreciation charged on assets held for sale.

(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. The Company bases any estimates of income 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.

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 an 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.

NOTES TO THE ACCOUNTS (CONT'D)

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 at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives.

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

Derecognition of financial liabilities:

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

(l) Derivative financial instruments

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

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

Embedded derivatives:

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

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

(m) Cash and cash equivalents

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

(n) Share capital

Ordinary shares are classified as equity.

(o) Operating lease expenditure

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

(p) Going concern

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

(q) Revaluation surplus release

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

NOTES TO THE ACCOUNTS (CONT'D)

6. Revenue

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

	2018 (£'000)	2017 (£'000)
Vessel charter fee	21,012	17,514
Harbour access charge raised against operator	17,522	13,702
Property & equipment licence fee from operator	145	150
Revenue from harbour dues	239	167
Rental income from properties not required for harbour operations	253	209
Revenue grants received	3,993	4,038
Other cost recoveries and contributions	156	133
	43,320	35,913

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.

7. Profit on ordinary activities before tax

The profit is stated after (charging)/crediting:	2018 (£'000)	2017 (£'000)
Auditor's remuneration		
- Audit of these Financial Statements	(24)	(30)
- Other services relating to accounting and taxation	(2)	(5)
Depreciation of property, plant and equipment (Note 10)	(12,390)	(13,405)
Staff costs (Note 9)	(4,732)	(2,071)
Interest received on bank balances	10	24
Operating lease costs – land & buildings	(461)	(362)
Release of capital grants (Note 16)	2,851	2,846
Gain/(loss) on disposal of fixed assets and investments	490	(254)
Interest payable – Loans	(2,894)	(2,889)
Interest on pension deficit contributions	(222)	(335)
	(3,116)	(3,224)
Other finance costs		
- interest on pension scheme assets (Note 19)	4,621	5,104
- interest on pension scheme liabilities (Note 19)	(6,196)	(6,454)
	(1,575)	(1,350)
Other gains/(losses)		
- Gain on revaluation of investment property (Note 10)	152	28
- abortive costs written off	-	(55)
	152	(27)

8. Taxation

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

	2018 (£'000)	2017 (£'000)
Corporation Tax		
UK corporation tax on profit for the year at 19% (2017: 20%)	-	-
Deferred Tax		
Increase in deferred tax provision (Note 17)	3,605	1,837
Deferred tax in relation to pensions	577	624
Total deferred tax charge	4,182	2,461
Tax charge on profit on ordinary activities	4,182	2,461
The tax assessed for the period differs from the standard rate of corporation tax of 19% (2017: 20%) The differences are explained below:		
Profit on ordinary activities before tax	6,281	5,524
UK corporation tax at 19% (2017: 20%)	1,193	1,105
Effects of:		
Expenses not allowable for tax purposes	(1,770)	(1,086)
Movement in deferred tax in relation to pensions	577	624
Movement in deferred tax on losses recognised	-	(110)
Effect of change in tax rate	-	(533)
	-	-

9. Employee Information

Staff Costs (including Directors)	2018 (£'000)	2017 (£'000)
Wages & salaries	1,471	1,316
Social security costs	185	171
Ongoing pension contributions	496	377
Pension contributions towards past deficits – other schemes (see below)	2,466	5
Staff related costs	337	412
	4,955	2,281
Employee costs included above allocated to capital projects	223	210

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.

NOTES TO THE ACCOUNTS (CONT'D)

9. Employee Information (cont'd)

Employee numbers	2018 No.	2017 No.
Average number of employees, including Directors		
Administrative	31	29

Directors' remuneration	2018 (£'000)	2017 (£'000)
Non-executive directors' emoluments	56	53
Non-executive directors' pension costs	-	-
Executive directors' emoluments	412	405
Executive directors' pension costs	115	87
	583	545

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 2018. No bonus payments were made in the financial year.

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

Four directors are members of defined benefit pension schemes (2017: 4 directors).

The emoluments of the highest paid director were £112,394 (2017: £110,242). £30,794 (2017: £16,696) was paid into the pension scheme of the highest paid director during the year.

10. Property, plant and equipment and investment property	Investment property (£'000)	Other property (£'000)	Piers, slipways & linkspan facilities (£'000)	Vessels (£'000)	Office equipment & vehicles (£'000)	Payments on account and assets in construction (£'000)	TOTAL (£'000)
Cost or Valuation							
Balance as at 1 April 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 as at 1 April 2017	1,655	5,578	193,382	154,743	309	90,176	445,843
Additions	-	-	1,115	15	47	38,102	39,279
Transfers	(8)	28	19	2,352	-	(2,391)	-
Transfer to asset held for sale	-	-	-	(285)	-	-	(285)
Disposals	-	-	-	(58)	-	-	(58)
Revaluation increase/ (decrease)	152	-	-	(12,387)	-	-	(12,235)
Balance as at 31 March 2018	1,799	5,606	194,516	144,380	356	125,887	472,544
Accumulated Depreciation and Impairment							
Balance as 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 1 April 2017	-	-	124,311	19,833	124	-	144,268
Disposals	-	-	-	(45)	-	-	(45)
Depreciation expense/ impairment	-	104	3,495	8,702	89	-	12,390
Revaluation adjustment	-	-	-	(28,490)	-	-	(28,490)
Balance as at 31 March 2018	-	104	127,806	-	213	-	128,123
Carrying Amounts							
Balance at 31 March 2017	1,655	5,578	69,071	134,910	185	90,176	301,575
Balance at 31 March 2018	1,799	5,502	66,710	144,380	143	125,887	344,421
Carrying amount under cost model							
Balance at 31 March 2017	-	8,431	42,088	98,334	185	90,176	239,214
Balance at 31 March 2018	-	8,288	41,522	93,730	143	125,887	269,570

Included in the cost of Assets in Construction is £3,738,268 (2017: £1,666,166) of interest arising on the financing of new vessels. Interest has been calculated at rates ranging from 1.88% to 3.25% (2017: 1.88% to 3.25%).

NOTES TO THE ACCOUNTS (CONT'D)

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

Investment property assets were valued at 31 March 2017 and 31 March 2018 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	2018 (£'000)	2017 (£'000)
Land	769	719
Buildings	1,030	936
	1,799	1,655

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	2018 (£'000)	2017 (£'000)
Land	3,498	3,498
Buildings – freehold	2,108	2,080
	5,606	5,578

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:

	2018 (£'000)	2017 (£'000)
Piers and slipways	147,960	146,818
Linkspan facilities	46,556	46,564
	194,516	193,382

Ships were valued at 31 March 2018 by Simsonship AB, shipbrokers of Stockholm, Sweden on a market value basis and the cost/valuation is as follows:

	2018 (£'000)	2017 (£'000)
Vessels	144,380	154,743

Capital commitments	2018 (£'000)	2017 (£'000)
No provision has been made in these accounts for:		
Outstanding capital commitments contracted for amounting to:	16,758	40,774
Capital Grants receivable in respect of these commitments amounting to:	-	-

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 2018 is £2 (2017: £2).

12. Trade and other receivables

	2018 (£'000)	2017 (£'000)
Trade receivables	991	256
Prepayments and accrued income	42,133	4,426
	43,124	4,682

All of the trade and other receivables above were receivable under normal commercial terms, generally 7 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 (2017: £8,501) was held against receivables.

13. Trade and other payables

	2018 (£'000)	2017 (£'000)
Loans (Note 14)	5,812	4,090
Trade payables	1,751	958
Other creditors and accruals	9,350	6,771
	16,913	11,819

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

	2018 (£'000)	2017 (£'000)
Unsecured vessel loans not wholly repayable within five years, repayable in half-yearly instalments	188,514	133,175
Less repayable within twelve months (Note 13)	(5,812)	(4,090)
	182,702	129,085
Other creditors	4,745	4,656
	187,447	133,741
Instalments on the loans included above are repayable as follows:		
between one and two years	7,126	5,606
between two and five years	24,879	16,902
after five years	150,697	106,577
	182,702	129,085

Unless authorised by Scottish Ministers, the Company can borrow only from Scottish Ministers. At 31 March 2018 the Company had 11 loans outstanding (2017: 11) all repayable to Scottish Ministers at interest rates ranging from 1.88% to 5.25%. Eight 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, and one loan is repayable on an annuity basis over 16 years from the first scheduled repayment date after finalisation of loan drawdown.

NOTES TO THE ACCOUNTS (CONT'D)

15. Financial risk management

Financial risk factors

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

(a) Interest rate risk profile

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

							Weighted Average			
Currency	Total		Floating rates		Fixed rates		Interest rate		Period until maturity	
Sterling	2018 (£'000)	2017 (£'000)	2018 (£'000)	2017 (£'000)	2018 (£'000)	2017 (£'000)	2018 (%)	2017 (%)	2018 (Years)	2017 (Years)
Loans	188,514	133,175	-	-	188,514	133,175	3	4	22	23
Cash	(13,538)	(13,217)	-	-	-	-	-	-	-	-
Net Borrowing	174,976	119,958	-	-	188,514	133,175	3	4	22	23

All the Company's borrowings are at fixed rates of interest. The fair value of these loans at 31 March 2018 ascertained through discounting the future cash flows at the National Loans Fund rate was £193,510,000 (2017: £143,290,000).

(b) Liquidity risk

Cash flow forecasting is performed in the operation of the Company. The Company monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and, if applicable, external or regulatory legal requirements.

The Company invests surplus cash in interest bearing current accounts, time deposits and money market deposits choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above mentioned forecasts. At the reporting date the Company held money market funds of £Nil (2017: £Nil) and other liquid assets of £13,538,000 (2017: £13,217,000).

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 2018				
Borrowings	5,812	7,126	24,879	150,697
Trade & other payables	10,293	4,745	-	-
At 31 March 2017				
Borrowings	4,090	5,606	16,902	106,577
Trade & other payables	7,006	4,656	-	-

(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 ongoing basis within the confines of the public sector funding regime.

The Company does not have any significant foreign currency exposure, nor does it speculate in derivative transactions. 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 is due to expire on 30 September 2024 at which time it will be re-let.

16. Capital grants

	2018 (£'000)	2017 (£'000)
Balance at 1 April	61,221	48,640
Grants received and receivable	6,596	16,474
Released to statement of comprehensive income	(2,851)	(2,846)
Write-off of grant on asset disposal	-	(754)
Write-off of grant on discontinued project	-	(293)
Balance at 31 March	64,966	61,221

17. Provisions for liabilities and charges

Deferred tax	2018 (£'000)	2017 (£'000)
The main components of deferred tax at 19% (2017: 19%) are:		
Accelerated capital allowances	10,274	6,732
Other timing differences	1,990	1,927
Trading losses	(2,105)	(2,105)
Balance at 31 March	10,159	6,554

18. Share capital

	2018 (£'000)	2017 (£'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:

	2018 (£'000)	2017 (£'000)
Ongoing contributions		
Company scheme	481	353
Other schemes	15	11
Contributions towards past deficits		
Other schemes	2,466	5
	2,962	369

NOTES TO THE ACCOUNTS (CONT'D)

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:

a) RPI Inflation – 3.42%; CPI Inflation – 2.42%

b) rate of return on investments 3.74% pre retirement funds: 3.74% retirement funds

c) 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%;
- 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 £136 million 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 £41.9 million.

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 nine 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 2018 by a qualified independent actuary. The amounts recognised in the statement of financial position are as follows:

	2018 (£'000)	2017 (£'000)
Present value of funded liabilities	(244,870)	(242,783)
Fair value of scheme assets	198,490	178,573
Deficit	(46,380)	(64,210)
Related deferred tax asset	9,228	12,615
Net liability	(37,152)	(51,595)

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

	2018 (£'000)	2017 (£'000)
Current service cost	481	353
Net financing cost	1,575	1,350
	2,056	1,703

The expense is recognised in the following line items in the Statement of Comprehensive Income:	2018 (£'000)	2017 (£'000)
Staff costs	481	353
Other finance costs	1,575	1,350
	2,056	1,703
Actual return on scheme assets	7,279	24,635

Changes in the amounts recognised in other comprehensive income/(expense) are as follows:

	2018 (£'000)	2017 (£'000)
Opening cumulative other comprehensive income/(expense)	(82,977)	(56,884)
Remeasurements:		
- actuarial gains – asset remeasurement	2,658	19,531
- actuarial gains arising from changes in demographic assumptions	1,862	9,821
- actuarial gains/(losses) arising from changes in financial assumptions	13,220	(54,722)
- actuarial (losses) arising from experience	(807)	(723)
Closing cumulative other comprehensive (expense)	(66,044)	(82,977)

Changes in the present value of the defined benefit liabilities

	2018 (£'000)	2017 (£'000)
At 1 April	242,783	183,473
Current service cost – Caledonian Maritime Assets Ltd	481	353
Current service cost – Others	15,766	10,880
Employee contributions	2,720	2,528
Interest cost	6,196	6,454
Actuarial gains arising from changes in demographic assumptions	(1,862)	(9,821)
Actuarial (gains)/losses arising from changes in financial assumptions	(13,220)	54,722
Acturial losses arising from experience	807	723
Benefits paid	(8,801)	(6,529)
At 31 March	244,870	242,783

Changes in the fair value of the scheme assets

	2018 (£'000)	2017 (£'000)
At 1 April	178,573	142,052
Interest income on assets	4,621	5,104
Re-measurement gains	2,658	19,531
Employer contributions	18,719	15,887
Employee contributions	2,720	2,528
Benefits paid	(8,801)	(6,529)
At 31 March	198,490	178,573

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

	2018 (%)	2017 (%)
Equities	46.5	51.7
LDI	23.5	20.9
Bonds	6.1	6.5
Property	6.5	6.7
Other	17.4	14.2

Principal actuarial assumptions at the year-end were:

	2018 (%)	2017 (%)
Discount rate at 31 March	2.60	2.50
RPI Inflation	3.05	3.15
Future salary increases – 2017/18	-	3.05
Future salary increases – 2018/19	2.95	-
Future pension increases	Derived from RPI assumptions	

NOTES TO THE ACCOUNTS (CONT'D)

Post retirement mortality assumptions are as follows:-

2018
SAPS S2 "Heavy" with scaling factors of 95% for males and 115% for females, future mortality improvements are in line with the CMI_2017 model with long-term rate of improvement of 1.5% pa

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

Sensitivity	Impact on defined benefit liability
Discount rate +0.25%	Decreases the liability by -5.6%
RPI inflation +0.25%	Increases the liability by +5.0%
Mortality scaling factor reduced by 10%	Increases the liability by +3.4%

Historical pension scheme information

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

	2018 (£'000)	2017 (£'000)	2016 (£'000)	2015 (£'000)	2014 (£'000)
Present value of defined benefit liabilities	(244,870)	(242,783)	(183,473)	(190,694)	(139,512)
Fair value of scheme assets	198,490	178,573	142,052	135,651	115,592
Deficit	(46,380)	(64,210)	(41,421)	(55,043)	(23,920)
Experience adjustment on scheme liabilities	(807)	(723)	(5,376)	1,466	2,807
Re-measurement gains/ (losses) on scheme assets	2,658	19,531	(8,146)	4,743	636

The Company expects to contribute approximately £5,173,470 to this defined benefit plan in the next financial year.

Ongoing 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 (MNOPF) and in the Merchant Navy Ratings' Pension Fund (MNRPF). Both MNOPF and MNRPF are industry-wide defined benefit pension schemes.

The MNOPF Post 1978 Section (the New Section) is closed to new members and at 31 March 2016 was closed to future benefit accrual with existing active members being transferred to the Ensign Retirement Plan (for the MNOPF) (ERP(for the MNOPF)), a defined contribution plan established within the MNOPF. The latest finalised valuation of the MNOPF was carried out as at 31 March 2015. The valuation showed that the Section had a gross deficit of £320 million at the valuation date and that the market value of the assets of £2,907 million 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 £315 million, producing a net deficit of £5 million. The Trustee decided not to collect additional contributions to meet this deficit.

In April 2018 a decision to meet this full outstanding liability was agreed and in doing so resulted in a reduction of £0.36 million in anticipated interest charges over the period.

The MNRPF is a closed scheme and the latest full triennial actuarial valuation as at 31 March 2017, carried out by the Fund actuary, showed that the scheme was in deficit by £221 million. The valuation showed that the market value of assets was 84% of the value of benefits accruing to members allowing for future increases (2014 valuation, deficit of £354 million, 67% 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 MNRPF carried out an actuarial valuation with an effective date of 31 March 2017. This showed that an additional deficit has arisen since March 2014 of £89 million. This new deficit has arisen primarily due to the material reductions in expected future asset returns since 2014, driven by falls in government bond yields which have affected most UK pension schemes.

The additional net deficit arising under the 2017 valuation is to be met by additional contributions from Participating Employers and the Company's share of this deficit amounted to £2,461,842. The liability has been provided for in full in the 2018 financial statements.

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

NOTES TO THE ACCOUNTS (CONT'D)

20. Net debt reconciliations

	At 1 April 2017 £'000	Cash flows £'000	Other changes £'000	At 31March 2018 £'000
Bank and cash in hand	13,217	321	-	13,538
Other loans repayable within one year	(4,090)	4,090	(5,812)	(5,812)
Other loans repayable after one year	(129,085)	(59,429)	5,812	(182,702)
Net debt	(119,958)	(55,018)	-	(174,976)

21. 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	2018 (£'000) Land	2018 (£'000) Buildings	2017 (£'000) Land	2017 (£'000) Buildings
Payable within one year	247	188	216	183
After one year but less than five	879	713	771	719
After more than five years	1,485	388	1,266	511
	2,611	1,289	2,253	1,413

Other	2018 (£'000)	2017 (£'000)
Payable within one year	8,723	8,720
After one year but not more than five	28,082	34,282
After more than five years	-	2,438
	36,805	45,440

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

Property, plant and equipment	2018 (£'000) Investment property	2018 (£'000) Vessels	2017 (£'000) Investment property	2017 (£'000) Vessels
Receivable within one year	235	18,814	232	15,312
After one year but less than five	809	64,908	844	51,759
After more than five years	625	-	810	5,721
	1,669	83,722	1,886	72,792

NOTES TO THE ACCOUNTS (CONT'D)

22. 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:

	2018 (£'000)	2017 (£'000)
Capital grants received and receivable	6,063	15,974
Capital grants due at 31 March	2,759	1,834
Grant in aid received and receivable	3,993	3,993
Loans received and receivable	59,428	28,727
Project management fees & other charges	60	68
Project management fees & other charges payable at March	11	28
Marine licence and other fees	-	13
Loans repaid	4,281	3,935
Interest paid and payable	2,703	2,889
Interest on vessel new build	2,072	1,542
Balance of loans due at 31 March	188,514	133,175

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	
	2018 (£'000)	2017 (£'000)	2018 (£'000)	2017 (£'000)
Vessel leasing charges	17,993	17,162	1	322
Harbour access charges	17,562	13,702	736	441
Property & equipment licence	145	152	-	72
Rent	146	115	-	66
Repair & other costs recoveries	161	201	33	233
Vessel upgrades, modifications & repairs	(1,871)	(2,749)	(596)	(969)
Ferry travel costs	(9)	(9)	-	(1)
New vessel build project supervision & costs	(293)	(96)	(293)	-
Pier operations	(5,002)	(2,555)	-	-

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	
	2018 (£'000)	2017 (£'000)	2018 (£'000)	2017 (£'000)
Services of Finance Director	58	51	34	-

WE LOOK FORWARD TO THE OPPORTUNITIES OF THE YEAR AHEAD.

Kevin Hobbs
Chief Executive

Company Number	SC001854
Registered Office	Municipal Buildings Fore Street Port Glasgow PA14 5EQ

Auditors	Scott-Moncrieff
Solicitors	Addleshaw Goddard LLP CMS
Bankers	Royal Bank of Scotland