

REDACTED MINUTES

CALEDONIAN MARITIME ASSETS LIMITED BOARD MEETING

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| Meeting | Caledonian Maritime Assets Ltd | Date/Venue | 16 March 2018 CMAL Offices, Port Glasgow |
| Meeting Chair | Erik Østergaard | Start Time | 0930Hrs |
| | | End Time | 1230Hrs |

| Members Present | | In Attendance | |
|------------------------|------------------------|-------------------------|---------------------|
| Name | Title | Name | Title |
| Erik Østergaard | Chairman | Chris Kane (Minutes) | Executive Assistant |
| Morag McNeill | Non-Executive Director | Ramsay Muirhead | Head of Engineering |
| Paul Croucher | Non-Executive Director | | |
| Tony Graham | Non-Executive Director | | |
| Kevin Hobbs | Chief Executive | | |
| Jim Anderson | Director of Vessels | | |
| Gillian Bruton | Director of Finance | | |
| Lorna Spencer | Director of Harbours | | |

1. MEETING OPENS – WELCOME AND APOLOGIES

The Chair welcomed those present to the meeting, apologies received from Graham Laidlaw. A conflict of interest was noted from Tony Graham as he is a Non-Executive Director for Cammell Laird Shipyard.

2. APPROVAL OF PREVIOUS MINUTES

The minutes of the previous meeting were approved.

3. REVIEW OF ACTION REGISTER

Item 9 will be discussed as part of the agenda.

Item 10 was agreed to be closed.

Item 11 should stay open.

Item 12 is ongoing, KH will produce a letter next week.

Item 13, Oban Harbour Management Plan will be discussed as part of the Harbours Update.

Item 14, GB advised that the net cost of additional resource was circa £100,00 per annum.

Item 15, Public Sector action plan (IT) will be discussed as part of the corporate services update.

Item 16, Cyber security is included on the risk register which and covered in the Audit Committee meeting.

Item 17, IT Upgrades will be carried out.

Item 18 was agreed to be closed.

4. PUBLIC SERVICES REFORM (Scotland) ACT

Members noted the PSR(S) Act Disclosures.

FOR DISCUSSION

5. RISK REGISTER REVIEW

PC updated the board regarding the output of the Audit Committee Meeting, we have agreed to add the CHFS Operator failing to our cash flow risk. We also will order the table by level of risk, highest risks being at the top, lowest risks at the bottom.

Action: add CHFS Operator failing to "cash flow" risk
Action: order Risk Register by level of risk

6. CEO UPDATE

KH updated the board noting, the paper is as read.

There are 2 milestone payments to be made within the latter half of March 2017 namely the 100% fabrication of Glen Sannox and the 75% fabrication of Hull 802.

We will make the 75%, FMEL are building 802 in a more appropriate shipbuilding fashion rather than "chasing steel".

JA stated the major equipment milestone is not achievable, noting that correspondence had been received on 16 March stating the control modules and switchgear is still in the factory.

The surety bond was discussed, KH stated we must begin work on extending the Surety Bond as they expire at year end.

KH advised that the 3rd party pier review that had been agreed in early November between SG/FMEL had not been implemented as yet.

KH updated the board regarding NIFS purchase of the 3 Ropax Vessels. Board Approaval was sought to complete the Documentation and purchase the vessels. The Sale date is set and it is anticipated that all vessels will be safe alongside at the point of sale.

MM asked about serious damage liabilities prior to purchase, KH informed that this lies with RBS until date of sale. KH noted we have inspected the underside of the vessels during the dry docks in Jan/Feb 2018. Week commencing 16th March the topside of the vessel will be inspected and our representatives will sail onboard.

KH noted regarding the NIFS freight vessels, rather than purchase the current ships when the lease ends it is his recommendation to build new vesels for the route. Work will commence on concept design in collaboration with SERCO NL.

JA reported he believes everything that can be done regarding the Ardrossan Berthing Simulations has been completed, berthing at 25 to 35 knots is possible. It is likely that the decision will be made to realign the berth at Ardrossan would add greater resilience to service performance.

After these discussions the CEO Update was noted as read.

Approved: KH to sign NIFS contracts on behalf of CMAL

7. HEALTH AND SAFETY UPDATE

The health and safety updated was noted as read.

8. FINANCE UPDATE

PC stated that during the audit committee meeting, Scott Moncrieff discussed their plan and the plan/fee have been approved for the 2017/18 audit. Scott Moncrieff will perform a 1 hour presentation at the next board meeting regarding the Scottish Public Finance Manual. The internal audit function will be discussed at the next Audit Committee Meeting. The Audit Committee Terms of Reference has been updated this will be shared with the board.

GB referenced the CalMac pension scheme noting our current employee representative is retiring. GB stated we have discussed replacements We seek agreement from the current Chair of the Pension.

GB then went on to discuss procurement noting we are currently in the process of procuring legal services as Addleshaw Goddard's contract runs out at the end of the year.

After noting these updates the Finance paper was marked as read.

Action: CK to arrange Scott Moncrieff presentation at the next Board Meeting
Action: PC to share updated Audit Committee Terms of Reference with the Board

9. VESSELS

JA discussed the current plans of the vessels department. He noted that due to the recent heavy snow FMEL are claiming force majeure. JA mentioned he is content with the approach that FMEL are building 802, stating they are going about it in a more methodical approach rather than chasing steelwork milestones. The plans/programme for Glen Sannox or 802 have not been shared by the yard as was discussed at the previous board meeting.

LNG must be used from the in-service date to ensure any issues that could arise are noted and remedied within the warranty period.

Hull 802 damaged LNG tank was discussed, a repair is being completed in China under full supervision of Class. JA has approached the yard stating we want an extended warranty on the tank.

JA stated that 1000 pax originally envisage is proving to be difficult whilst also complying with new accessibility rules. Discussions are underway with Calmac to review the passenger numbers.

After noting these updates the Vessels paper was marked as read.

Action: JA to negotiate extended warranty on damaged 802 LNG tank.

10. ENGINEERING

RM discussed the engineering update. Noting Colintrave/Rhubodach works are 10 weeks behind schedule due to construction methodology. However the temporary arrangements are working well and delays will not adversely affect the CalMac operation.

Brodick ferry terminal will now go live on 20 March 2018. A press release has been completed and will be issued retrospectively. The official opening will go ahead with the Cabinet Secretary Mr Mackay carrying out the official opening – this is anticipated within April 2018. The Brodick, budget has been managed well throughout.

After noting these updates the Engineering paper was marked as read.

11. HARBOURS UPDATE

The Port Marine Safety Code and the requirement of the board to sign a compliance and understanding statement was discussed and subsequently approved. EO duly signed the appropriate documentation.

The Oban Harbour Management Group was discussed. LS discussed various options listed in her paper, the Oban Harbour Management Group recommends option 2, CMAL extend SHA, A&BC remain nested. This was approved.

LS then went on to talk about Skye Triangle, noting TS must identify CMAL's role in these works to ensure what is required is delivered as efficiently as possible .

After noting these updates the Harbours paper was marked as read.

Approved: OHMG recommendation

Approved: Port Marine Safety Code agreement of compliance and understanding

12. CORPORATE

The Corporate Services paper was noted as read.

13. BUDGET

GB discussed the 2018/19 budget paper noting the forecast shows a turnover of £46.6m, profit of £3m.

GB noted the harbours must apply for grant in aid in order to receive their planned capital expenditure. If the funding from TS was not forthcoming then projects would be delayed or postponed.

LS noted that CMAL have been embedded in the Grant Management process for many years. The funds within the TS Budget were also used for applications from Trust Ports.

RM noted that additional resources within the engineering team will mean we can "have project shovel ready". In this scenario we can begin projects immediately should funds become available at short notice.

After these points were noted the 2018/19 budget was approved.

Approved: 2018/19 Budget

14. AOB

N/A

DATE OF NEXT MEETING

29 May 2018, Victoria Quay, Edinburgh

Meeting Closed