DAVID MACBRAYNE LIMITED SCO15304
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

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Part A
Strategic Report

A1. Chairman and Chief Executive's Overview

Welcome to the David MacBrayne Limited (DML) Annual Report for 2024.

It has been another challenging year for the company, but we have done our best to provide a reliable and high-quality service to customers and local communities. Increasing demand and several breakdowns have led to understandable scrutiny and frustration from customers and communities.

The average age of the CalMac fleet is now 26 years old, with 37% of vessels now over 30 years old. Whilst we await the introduction of significant new tonnage by 2026, the age of the current fleet has placed increasing pressure on services, resulting in longer stays in dry dock and higher maintenance costs. The total cost of maintaining the fleet, including vessel resilience works, reached £40.0m (2023: £29.0m). A further £8.6m (2023: £7.5m) in vessel improvements was invested by the asset owner Caledonian Maritime Assets Ltd (CMAL).

CMAL are due to deliver 6 new major vessels by 2026 and the procurement of 7 new electric small vessels is now underway. This addition of new tonnage will make a significant difference to our customers and to our staff. Whilst 2026 may seem far away, we should welcome the first of those new vessels before the end of 2024, which will lead to an immediate and positive impact on the whole network.

With these new vessels just around the corner and significant infrastructure upgrades at numerous ports and harbours underway or planned, the lifeline ferry services we deliver will continue to improve. Though it is a challenging time, there is good work to celebrate and much to look forward to.

In late 2023 we implemented a new structure, under our Operational Excellence model, which has led to new ways of working and improved collaboration and communication between shore support and vessels. This is a significant and welcome change for CalMac, as the updated structure has allowed us to focus on proactive and long-term maintenance for our vessels, as well as improving how we solve short-term issues efficiently with simple and clear processes.

We will be extending the scope of our Operational Excellence model to our harbours contract with CMAL, bringing areas of our Harbour Operations team into our Standards and Performance team. This will allow us to support harbour and port operations to the same high, ambitious standards we support vessels to.

In a continuation of the work already completed for the fleet and to develop a simplified, accessible, current, single source of truth, a user-friendly port reference library is being created. This source will really help our port colleagues by simplifying the content and making it easier to use.

We are confident that by adopting best marine practices to better support our vessels and our people to drive quality assurance across the business, we will improve our service for customers, communities, and colleagues.

Many people, whether island residents, business owners or tourists, praise the efforts of crews, port staff and other frontline colleagues to give them a positive experience when they travel. This was brought to life in the BBC Scotland show Island Crossings. Such was the show's success, it is due to return for a second season in July 2024.

Taking on board the feedback from the Cabinet Secretary for Transport that business-as-usual won't do, and having listened closely to the feedback from the people who rely on our services most, we will endeavour to improve the service significantly in the coming months and years. We will do this against a backdrop of new major vessels arriving, a procurement process underway for seven new small vessels, and a programme of investment works at ports and harbours across the west coast. This gives us the foundation on which to build success.

Looking forward, the DML Board has created three clear priorities on which to focus over the next year.

Firstly, operational service delivery and supporting communications. It is vital that the prime objective for all of us is to deliver a safe, professional, and efficient service to our customers. This will not be easy as we face many challenges, but we must work hard to have common and consistent processes throughout the organisation that will allow us to provide modern and high-quality service delivery. How we communicate with our customers is pivotal to our future success.

Secondly, our eBooking platform. Whilst the platform has modernised how people book with us, it is now stable and many of the initial software issues have been, or are about to be, addressed, but we know there are still issues to resolve. It has been frustrating for staff, and many of our passengers struggle to recognise the benefits for them. We are determined to fix this and provide a seamless customer experience on all of our routes.

We are working closely with the system provider to address outstanding problems, set up a dedicated Centre of Excellence in Gourock to re-train port staff in the system, and are assessing the system's effectiveness on a route-by-route basis with a view to implementing solutions to local challenges quickly. We can categorically state that there will be no complacency in efforts to continue to improve the system.

Finally, we are engaging with Transport Scotland in relation to the extension of our contract from October this year and the future Clyde & Hebrides Ferry Services (CHFS) contract thereafter. However, we must ensure that we have the level of certainty about our future that will enable us to plan ahead and deliver the CHFS enhancement and change commitments.

We welcome the opportunity to use this extra time to make the necessary enhancement and change to our contract delivery, and we are actively engaging with Transport Scotland to determine what shape that may take. A programme to enhance and change the way we provide ferry services is being developed, with the goal of improving every journey someone takes with CalMac.

Everything we do in the coming months will be undertaken with a laser-like focus on supporting the delivery of these three priorities.

Erik Østergaard	Duncan Mackison
Chairman	Chief Executive Officer
DML Board	DML Group

For-shealladh a' Chathraiche agus a' Cheannaird

Fàilte gu Aithisg Bhliadhnail 2024 Dhaibhidh Mhic a' Bhruthainn Earranta (DMcB)

B' e bliadhna dhùbhlanach eile a bha seo dhan chompanaidh, ach rinn sinn ar dìcheall seirbheis earbsach agus aig àrd-inbhe a lìbhrigeadh dha luchd-cleachdaidh agus coimhearsnachdan ionadail. Tuigear gun tug fàs air iarrtas seirbheis, agus caochladh bhrisidhean, sgrùdadh bho, agus leamhachas air luchd-cleachdaidh agus coimhearsnachdan.

Anns an fharsaingeachd tha cabhlach ChalMac a-nise 26 bliadhna a dh'aois, le 37% de na soithichean a-nise còrr air 30 bliadhna a dh'aois. Fhad 's a tha sinn a' feitheamh tunnachas riatanach ùr a bhith gar ruigheachd mu 2026 tha aois a' chabhlaich a th' ann air cuideam a bharrachd a chur air seirbheisean, a' ciallachadh barrachd ùine san doca-tioram agus àrdachadh cosgais cumail suas. Gu lèir ràinig cosgais cumail suas a'chabhlaich, cuide ri obair ath-leumachd shoithichean, £40m (2023: £29.0m). A bharrachd air sin, thaisg a' bhuidheann-seilbh Caledonian Maritime Assets Earr (CMAL) £8.6m eile a' leasachadh bhàtaichean. (2023: £7.5m).

Mu 2026, tha dùil gun lìbhrig CMAL 6 soithichean mòra, agus tha solarachadh 7 shoithichean beaga dealain a-nise a' dol air adhart. Nì an tunnachas ùr a bharrachd seo eadar-dhealachadh mòr dha ar luchd-cleachdaidh agus ar luchd-obrach. Ged a tha 2026 's dòcha a' faireachadh fad' às, tha còir gun cuir sinn fàilte air a' chiad an toiseach de na soithichean ùra sin ro dheireadh 2024, rud a bheir grad-bhuaidh dheimhinnte air an lìonra gu lèir.

Leis na soithichean ùra sin an impis a bhith againn, agus leasachaidhean mòra bun-structar air tòiseachadh, neo gan dealbh, aig caochladh chalaidhean is phort, cumaidh piseach a' tighinn air an t-seirbheis dheatamaich a tha sinn a libhrigeadh. Ged 's e àm dùbhlanach a th' ann, tha sàr obair ann ri mholadh, agus mòran ris an còir fiughair a dhèanamh.

Deireadh 2023 stèidhich sinn structar ùr, fon innleachd Sàr-mhathas Obrach againn, a th' air modhan-obrach ùra a leigeil air adhart agus leasachadh co-obrachaidh is conaltraidh eadar na bàtaichean agus luchd-taice air tìr. Tha CalMac air fàilte a chur air an atharrachadh sònraichte seo leis gum bheil an t-ùrachadh structar a' ceadachadh dhuinn cuimseachadh gu buadhmhor air cumail suas leantainneach air ar cuid shoithichean, cho math ri leasachadh mar a tha sinn a' dèiligeadh gu h-èifeachdach ri duilgheadasan eadar-amail ann an dòighean sìmplidh soilleir.

Tha sinn dol a shìneadh buaidh na h-innleachd Sàr-mhathas Obrach againn chun a' chùmhnant chalaidhean againn le CMAL, a' toirt roinnean den sgioba Obair-Chalaidhean againn a-staigh dhan sgioba Ìrean agus Coileanaidh againn. Ceadaichidh seo dhuinn taic a thoirt dha obair-phort is chalaidhean aig na h-aon ìrean àrda adhartach 's a tha sinn a' toirt dha soithichean.

A' leantainn obair a chaidh mar-thà a dhèanamh dhan chabhlach, agus gus bunait fhìrinneach so-ruigsinn làithreach a chruthachadh, tha leabharlann fiosrachadh phort a bhios furasta a chleachdadh ga dheasachadh. Cuidichidh an goireas seo ar co-obraichean sna puirt gu mòr, a' sìmpleachadh an fhiosrachaidh agus ga dhèanamh nas fhasa a chleachdadh.

Tha sinn misneachail gun leasaich sinn ar seirbheis dha luchd-cleachdaidh, coimhearsnachdan, agus co-obraichean, le bhith a cleachdadh sàr mhodhan-obrach-mara gus taic a chumail ri ar soithichean agus ar cosnaichean airson sàr-mhathas a stèidheachadh thar a' ghnothachas.

Bidh mòran dhaoine, ge b' iad eileanaich, luchd-gnìomhachais neo luchd-turais, a' moladh saothair sgiobaidhean, luchd-obrach nam port agus co-obraichean eile ris an coinnich iad nan siubhal. Chaidh seo fhoillseachadh anns an t-sreath Island Crossings aig a' BhBC. Bha am prògram cho soirbheachail 's gum bheil e a' tilleadh airson dàrna ràith san Iuchar 2024.

Le mothachadh air barail Rùnaire Còmhdhail a' Chaibineit nach dèan mar-a-tha a' chùis, agus le èisteachd mhionaideach ri beachdan an fheadhainn as motha a tha an eisimeil ar cuid sheirbheisean, nì sinn dìcheall ar cuid sheirbheisean a leasachadh gu mòr thar nam mìosan 's nam bliadhnaichean romhainn. Nì sinn seo fo sgàile shoithichean mòra ùra a' tighinn, gluasad a' dol gus seachd soithichean beaga a cheannach, agus prògram seilbh leasachaidhean air puirt is calaidhean thar a' chost an iar. Tha seo a' toirt dhuinn bunait air an tog sinn soirbheachadh.

A' coimhead air adhart, tha am Bòrd aig DML deònach cuimseachadh air trì prìomhachasan shoilleir a chur roimhe airson na h-ath-bhliadhna.

An toiseach, lìbhrigeadh seirbheis agus taic conaltraidh. Tha e deatamach gum bheil e na phrìomh amas againn uile seirbheis shàbhailte, phroifeiseanta, agus èifeachdach a lìbhrigeadh dhar luchd-cleachdaidh. Cha bhi seo furasta is iomadh dùbhlan romhainn, ach feumaidh sinn spàirn a dhèanamh gus am bi modhan-obrach co-ionann agus leantainneach againn tron bhuidheann a leigeas leinn sàr sheirbheis ùr-nodha a lìbhrigeadh. Tha modh conaltraidh le luchd-cleachdaidh bunaiteach dhan t-soirbheachadh romhainn.

San dàrna h-àite, an siostam Caomhnaidh-e againn. Ged a tha an siostam/ air ùrachadh a thoirt air mar a bhios daoine a' caomhnadh leinn agus a tha mòran de na trioblaidean tràtha leis a' bhathar-bog air, neo an impis a bhith air an leasachadh, tha fios againn gum bheil rudan fhathast rin ceartachadh. Tha e air a bhith leamh dhar luchd-obrach, agus tha mòran de ar luchd-cleachdaidh a' strì gus a' bhuannachd a th' ann dhaibh fhaicinn. Tha sinn diongmhalta seo a cheartachadh agus seirbheis choileanta a lìbhrigeadh dha luchd-cleachdaidh air gach slighe againn.

Tha sinn ag obair gu dlùth le luchd-lìbhrigidh an t-siostaim gus dèiligeadh ri trioblaidean a th' ann fhathast, Ionad Sàr-mhathas a stèidheachadh ann an Guireag gus luchd-obrach nam port ath-thrèanadh san t-siostam, agus tha sinn a' measadh èifeachdas an t-siostaim air gach slighe mu seach gus amas air dòighean airson dùbhlain ionadail a leasachadh gu sgiobalta. Tha sinn a' cur an cèill gu deimhinnte nach lagaich ar cuid oidhirpean gus cumail a' leasachadh an t-siostaim.

Mu dheireadh, tha sinn an coluadar le Còmhdhail Alba a thaobh sìneadh air a' chùmhnant againn bhon Dàmhair am-bliadhna, agus an-ath-chùmhnant airson Seirbheisean Aiseig Chluaidh is Innse Gall (SACIG) a leanas sin. Ach feumaidh sinn a bhith cinnteach a thaobh ar n-ìre tèarainteachd a' dol air adhart, airson leigeil leinn deasachadh romhainn gus geallaidhean leasachaidh agus atharrachaidhean SACIG a libhrigeadh.

Tha sinn a' cur fàilte air a' chothrom an ùine a bharrachd seo a chleachdadh gus leasachaidhean agus atharrachaidhean a chur ri lìbhrigeadh ar cùmhnant, agus tha sinn an dlùth-chonaltradh le Còmhdhail Alba a thaobh cumadh a' chùmhnaint. Tha clàr ga dheasachadh gus atharrachadh agus leasachadh a thoirt air mar a tha sinn a' lìbhrigeadh sheirbheisean aiseig, le amas leasachadh a thoirt air gach turas a ghabhas neach le CalMac.

Bidh a h-uile dad a nì sinn thar nam mìosan romhainn air a ghabhail os làimh le cuimse leusair air taic a chur ri lìbhrigeadh nan trì prìomhachasan sin.

Erik Østergaard
Cathraiche
Bòrd DML

Donnchadh Mackison
Ceannard
Buidheann DML

A2. Background & History

David MacBrayne Limited is one of the largest logistics companies in Scotland and the largest ferry company in the UK. A multi-award-winning ferry operator, harbour, and ship management specialist, it is one of Scotland's biggest headquartered firms employing on average 1,971 people during this financial year.

DML, through its main subsidiary company CalMac Ferries Limited, which delivers the Clyde and Hebrides Ferry Service contract, transports more than five million passengers in an average year and operates 26 ports within the UK.

A3. Strategic Priorities

DML provides transport and infrastructure services to communities, supporting the Transport Scotland vision to provide sustainable, inclusive, safe and accessible transport systems which help deliver a **Healthier**, **Fairer** and more **Prosperous** Scotland for communities, businesses and visitors, while making a commercial return to our shareholder, the Scottish Ministers.

DML's strategic priorities are:

- Be safe, always – safety in all we do;
- Be customer led – putting customers at the centre;
- Be a sustainable organisation – trusted to deliver through a sustainable operation and service;
- Be the best for our people – with people at the heart of what we do;
- Be socially and environmentally responsible – ensuring life and communities thrive.

DML's key initiatives during 2024 to deliver this strategy include:

Operational Excellence

Service Resilience is one of DML's key priorities and it is a prime objective to deliver safe, professional, and efficient services to customers. We will adopt CMS (Control Management System) as our single quality platform for safety centric business processes, and continue to build quality, consistency, and a learning model throughout the organisation.

A restructure of our fleet management support function, to improve how we manage vessel maintenance and service resilience, which will deliver a service that is more reliable, resilient, and fit for the future.

Customer Focus

To deliver quality, easy, and consistent customer journeys and clear customer communication, particularly during periods of service disruption. Strengthen our terms and conditions to maximise car deck capacity. The introduction of a new, modern booking and ticketing system, as well as the introduction of a new-look website for 2024, to enhance the customer booking experience.

Putting local and regional communications at the heart of operations and improving the way in which we engage with our customers and stakeholders.

Put People First

Introduce mechanisms to drive engagement with our people and build One CalMac, to create a shared purpose and clear values through the CalMac story and through leadership, build trust.

Embed a safe and just culture across the organisation, where staff are encouraged to report near misses, and not be punished for actions, omissions, or decisions taken by them that are commensurate with their experience and training, but in which gross negligence, wilful violations, and destructive acts are not tolerated.

A4. CHFS Contract Performance

<u>CHFS Service Statistics</u>

We operated 165,786 sailings during 2024, achieving contractual reliability and punctuality levels of 98.0% and 99.4% respectively.

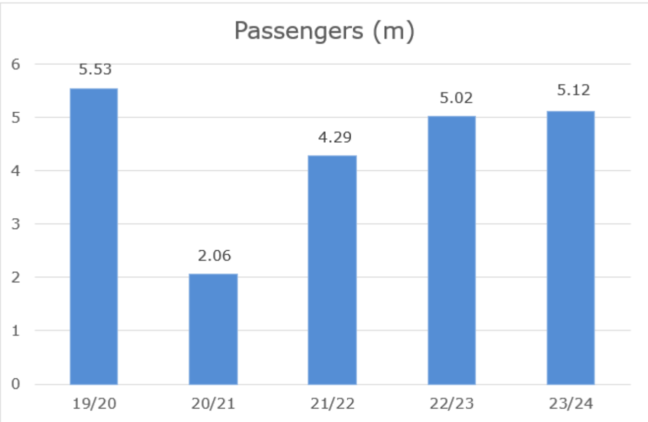
Fiscal Year Name	Contractual Reliability %	Actual Reliability %	Contractual Punctuality %	Actual Punctuality %	Operated Sailings
FY 2022	98.9%	93.1%	99.6%	96.7%	152,275
FY 2023	98.7%	95.2%	99.6%	96.6%	169,929
FY 2024	98.0%	92.6%	99.4%	96.2%	165,786

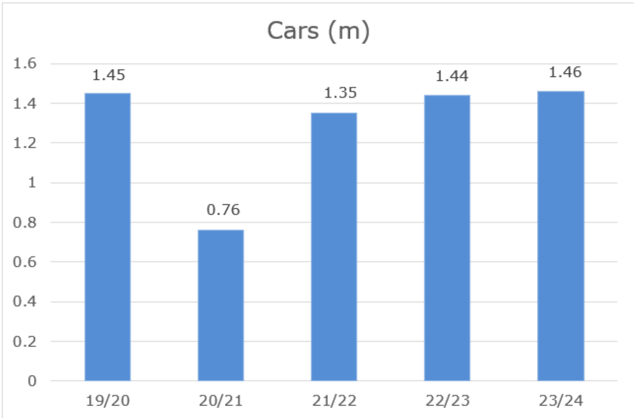
CHFS contractual reliability and punctuality exclude weather-related disruptions. We also report and monitor actual reliability and performance, which includes the impact of weather-related disruption.

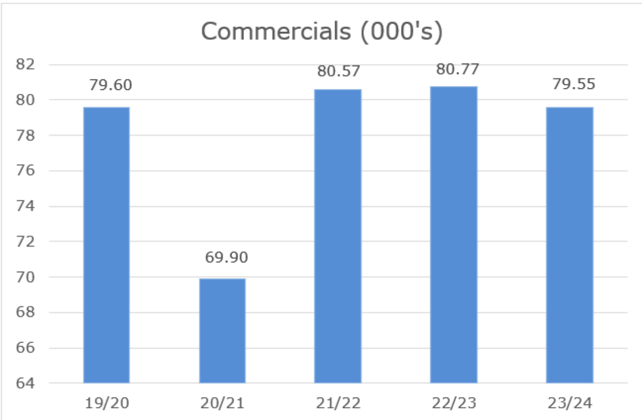
CHFS Carryings

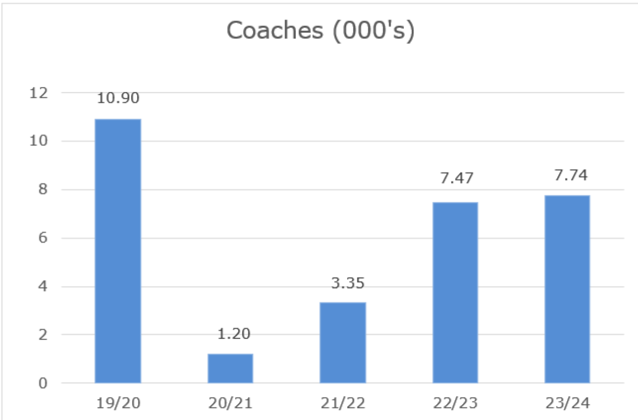
We carried over 5.12 million passengers, and 1.46 million cars during 2024, an increase of 1.9% and 1.6% on prior year passenger and car carryings. Commercial vehicle carryings were 79,551 in the year, which is slightly lower than the prior year by 1.5%.

Fiscal Year	Passengers	Cars	Commercials	Coaches
FY 2020	5,533,751	1,450,325	79,612	10,876
FY 2021	2,059,331	755,602	69,868	1,223
FY 2022	4,289,322	1,351,272	80,574	3,347
FY 2023	5,020,637	1,441,649	80,768	7,469
FY 2024	5,117,761	1,464,755	79,551	7,737
Prior Year Growth/(Decline)	1.9%	1.6%	(1.5%)	3.6%









CSAT (Customer Satisfaction) average score 2024: 86% (Target: 85%)

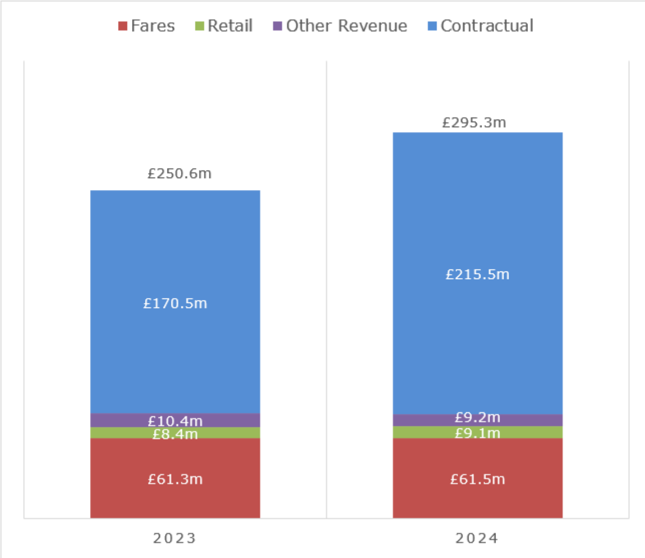
Our 86% CSAT score (2023 87%) is derived from regularly surveying our customers about their onboard experience. During this financial year CSAT has held up well overall, although, the % has dropped below target several times during the year due to the impact of onboard conditions such as the availability of indoor seating and two larger vessels which do not have retail services provided onboard.

We also measure other metrics which are more sensitive to disruption and capacity issues, including 'Trust' and 'Ease of journey'. Service disruption, disruption communication and the introduction of a new booking and ticketing system in May have dominated our customer feedback this year and, at times, impacted negatively on the 'trust' and 'ease of journey' scores. Capacity across the network continued to be impacted by service disruption and, in the early part of 2024, a series of delays to the annual overhaul schedule and its subsequent impact on vessel deployment.

During the year our staff satisfaction scores have remained high throughout.

A5. Financial Performance Overview

The Group delivered an Operating Profit of £3.4m, and Profit before tax of £3.8m.
Revenue in the year was £295.3m, which is an increase of £44.7m from prior year (2023: £250.6m).



Contractual revenues increased by £45.0m compared with prior year which includes additional funding to cover increasing costs to deliver CHFS services including; inflationary increases applied to pay, harbour dues, vessel charters and other costs. Also fuel price increase, and the significant increasing costs to maintain the fleet.

We also welcomed the introduction of the MV Alfred charter vessel to the fleet in April 2023, to provide additional resilience on the Arran service.

A6. Operational Excellence

Fleet Management/Standards & Performance Restructure

In line with our Operational Excellence programme, we introduced a new operating model which fundamentally restructured our operational and asset management teams, creating clearer lines of accountability and bridging the gap between ship and shore.

The creation of dedicated Fleet Management and Standards and Performance departments has not only streamlined our operations but also established clear standards for ship management and focused performance measurement, control and audit. These changes aim to significantly enhance our operational resilience and efficiency, and we are already seeing the benefits throughout this year's overhaul programme with faster identification of potential issues and quicker resolution of problems.

Condition Assessment Programme

We have implemented a Condition Assessment Programme that is delivering additional structural and equipment condition surveys and inspections (over and above statutory requirements) to improve understanding of the condition of our vessels. This will allow age related degradation to ship structure and equipment to be identified early, ensuring that risks are identified and, where possible, mitigated by forward planning. As the data builds this will be used to feed into, and improve, the preventative maintenance programme reducing the risk of unexpected removal from service of vessels.

Deck Space Management

We have commenced an initiative to review how vessel vehicle deck space is allocated by the eBooking ticketing system to attempt to improve efficiency and reduce instances of over or under booking of vehicles onto the vessels. This is a complex process impacted by a number of factors including; no shows, incorrect vehicle dimensions identification, block booking processes, varying lane widths on vessels, conversion of deck space into sellable vehicle space on the system and other factors. This project will review these issues and factors to attempt to improve the efficiency of the eBooking system.

Safety

Safety is a key priority throughout our operation, and particularly during planned interactions between vessels, shore management, and the department’s leadership team. Regular bulletins are heavily focused on safety matters, and a senior level Safety Management Review Committee has been set up with the aim of driving improvements in fleet safety performance. This new committee will be a regular forum for discussion and will apply active oversight of safety performance and management practice. Other benefits will be that it will drive management accountability for both safety performance and safety management and will agree actions for improvements.

Company Management System

Throughout 2023, our Company Management System (CMS) demonstrated robust support and stability, ensuring the availability of all process and procedures to CalMac staff. The number of documents within our management system remains stable at 2,200 and quarterly document changes, enabling continuous improvement average 530, up from 490 in the previous year.

Organisational changes effective from 1st October 2023 have been integrated into the CMS, enhancing its effectiveness as it becomes more ingrained in our business processes.

A management system maturity assessment is now embedded within the business, delivering improvement plans for each business area to drive the ongoing develop of company policies and processes. Actions have been identified for departments to improve their maturity level, contributing to overall organisational maturity.

New HR System

Additionally, our commitment to support and deliver service excellence is evident in the upgrades to our MyHR system. This year, we expanded its functionality by implementing a manager and employee self-service feature, enabling more effective management of employee records. A new recruitment module now allows hiring managers to manage the entire recruitment process directly within the system. These enhancements not only streamline administrative processes but also bolster our strategic goal of empowering employees and managers throughout the organisation.

A7. Customer Focus

Insight-driven action model

The roll out of our new customer experience measurement system has enabled us to introduce a new, best-practice, insight into action, continuous improvement model. This will place real-time, actionable, insight from our customer feedback into the hands of the teams who own the relevant touchpoint, channel or product, be that port teams, vessel crews, retail teams or our customer engagement centre. Our insight and customer experience experts will work with teams to understand and analyse the insight and to develop local action plans that can be tracked and measured on local scorecards.

Customer Standards and Customer Experience training programme

Our focus on excellence in service delivery requires that all of us have the right tools and support to do a great job. We are developing a business-wide customer service training programme that will be founded on our existing customer standards. The delivery of the programme will be a blend of e-learning, experiential learning, on the job training and coaching, with content tailored to specific roles.

Customer Journey Mapping

We continue to use customer journey mapping as a key tool across the business during the planning and implementation of key projects such as new vessels or infrastructure projects. Using this mapping methodology allows us to identify pain points and opportunities for improvement in every customer journey and we are delighted to see that the approach is now widely used across the business. We have developed customer journey maps for our commercial customers, for disruption management and for our digital customer experience, among others.

Customer Communications

Our customer communications are focused on a strategy of 'truth well told' - and include the key components of customer focus, transparency, empathy, understanding and meeting needs of multiple audiences and alignment of customer, stakeholder, and colleague communications.

We continue to regularly review and enhance the design, delivery and effect of our customer communications. This has included a review of our process to manage any customer facing communication – with a fully integrated process in place which ensures communications with key audiences are integrated and aligned across channels.

We have also completed a review of how we manage and enhance customer communications on disruptions – focusing on delivering certainty and transparency. A toolkit is now in place guiding the multiple communication leads who will be involved in such communications and decision making, ensuring timely, accurate and transparent outputs, ensuring customers understand the 'why' as well as the 'how' and 'when'.

We have now recruited people in the new roles of Disruption Manager (in Operations) and Customer Information Manager (in Commercial) who will work closely together to ensure that customers are kept updated as effectively as possible during disruption.

Branded Customer Experience

Our activities to bring the Caledonian MacBrayne brand to life across the customer journey have continued. The brand imagery continues to be introduced in certain vessels and ports as well as across digital platforms. Work continues to ensure that the customer experience is aligned with our employee experience, through engagement sessions with local teams and the development of a company-wide customer experience training programme.

eBooking & Customer Website

This year we launched our new eBooking platform marking a significant milestone in our strategic evolution towards becoming a digital-first organisation. This new system, which replaced a 26-year-old legacy system, has been the largest transformation within the organisation in recent history, impacting nearly every part of our business. While the transition to this modernised booking process presented substantial challenges, as can be expected with any large transformation programme, it also catalysed critical advancements in how we serve our customers, communities, and colleagues.

Key enhancements included improved online booking systems that allow passengers to manage their reservations more effectively and receive electronic tickets. Passengers now have the flexibility to book and pre-purchase travel for all routes directly through our website, which is an additional option alongside telephone and port bookings. The platform also enables customers to be ready to board ferries immediately with eTickets and add multiple journeys, people, pet tickets, bikes, and other equipment to their bookings. Blue badge and SPT concessions can now be integrated into online bookings, offering further convenience.

Since the system's launch, we have processed approximately 414,000 bookings online, representing a 57% increase in customers choosing to make reservations online compared to previous methods. This shift aims to streamline operations, minimise queue times at ticket offices, and provide passengers with real-time travel updates and alerts.

We recognise the difficulties faced over the past year while we've rolled out these changes and are grateful for the patience and support shown by all involved. We have been working hard to continue to improve and enhance the system and are planning to setup feedback groups, which will gather information from both our staff and travellers across the whole network to incorporate into future enhancements. This will ensure these early benefits are fully realised by everyone we serve.

Retail Update

We have continued to implement our Retail Strategy, working closely with our colleagues on the vessels and network to deliver a great passenger experience and revenue growth. A key part of the strategy is to build partnerships with island suppliers, sourcing local Scottish products and introducing these on board to create revenue opportunities for suppliers, their local communities and for CalMac. We now have over 60 local island suppliers, ranging from farm produced free range eggs to beautifully scented candles and cashmere textiles. All our suppliers can promote their products on board and to share the fascinating stories behind producing them.

To further support our island suppliers, we will be piloting updated retail areas on specific vessels to showcase their products and give the opportunity to range new products too. With the expert knowledge of our onboard crews, we introduced special food menus specific to vessel routes, with locally sourced products and themed menus. These have been very well received by our passengers, selling over 20,000 in the last 12 months.

Our onboard crews have delivered another outstanding year on passenger experience, with their dedication, passion and focus ensuring our passenger conversion rates have improved year on year. We are currently working with our teams across vessels, ports and head office to embed RADAR and we are already seeing strong results and impactful passenger feedback that will help shape and define our retail proposition moving forward.

Communities

We have continued to ensure positive engagement with the communities we serve. Vessel reliability and fleet availability have proved very challenging, and this has played a difficult part in our relationships within communities. At times this has been particularly challenging as we have been faced with difficult decisions on how to deploy a remaining fleet to maintain a breadth of lifeline service.

This has often meant we have had to spread the impact of disruptions over a larger number of communities. Despite this we have maintained generally positive interactions with our communities throughout this year. Our people have worked hard to ensure we remain at all times focused on delivering the best service within the options available to them.

The adoption of updated vessel and traffic prioritisation protocols have helped us to support disruption and fleet redeployment decisions, and for transparency this has been shared with our communities.

Throughout this very challenging period it has remained important to maintain strong communication and we are grateful for the efforts our people have played in delivering tough and difficult messages to their communities.

Improvements this year have also been made through the help of our communications team in ensuring our communications on disruptions are completed in an honest and timely way. Whilst this remains challenging at times of disruption, our efforts here have seen improvements in our messaging by the introduction of a Head of Communication and other additional support during extremely busy periods.

We have continued to commit our time and efforts to support over 25 Ferry Committees and other community group meetings across the network. By ensuring our focus and attention to these group meetings we have seen positive improvements, particularly with regards to open, honest, and transparent discussions.

We have adopted a proactive approach to local engagement and have ensured close regular communication over recent disruption challenges in Arran, Islay and on Cumbrae. This proactive approach has been acknowledged as beneficial.

Ferry stakeholder group meetings have continued twice-yearly with representation at each of the three geographical Scottish Government meetings where we have worked closely with Transport Scotland, CMAL, Hitrans and relevant local councils.

The Ferries Community Board has continued to provide a very valuable link across the network. Through the Community Board we have been able to seek opinion and viewpoints on matters impacting our contract and our service. The board have played an influential part in helping us to shape our business. During this review the CalMac Exec team have enjoyed a series of CHFS3 engagement meetings with FCB members, where we have received valuable feedback and contribution.

This year, we have continued to take part in commercial haulier group meetings. The meetings have allowed our commercial customers to give their view on our service and to highlight concerns they have regarding the impact over fleet deployment. They have further allowed our commercial customers an opportunity to highlight future growth potential. Further we have met with the Scottish Whisky Association to discuss future Islay distillery developments and growth.

A8. People First

We have continued to deliver our People Strategy in line with the Scottish Government Fair Work principles.

Within CalMac Ferries Ltd, we recognise four trades unions (Nautilus International, RMT, Unite, TSSA). Each union has collective bargaining rights for certain employee groups, and we negotiate pay on a joint basis with all four unions. There is a regular schedule of meetings between management and trades union representatives through Port Committee meetings, the Small Ferries Committee, the Officer Liaison meeting, and regular business review meetings with the CalMac CEO.

We have a well-established People Steering Group who meet monthly, this is chaired by the CalMac Operations Director, which further provides a forum and a voice for staff from across all areas of our business to provide input and feedback into what is happening in the business.

Employee Wellbeing

We support and value our colleagues, and their wellbeing is of the utmost importance to us.

In addition to the provision of a full Occupational Health Service which supports employees to return to work, we launched a new Employee Assistance Programme (EAP) in November 2021, designed to help improve health and wellbeing in both personal and professional life. We have teamed up with Health Assured to offer all colleagues this enhanced EAP, which includes access to the UK's leading wellbeing app, Wisdom AI. The app is a confidential resource designed to support the employees' overall wellbeing - with features including mood trackers, helpful videos, 24/7 support services, active challenges and a wellbeing calendar of events. Employees also have access to a wellbeing portal, where they can get telephone support and they can download an app.

The use of our enhanced Employee Assistance Programme has increased from 40% in 2022 to 69% in 2023.

A Wellbeing Survey was carried out in November 2023 to reassess the effectiveness of the CalMac wellbeing support.

A Wellbeing Strategy Day took place on 22 January 2024, attended by colleagues from Ports, Crew and Support Services. As a result, a Wellbeing Committee has been formed consisting of representatives from across the business and our Mental Health First Aiders and a new Wellbeing Policy and Strategy has been developed.

Investment in workforce development

Since the award of the CHFS 2 contract, we have focused on continuously improving our approach to provide staff with access to the development they require to deliver their current and future roles.

The Learning and Development team is embedded within our business and workforce operating in a coordinated way by providing an extensive range of learning and development which, together with our Union Learning partnership, helps ensure that that staff have equal access to the development required. This includes supporting managers to identify learning needs through the annual performance appraisal and development planning cycle. The Learning and Development Team focuses on providing training linked to our corporate goals; local priorities and objectives; retention and development of our key talent; and compliance with regulations and maritime standards.

Our delivery model for training has evolved significantly over the period from traditional workshop-based provision to a more blended approach using digital learning. Whilst we are utilising our digital presence to deliver learning, we are still required to provide some areas of training in a face-to-face environment, this is in line with compliance requirements, we will continue to leverage digital solutions where possible including self-paced e-learning and webinars. This blended and flexible approach works well for our workforce who are geographically dispersed along the west coast thus providing a range of benefits for staff and the organisation.

Our Talent Management and Succession Planning processes allow us to tailor programmes and personal development plans to progress our top talent and address succession risks.

We work in partnership with our full time RMT Trade Union Learning representative along with funding from the Scottish Trade Union Learning Fund to deliver a range of learning opportunities primarily focusing on Equality & Diversity, Health & Wellbeing, and early career development for our seagoing Apprentices. This includes mentoring training and Financial Wellbeing Workshops for our young workforce. We have also trained a total of 100 Mental Health First Aiders, with 76 staff actively supporting our network; we also continue to deliver our Mental Health Awareness Training for line managers.

Our strong commitment to early careers is evidenced through our industry leading apprenticeship programmes and our ongoing sponsorship of cadets. We run apprenticeship programmes in Project Management, Accountancy, Maritime Deck and Engine, typically taking on 20 seagoing apprentices each year from our island and local coastal communities, benefitting both CalMac and the Communities we serve. Since 2016, we have recruited a total of 134 Maritime Apprentices (44 Deck, 31 Engine, 54 Retail, 5 Port & Harbour) and we are immensely proud of each apprentice and their achievements over the period. We continue to contribute to the Merchant Navy Training Board (MNTB) Apprenticeship Committee Group and provide influence, input and feedback to UK wide discussions. We have a well-established cadet sponsorship programme in partnership with Clyde Marine Training based in Glasgow and currently sponsor 19 cadets.

We are active across our network communities promoting early careers at CalMac and the sector. Our Seagoing Apprenticeship Programme is launched to coincide with Scottish Apprenticeship Week with a themed campaign challenging stereotypes for seafarers which has resulted in an increase of female representation within our Deck Apprenticeship Programme.

Commitment to Fair Work

We do not employee any staff under zero hours contracts. We are, and will continue to be, a Living Wage Employer.

We continue our commitment to equal pay for work of equal value across all areas of our organisation. However, our industry is traditionally male dominated and while we have a positive gender balance across our shore-based roles (and a Gender Pay Gap that is favourable to women), it remains a challenge to attract and retain more females into seafaring roles, particularly in the engineering disciplines. Our Gender Pay Gap across both our seagoing and shore-based workforce remains favourable compared with national and industry benchmarks. We have a well-established “Inclusive CalMac” Steering Group which meets six times a year. The purpose of this group is to champion, encourage and develop a sustainable culture of inclusion.

We have a 50:50 male-female gender balance in our Executive Management Team, creating positive role models and supporting our ability to attract greater gender balance in our organisation and promote opportunities for career progression.

A9. Environment

The Environmental Business Plan for the period 2024 – 2027 was prepared through consultation with various departments across the business. Several actions have been established with climate change mitigation being the driving force behind these. Actions will be tracked through our online data system, and reviewed within agreed timeframes, until their eventual resolution.

2023-24 has seen a decrease in emissions, compared to the previous year. Comparative analysis of scope 1,2 and 3 emissions suggests an approximate 5% decrease in GHG emissions since the previous year.

Total waste arisings have decreased by 3% from last year, while recycling rate has increased by 3%, from 57% last year to 60% in 2023-24. Landfill has also decreased from 36% last year, to 30% in 2023-24.

During this past year we introduced several initiatives to reduce our impact on the environment, including:

Fuel Efficiency

The implementation of a fuel efficiency manager tasked with ensuring we use less fuel, and that our vessels make certain changes to limit time spent on full throttle. Such changes included departing early, and arriving on time, especially in adverse weather.

Recycling

New waste stream recycling initiatives were introduced to ensure we recycle as much of our waste as possible. Several tonnes of mattresses, hybrid lithium batteries, and intermediate bulk containers (used for oil and lubricants) were recycled this past year. We have also expanded our food recycling stream and are looking into further specialist recycling programmes.

Predator Free Certification

Our agreement to undergo Predator Free Certification, a new initiative by the RSPB (Royal Society for the Protection of Birds), has been acknowledged, and the logistics to ensure we can meet the requirements are underway. In this, CalMac will be leading the way in the marine industry and making an important contribution to the protection of vulnerable sea bird communities on the Scottish Isles.

Carbon Neutral Islands

Engagement with the Carbon Neutral Islands (CNI) project has begun, and will be an important partnership moving forward, as we support key Scottish Islands on their journey to carbon neutrality by 2040.

We have decided to maintain, or build on, several existing company environmental initiatives, including:

- CalMac's Marine Awareness Programme
- Incorporating biosecurity guidance into our operating procedures
- CalMac's Sustainable Procurement Strategy
- Voluntarily maintaining Ship Energy Efficiency Manuals, after the legal requirement has lapsed
- Our commitment to implementing new recycling initiatives

A10. Harbours

Building on Success

Our harbour operations have continued their impressive trajectory since the lifting of pandemic restrictions in 2022. Collaborative efforts with cruise agents during that year resulted in a significant rise in ship arrivals, reaching 140. This partnership with industry stakeholders not only bolstered local island communities and businesses, but also fostered growth for both commercial cargo and cruise activity, evidenced by our cruise visits reaching 265 in 2023.

Maintaining High Standards

In line with Port Marine Safety Code requirements, our Harbour Operations department underwent an audit by the CMAL Designated Person during the previous reporting period. This included visits to five ports. The audit identified no major nonconformities against CFL, highlighting our commitment to safety. However, minor observations related to housekeeping and processes were noted. We continue to address these observations and continue to strive for excellence, delivering safe and successful operations that comply with legislation and incorporate best practices. The Designated Person is scheduled to visit another five ports in 2024.

Looking Ahead

Our commitment to operational excellence and continuous improvement is paramount over the next reporting period. CFL has restructured its Harbour Operations function, focussed on maintaining and further developing its high standards through internal audit activity, with the day-to-day operations being managed at a more local level across our network. We actively promote our existing locations and facilities, ensuring that port and harbour developments consider the needs of our customers and local communities. This focus will help us navigate the challenges of a growing, competitive market to support our communities.

Perth Harbour

Our contract to operate Perth Harbour ceased on 30 September 2023 after owners Perth and Kinross Council closed it as a commercial port. CFL is proud of its record at Perth, where through independent audit activity, key improvements were made to the safe operation of the Harbour on behalf of Perth and Kinross Council.

A11. Principal Risks

The Group's Risk Management Strategy

The Group's Risk Management Strategy ensures that the wide range of risks related to the challenges faced by the organisation are captured and managed. This year, the company revised its risk appetite in line with political and economic climate whilst looking to the wider industry for emerging trends. The Group continues to take a continuous improvement approach to its Risk Management framework and to ensure that the associated risk registers are effectively capturing and managing identified risks.

The Corporate Risk Register records those risks that may affect the organisation as a whole and may prevent the achievement of the strategic goals and objectives. The Register is linked to the Group's risk appetite statement and all risks are assigned a value measure-based probability and impact. This enables any risks to be assessed in line with the appetite and appropriate risk treatment deployed. The Register is regularly reviewed and assessed by the Executive team and Board members.

The Group have a Risk Management function to further enhance and facilitate the management of risk throughout the organisation. The principles being applied by this team ensure that risks are initially identified, mitigated wherever possible, and that ongoing reviews are carried out.

Reference	**Risk**	**Key Mitigations**
Fleet Reliability	There is a risk that some of our vessels may be unavailable for an extensive period, impacting on our ability to deliver a reliable service. This risk arises as we operate a fleet of vessels with a diverse age range, condition, and complexity. This risk will continue to be the Group's biggest risk until new vessels are brought into the fleet.	We are collaborating with CMAL (vessel owner) on several initiatives that will improve vessel reliability: • Delivery of Upgrade and Resilience programme of work for the fleet. • Major Vessel Replacement Programme which is in progress. • Provide support for Transport Scotland to develop the vessel strategy for the Scottish Government Ferries Plan. • Exploring the potential chartering of vessels in collaboration with Transport Scotland. We have also developed a programme of Fleet Reliability improvement initiatives that include: • Introduction of a defect management system, as well as improvements to defect management processes, identifying defect trends and relevant actions. • Delivery of Preventative Maintenance Strategy, and condition monitoring programme for major vessel equipment. • Embedding learnings and improvements because of our experience, vessel technical events and investigations. Throughout 2023 we implemented an improved Fleet operating model for the organisation. This model will bring enhancements to our decision making, management of change and quality assurance around vessel maintenance.
Clyde and Hebrides Ferry Service Contract - Extension	There is a risk that CFL will not be the operator of the CHFS services beyond 30 September 2025, following a year's extension. At date of signing, Transport Scotland have announced that they have launched a due diligence process to explore options to award the next contract to operate the Clyde and Hebrides Ferry Services directly to CalMac Ferries Ltd.	Transport Scotland have commenced a due diligence process to establish the feasibility of a direct award using the "Teckal exemption". • CFL will support Transport Scotland with the due diligence process. • CFL will provide the relevant information/submission in line with Transport Scotland's requirements, and in support of a Direct Award. • The submission will include funding levels to cover the full cost of delivering CHFS services, with financial risks identified and included to mitigate future losses while providing value for money to the taxpayer.

Cyber Attack	There is a risk of a cyber-attack that could lead to systems and data being unavailable to fulfil business, contractual or legal obligations. CalMac could be susceptible to phishing attacks, ransomware, and other forms of malware that could jeopardise customer data and disrupt our operations.	CalMac is pursuing Cyber Essentials Plus Accreditation • Regular security exercises and stress testing of our IT Security provisions are undertaken to help us understand and address any identified weaknesses. • We work closely with our partners in the IT Supply Chain to ensure we deploy robust security measures. • IT Security Training is rolled out to all CalMac staff to ensure that staff are vigilant to potential cyber-attacks and the steps to take should they identify any potential threats.
Traffic Management at 3rd Party Ports	There is a risk that the traffic management controls at 3rd Party Ports do not adequately control the risk to members of staff and members of the public.	• CalMac continue to work closely with 3rd Party Port operators, engaging positively in risk identification and mitigation. • We have implemented a clear escalation process that allows for significant risks to be escalated within our business and at an appropriate level between ourselves and 3rd Party Port Operators. • CalMac will always prioritise the safety of its passengers and staff. Our workforce is empowered to stop any activity which presents the risk of imminent harm.
Vessel Spares Obsolescence	Our fleet operations are potentially at risk due to the obsolescence of key spare parts. As these critical components age, we face increasing challenges in sourcing replacement parts, which may no longer be in production. This situation could necessitate the costly and time-consuming process of reverse engineering these spares.	As part of our ongoing commitment to maintain the resilience and operational efficiency of our vessel fleet, we have implemented a series of strategic initiatives to manage the risks associated with spare part obsolescence: • We continue to conduct a comprehensive assessment of our supply chain vulnerabilities. This initiative is currently being executed and will be transitioned to our Standards and Performance team for ongoing management. • We have increased our inventory of critical spares, ensuring availability, and reducing potential downtime. • To mitigate the risk of over-reliance on original equipment manufacturers (OEMs) who may no longer support certain equipment, we are actively seeking and engaging with alternative suppliers for critical spare parts. • We are prioritising the replacement of obsolete equipment through our Upgrade and Resilience Programme. This not only updates ageing vessels but also extends their operational life, ensuring they meet current and future operational demands. • Our ongoing review and maintenance of an inventory of critical spare parts aim to minimise operational downtime in the event of equipment failure. This effort is part of our broader strategy to enhance inventory control and management. • We are establishing and maintaining dialogue with equipment manufacturers to explore continued support options or potential replacement components, ensuring we have access to necessary parts and expertise.

A12. Stakeholders and Section 172 Statement

In line with the requirements of S172 of the Companies Act 2006, the Directors present details of their duty to promote the success of the Group for the benefit of stakeholders. We have identified our key stakeholders, the issues that matter most to them and the engagement activities conducted during the year, with a summary of key discussions and decisions taken by the Board where stakeholder views were taken into consideration.

Stakeholder: Customers
Key Issues: Regular and Reliable ferry service with minimal disruption to support island residents, and customers' business and leisure travel expectations. Community Engagement

Regular engagement with communities, providing the opportunity to contribute directly on priority issues relating to service provision.
Engagement Activities: Customer Steering Group We hold regular Customer Steering Group meetings for our colleagues and customers to collaborate on key customer focused issues and improve where possible. Meetings focus on core operational issues/impacts, to seek feedback and identify ways to improve our service. Communication We continually review our customer communications, and regularly assess the impact of these communications to identify where we can improve. Our primary focus this year has been disruption management and how we can better support our customers via our 'truth well told' approach. Through cross departmental collaboration and actions driven via customer led insight, our teams aim to provide timely, accurate and quality information that aligns with our customers and colleagues needs. Community Engagement Due to the level of service disruption, this year has been challenging for our customers. We have held consultations, face-to-face community drop-in sessions and attend key community forums. Inviting our customers to contribute directly on priority issues has allowed for more meaningful engagement and understanding of the challenges our customers face.

Stakeholder: Client (Transport Scotland)
Key Issues: Transport Scotland's vision is for a sustainable, inclusive, safe, and accessible transport system helping deliver a healthier, fairer and more prosperous Scotland. The key issues in relation to the CHFS contract are; Resilience The technical resilience of the current fleet to deliver reliable services. Community Engagement Deliver and manage effective community engagement. Infrastructure strategy The development of a long-term strategy for vessels and ports.
Engagement Activities: Monthly Contract Meetings We attend monthly CHFS contract meetings with Transport Scotland, and review detailed KPIs and performance metrics, in relation to contractual performance and service reliability. Network Strategy Group/Project Steering Committees We are an active participant in the Ferry Division's monthly Network Strategy Group and Project Steering Committees, to support Transport Scotland in their strategic decision-making and contributing to their long-term strategy and goals. Community Engagement Our Community engagement strategy supports Transport Scotland in meaningful community engagement, including regular timetable matters, as well as more significant changes driven by vessel changes and/or harbour infrastructure projects. By working in collaboration with Transport Scotland, we ensure that community feedback and concerns are incorporated into our service planning and delivery. Supporting Community Needs We implemented a pilot programme on Coll, Tiree, and Mull, where a small portion of deck space was reserved for last-minute travel needs. This initiative was delivered through close consultation with community representatives and Transport Scotland.

Stakeholder: Suppliers
Key Issues: Brexit We have continued to work closely with our suppliers during the period to mitigate post-Brexit issues, to ensure continuity of supply for the business and negotiate effectively to limit cost increases. International Conflicts We continue to work closely with our key suppliers to determine the impact of any on-going conflicts on our supply chain. We engage regularly and risks have been highlighted, including price increases and potential continuity of supply issues which we have been effectively managing. Prompt Payment Suppliers expect to be paid promptly after goods or services have been provided. We adopt processes in line with the Scottish Government Prompt Payment policy.
Engagement Activities: Supplier relationship Management (SRM)

We continue to develop and improve our SRM programme. Processes and procedures have been continuously improved to enable this work stream, which supports the delivery of high-quality goods and services.

Supplier Score-carding
This has successfully been implemented for an identified range of critical suppliers. This includes scoring suppliers across essential criteria for quality, cost, sustainability, and service. This initiative continues to be an established part of our business-as-usual processes, with buy in from our internal stakeholders and supply chain.
Where appropriate, the Competitive Procedure with Negotiation (CPN) is used as the route to market. In our regulated procurement environment, this continues to support engagement with suppliers during the procurement process to enable the award of robust, commercially viable contracts that have delivered high quality goods and services.

Stakeholder: Employees

Key Issues:

Wellbeing
The wellbeing of our people is critically important.

Reward
A one year pay deal with our four recognised trade unions was negotiated in September 2023, covering the period up to 30 September 2024. This deal included an enhanced pay increase for our lowest paid workers. We are a Living Wage accredited organisation and do not make use of zero hours contracts.

Career Development & Training

Employee Voice & Trust

Engagement Activities:

Statutory Training, Talent Management & Succession Planning
We continue to invest heavily in the development of our staff, this includes statutory training, to ensure our staff maintained their professional certification, as well as developmental training and career development plans for our Top Talent as identified through our Talent Management and Succession Planning process.

Occupational Health
To support the positive health of our people we work with an Occupational Health provider, an industry leading Employee Assistance Programme and a dedicated Absence Reporting Helpline. In addition, we have a network of Mental Health First Aiders who are able to support our colleagues across the organisation.

Employee Voice
We recognise four trade unions, Nautilus International, RMT, Unite and TSSA, for collective bargaining purposes and engage positively with them on all issues affecting our people.
Our People Steering Group and Inclusive CalMac Groups also provide a forum for employees to share views and contribute positively to company initiatives.

Whistleblowing Policy
A whistleblowing policy has been in place covering all David MacBrayne Limited Group companies since 2012. This policy is in adherence with the guidance published in the Public Interest Disclosure Act 1998 and provides assurances for staff who may wish to raise areas of critical concern.
The Group introduced this procedure to enable staff to raise concerns about suspected malpractice at an early stage and in the right way. The whistleblowing procedure is primarily for concerns where the interests of others or of the organisation itself are at risk, as opposed to the grievance procedure, which deals with situations where employees feel aggrieved about their personal positions.

Stakeholder: Communities

Key Issues:

Service Reliability and Fleet Availability

Fleet deployment across many communities, to maintain a breadth of core lifeline service across the network during periods of disruption.

Engagement Activities:

Community Group Meetings
We attend and support over 25 Ferry Committees and other community group meetings across the network. By ensuring our focus and attention to these group meetings we have seen positive improvements, particularly with regards to open, honest, and transparent discussions.

Ferry Stakeholder Group Meetings

Ferry stakeholder group meetings have continued twice-yearly with representation at each of the three geographical Scottish Government meetings where we have worked closely with Transport Scotland, CMAL, Hitrans and relevant local councils.

Ferry Communities Board
The Ferries Community Board has continued to provide a very valuable link across the network. Through the Community Board we have been able to seek opinion and viewpoints on matters impacting our contract and our service. The board have played an influential part in helping us to shape our business.

Commercial Haulier Group meetings
This year we have continued to take part in commercial haulier group meetings. The meetings have allowed our commercial customers to give their view on our service and to highlight concerns they have regarding the impact over fleet deployment.

Stakeholder: Scottish Ministers (Shareholder)
Key Issues: Group Financial Performance, including the strength of our Balance Sheet. Understanding and supporting delivery of our Group strategy and operations. Strong relationships, with open communication channels to the Board.
Engagement Activities: Annual Report The Annual report provides details of Group financial performance, as well as progress against key priorities, with clear and transparent messaging. DML Board meetings are held throughout the year with our Sponsor (Shareholder representative) in attendance. Meetings took place between the shareholder and the Chair as required during the year.

Board discussions and decisions taken during 2023-4, where stakeholder views were considered and informed the decision.

Financial Planning
Financial Planning, funding allocation and dividend policy decisions. In line with our agreed policies this year's plan was approved by the Board following a comprehensive review of our strategic priorities and risks. We regularly review how we are performing against plan and report monthly and year to date financial results compared with the Board approved plan. This is in addition to reviewing the financial forecast outlook for the year. There is a process in place to assess this performance and the opportunity to take decisions to ensure that funding is allocated appropriately and to address any emerging risks, e.g., fleet maintenance driven by the increasing average age of vessels.

During the annual planning process and as part of our regular strategy reviews, we look at our funding requirements. This ensures that our financial planning supports our strategy with consideration to invest in the capability, scale of the Group, and meet shareholder expectations by paying dividends when appropriate. Our strategy is ambitious but will position DML well for our long-term prospects while honouring commitments to our stakeholders.

Island Crossings TV Programme
The Board approved a second series of Island Crossings, the TV programme about the CalMac ferry services covering our people, our customers, and the communities we serve. Island Crossings was extremely popular on both BBC Scotland and BBC iPlayer.

Filming began in September 2023 and featured CalMac staff and crew, as well as islanders. The eight-part series started broadcasting at the end of July 2024.

Harbour Operations
The Board discussed and agreed with the actions being taken by management, following a detailed review as a result of stakeholder feedback. These actions, which included undertaking a structural re-organisation, were designed to improve the delivery of harbour services provided by CalMac Ferries Limited under the Harbour Operating Agreement with Caledonian Maritime Assets Limited (CMAL).

Part B
Governance

B1. Board of Directors

Erik Østergaard
Chairman
Erik Østergaard OBE is CEO of a transport and logistics organisation. He has more than 35 years of experience in senior management positions in the shipping, ferry, and transportation industry. Originally trained in shipping, he later studied international economics and management at IMD in Lausanne, Stanford Graduate School of Business, California, and Booth School of Business, University of Chicago where he was awarded a master's in business administration. He has held and holds office as a Non-Executive Board Member or Chairman of several companies in the shipping and transportation industry, numerous government committees and boards of trade associations.

David Beaton (Appointed 19 June 2023)
Non-Executive Director
David Beaton was born and raised in Sutherland and has lived in the Isle of Skye for the last 35 years apart from a short spell in Chicago, United States as Managing Director for Stagecoach owned companies. He will bring direct knowledge and a lived experience of the key issues effecting rural and island communities. Mr Beaton has a wealth of public transport skills and experience. He has been involved in the public transport sector since 1988, with 25 years of that directly involved in managing public transport in the Highlands and Islands. He is also Chair of the local Royal National Lifeboat Institution fundraising committee.

Tim Ingram
Non-Executive Director
Tim Ingram brings a wealth of health and safety, enterprise risk management and governance skills together with a range of energy industry, marine and port operations experience. He is the Chair of David MacBrayne's HSEQ Committee and is a member of the Audit & Risk Committee. He was a Non-Executive Director and Vice-Chair of Western Isles NHS Board, sitting on various Committees including being Chair of the Healthcare Governance and Audit Committee. He worked in the offshore oil and gas industry and joined the Health and Safety Executive in 1992 as a Specialist Inspector becoming the Principal Inspector responsible for various major hazard facilities across Scotland. Subsequently he held various director level health and safety and assurance roles at, among others, Maersk Oil, Wood Group, Dana Petroleum and the Port of Tyne. He now runs a specialist corporate safety consultancy. He previously undertook voluntary work as a guest lecturer at Imperial College, London, and was Chair of the IOSH Offshore Group.

Grant Macrae
Non-Executive Director
Grant Macrae is a Member of ICAS and CIPFA and has extensive experience of audit, risk management and governance. For many years he led external audit of a wide range of entities owned by government across the public sector. He has participated in the development of international accounting standards. Since returning to the UK, he has been a board member of several bodies where he has chaired finance or audit and risk committees. He has also been an independent member of the audit and risk committee of two large organisations. He is currently a Board Member of the Scottish Police Authority.

Kay Ryan (Appointed 1 December 2023)
Non-Executive Director
Kay Ryan has held several senior commercial roles, latterly as Special Advisor to the Board of Loganair, the UK's largest regional airline where she had previously held the position of Chief Commercial Officer. Originally trained in hospitality Kay has led complex marketing, commercial and communication change projects and is a specialist in revenue and yield management. She has led and managed contract negotiations with both national government and local councils involving significant contribution to vital transport links within the United Kingdom. She has comprehensive operational experience within the aviation, tour operator and hotel sectors.

B2. Principal Activity and Business Review

David MacBrayne is a publicly owned private company with the Scottish Government being its sole shareholder. Its primary activity is to operate ferry services and port management for Clyde and Hebrides.

CalMac Ferries Limited (CFL) is a wholly owned subsidiary of David MacBrayne Limited (DML), which is wholly owned by Scottish Ministers.

CFL was created in October 2006 to bid for the Scottish Government contract to operate Clyde & Hebrides Ferry Services (CHFS I), which it subsequently won, and which was extended to September 2016. In May 2016, following a full tendering process CFL was awarded the CHFS 2 contract to run the services for eight years to September 2024, and in June 2024 there was an extension of a further 12 months granted to the existing contract.

B3. Purpose Statement and Values

We are the heart and soul of the places we sail and the people we serve. We are hard-working and conscientious, resilient and responsible, warm and welcoming to all.

Our core purpose is to navigate the waters, ensuring life thrives wherever we are.

- 'To navigate' is to successfully find a way from one place to another.

- 'the waters' or indeed challenges, problems or change can be smooth or rough, charted or uncharted, familiar or unfamiliar.
- 'ensuring life thrives' as we want all life to flourish and thrive – our colleagues, our communities, our customers.
- 'wherever we are' indicates we will do this in every location in which we operate.

Our core values are:
- People First - We help each other thrive.
- Locality - We act in the best interests of the places we serve.
- Bravery - We think and act with courage and conviction.

B4. Corporate Governance Statement

The Group is committed to ambitious standards of corporate governance, business integrity and professionalism in all its activities, a summary of which is set out on the remainder of this page and pages 22 to 25.

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

The role of the Chairman is distinct and separate, with a clear division of responsibility.

The Chair leads the Board and ensures the effective engagement and contribution of all Non-Executive and Executive Directors. Executive Directors have responsibility for all operating companies' business and act in accordance with the authority delegated from the Board. Responsibility for the implementation of policy, strategy and operational management is delegated to Executive management.

A minimum of six Board Meetings are held each year. Board Meetings are structured to allow open discussion and all Directors participate in discussing the Group's strategic aims and performance, as well as financial and risk management. All Directors declare any conflict of interest at the beginning of each Board or Board Committee meeting. The Board is supplied with comprehensive information in advance of each Board Meeting, including financial and operational reports covering the Group's business activities. Members of the senior management of the Group companies regularly attend and make presentations at Board Meetings. A representative of the parent company's sole shareholder attends each Board Meeting. Board Meetings are supplemented by workshops/development sessions as appropriate throughout the year.

Board balance and independence
The Board currently comprises six Non-Executive Directors (including the Chair) and one Executive Director. The Board considers that all Non-Executive Directors are independent.

The Directors believe that the Board functions effectively and efficiently and is of an appropriate size in relation to the Group's level of business and associated responsibilities.

The Directors believe their collective experience provides an appropriate mix of skills, experience, and expertise. The Board Committees comprise Directors with 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 the development of proposals on strategy.

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 Group's business activities.

Appointment of Directors
All Board appointments are approved by Scottish Ministers. Non-Executive Directors are appointed for a three-year period and can be re-appointed. Executive Directors are appointed for a period coterminous with the holding of the associated executive post. All appointments and re-appointments are subject to the limitations prescribed in the Code of Practice for Ministerial Appointments to Public Bodies in Scotland, as published by the Public Appointments Commissioner for Scotland.

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

All Directors have access to the advice and services of the Company Secretary and are entitled to obtain independent professional advice at the Company's expense.

On appointment, a director receives a formal induction programme, including an introductory meeting with the Chairman and senior executive management. During their term of office, Directors undertake such professional development as is considered necessary to assist them in carrying out their duties as Directors.

Performance evaluation
The performance of Non-Executive Directors is assessed by the Chair and the performance of Executive Directors is assessed by their line manager and reported to the Remuneration Committee. The Chairman's performance is assessed by the Scottish Ministers.

Internal control
The Board is responsible for the Group's system of internal control and for reviewing its effectiveness to safeguard the Shareholder's investment and the Group's assets. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

Procedures are in place to ensure that there is an ongoing process for identifying, evaluating, and managing the significant risks faced by the Group, which is subject to regular review by the Audit & Risk Committee and the Board. The Board continues to take steps to ensure that a consistent approach to these procedures is adopted throughout the Group.

The key elements of the system of internal control are as follows: -

Control structure
The Group's control structure is the responsibility of the Directors and Managers at all levels. The Group'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 throughout the Group.

In addition, the Group's internal and external auditors present reports to the Audit & Risk Committee which include any significant internal control matters which they have identified.

Under ISO 14001:2015 standard, CalMac Ferries Limited has implemented an environmental management system which is aimed at minimising environmental risks and ensuring compliance with legislative and corporate governance requirements.

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

Major corporate information systems
The Group operates a comprehensive budgeting and financial reporting system. The system provides monthly comparison of actual results against budget, regularly revised forecasts, statements of financial position and key performance indicators, all of which are regularly reviewed by the Board.

Standard financial control procedures, which provide assurance on the integrity of the Group's finances, are operated in all companies within the Group.

Going concern
Based on the information available to them, the Directors have assessed that these accounts are prepared on a going concern basis, however highlighting that there is a material uncertainty.

The current CHFS contract has been extended to 30th September 2025. The Transport Minister announced that Scottish Government are exploring awarding the next contract to operate the Clyde and Hebrides Ferry Services directly to CalMac Ferries Ltd. A due diligence process is underway to establish the feasibility and impacts of a direct award using the "Teckal exemption" in accordance with the Public Contracts Scotland Regulations 2015.

It is expected that the assessment will be complete summer 2025.

B5. Board Committees

To provide effective overview and leadership, the Board has established several Committees with specific responsibilities extending to all companies within the Group. The Committee Chairmanship and membership, all comprising Non-Executive Directors, is refreshed at appropriate intervals.

Audit & Risk Committee

The Group Audit & Risk Committee is required, on behalf of the Board, to satisfy itself as to the adequacy and effectiveness of the Audit and Risk policies and procedures adopted in compliance with all legislation and other requirements of audit and risk affecting the Group's activities.

The Audit & Risk Committee will assist the Board discharging their responsibilities in relation to the strategic processes for risk, control and governance, the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified and management's letter of representation to the external auditor.

The Committee will advise the Board on the planned activity and results of both internal and external audit reviews, the Group risk appetite, tolerance and strategy and the current risk exposure.

The Committee reviews and monitors the independence of the external auditor in relation to non-audit assignments, considering relevant ethical guidance.

The Committee undertakes an annual evaluation to assess the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.

The Committee meets at least four times a year. The present members of the Committee are as follows:

G Macrae (Chair)
D Beaton
T Ingram
K Ryan

The Board is satisfied that the Committee membership has recent and relevant financial experience.

Remuneration Committee

The primary function of the Group Remuneration Committee is to approve or, where appropriate, make recommendations to the Board on pay and conditions, taking due account of the guidelines issued from time to time by the Scottish Ministers in respect of bodies in the public sector. In particular, the main items which the Committee reviews and approves are as follows:

- basic pay levels for Executive Directors and Executive Team,
- targets to be set for the purpose of the Executive Directors' and Executive Team performance scheme,
- performance payment awards under the Executive Directors' and Executive Team performance scheme,
- any matter concerning terms and conditions of service for the Executive and Non-Executive Directors and Executive Team,
- any policy matters concerning benefits for the Executive Directors and Executive Team.

The remuneration levels for Non-Executive Directors are set by the Scottish Ministers each year. The performance scheme for Executive Directors' and Executive Team comprises:

- financial and operational targets,
- personal targets for individuals,
- related performance scheme awards for various levels of achievement.

The Committee meets at least twice a year. The present members of the Committee are as follows:

G Macrae (Chair TBC)
E Ostergaard

Health, Safety, Environment & Quality (HSEQ) Committee

The Group Health, Safety, Environment & Quality (HSEQ) Committee is required, on behalf of the Board, to satisfy itself as to the adequacy and effectiveness of the Health & Safety, Environmental, Quality and Security policies and procedures adopted in compliance with all legislation and other requirements of safety, health, environmental and quality matters affecting the Company's activities. The Committee may investigate or comment on these and any other related issues that are referred to it or as may appear to be necessary.

The Committee may take the opportunity to visit relevant sites to enhance their knowledge and understanding of the Group's activities. The Committee assists the Executive and Senior management teams in enhancing the approach to an effective safety culture.

The Committee meets at least four times a year. The present members of the Committee are as follows:

T Ingram (Chair)
D Beaton
K Ryan

B6. Board and Board Committee meetings

The number of Board and Board Committee Meetings held during the year, and the individual attendance by members holding office for the year ended 31 March 2024, was as follows (figures in brackets denote the number of meetings which members were eligible to attend):

	Board	Audit & Risk	Remuneration	HSEQ
E Østergaard	7 (7)	-	7 (7)	-
D Beaton	4 (5)	3 (3)	-	4 (4)
T Ingram	7 (7)	4 (4)	-	5 (5)
G Macrae	7 (7)	4 (4)	7 (7)	
S O'Connor	7 (7)	1 (1)	7 (7)	5 (5)
K Ryan	2 (2)	1 (1)	-	1 (1)

Based on committee membership through the year.

There is an appropriate level of parent company Director representation on the Boards of all the direct subsidiary companies.

Executive Directors, Executive Team members and senior managers of companies within the Group are regularly invited to attend Board Committee Meetings as appropriate.

Relations with sole shareholder
As disclosed in the Directors' Report, the Company, which is currently designated as a Non-Departmental Public Body, is wholly owned by the Scottish Ministers.
The Scottish Ministers' appointed Assessor has the right to attend all Board meetings.

B7. Directors' Remuneration Report

Details of Directors' remuneration for those holding office at 31 March 2024 are as follows: -

	Salary £000	Fees £000	Performance Payment £000	Benefits in kind £000	Total 2024 £000	Total 2023 £000	Employer's Pension Contribution 2024 £000	Employer's Pension Contribution 2023 £000
Executive Directors								
R L Drummond	173	-	-	13	**186**	171	**52**	45
D Mackison	-	-	-	-	**-**	92	**-**	10
Non-Executive Directors								
E Østergaard	-	38	-	-	**38**	38	**-**	-
S O'Connor	-	12	-	-	**12**	11	**-**	-
G MacRae	-	12	-	-	**12**	10	**-**	-
T Ingram	-	12	-	-	**12**	8	**-**	-
D Beaton	-	9	-	-	**9**	-	**-**	-
K Ryan	-	4	-	-	**4**	-	**-**	-
M Comerford	-	-	-	-	**-**	11	**-**	-
S Browell	-	-	-	-	**-**	10	**-**	-
	173	87	0	13	**273**	351	**52**	55

D Mackison employer's pension contribution payments were paid directly rather than into a pension fund.

Pensions

The CalMac Pension Fund, to which each member currently contributes 6%, entitles members to a pension on retirement based on their Final Pensionable Salary which reflects the highest salary in each of the last five years of pensionable service. The financial effect of the pension arrangements for Executive Directors who were members of the CalMac Pension Do Fund during the year is as follows: -

	Annual Pension payable from normal retirement date based on service and salary at March		After taking account of inflation during the year, the increase in annual pension is		The effect on the transfer value of the movement in annual pension is		Transfer value based on accrued pension	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
R L Drummond	**34**	29	**5**	7	**64**	(77)	**369**	305

Allowance has been made in the above for the contributions made by Directors. Normal Retirement Age (NRA) within the CalMac Pension Fund is 65.

Service Contracts of Executive Directors

The terms of appointment of continuing Executive Directors are as follows: -

	Term	Notice of termination by the Company	Notice of termination by the Director
R L Drummond	Coterminous with holding the associated executive post	6 months	6 months

B8. Statutory Disclosures

Strategic Report & Directors' Report

The Strategic report and the Directors' report for the year ended 31 March 2024 comprise pages 25-29.

Directors and their interests

The Directors who held office during the year, or from their date of appointment, are as follows: -

E Østergaard	
R L Drummond	Resigned 12 July 2024
T Ingram	
G Macrae	
S O'Connor	Resigned 25 July 2024
D Beaton	Appointed 19 June 2023
K Ryan	Appointed 1 December 2023

None of the Directors had any beneficial interest in the share capital of the parent company or any of its subsidiaries at any time during the year.

International Financial Reporting Standards

The consolidated financial statements have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union as set out in Note 1 Accounting Policies.

The financial statements of the parent company are prepared under UK Generally Accepted Accounting Principles (UK GAAP), including FRS 101 Reduced Disclosure Framework.

Safety, Environment and Security

The Board recognises that safe operation of the ships and ports is of paramount importance and considers it essential that there is constant review of all practices impacting on health and safety, environmental and security matters and that there is constant vigilance over all aspects of the safety functions.

The responsibilities of the operational functions, including maintaining safety certification, compliance with safety of life at sea and marine pollution prevention rules, food safety management as well as observance in respect of officer and crew certification and qualifications, are clearly separated from the compliance and quality assurance function which is responsible for ensuring that all aspects of safety are effectively managed.

A proactive approach is taken, and a regime of planned audits and inspections is maintained for ships, ports and support services, the results of which are distributed, and actions agreed with the relevant personnel. Risk assessments and trend identification form the foundation of all safety, environmental and security tasks.

The safety arrangements within the Group also involve regular reporting to the Group Safety Committee and to the Board, thereby providing an appropriate review and challenge mechanism regarding all safety aspects of the Group's operations.

Environmental Policy

The Group is committed to its ISO14001 certified Environmental Management System and is committed to minimising the environmental impacts of its operations, continual improvement in its environmental performance, training and communication of environmental policy and programmes to all staff, sustainable procurement, and employment of Best Practicable Environmental Option (BPEO) in its activities.

Environmental Plan

The Group's Environmental Plan 2024 – 2027 is in its final stages of approval. There are five goals within the plan, which are: Provide a more environmentally sustainable purpose; Reduce scope 2 and 3 emissions by 2% year on year; Foster economic growth of our islands communities, and support their journey to carbon neutrality; increase our recycling rate to consistently exceed 70%, and reduce our landfill rate to 5% by 2028; Actively contribute to biosecurity, and conservation, in the areas we operate.

Methodology

The methodology used for the categorisation, quantification and reporting of the organisation's GHG emissions is based upon and consistent with the International Organisation for Standardisation ISO 14064-1:2018.

The annual energy consumption and associated greenhouse gas emissions of the Group during the 2024 Financial Year have been consolidated through the Operational Control approach. The organisational boundary consists of the parent company, David MacBrayne Ltd, and one of its primary subsidiaries, CalMac Ferries Ltd, along with its Human Resource service companies, David MacBrayne HR (UK) Ltd and Caledonian MacBrayne Crewing (Guernsey) Ltd.

Several vessels are operated by third parties on behalf of CalMac Ferries Ltd under a time charter agreement. Neither CalMac, nor David MacBrayne Ltd exercise operational control over these vessels, which are fully staffed, operated, fuelled, and maintained by the chartering organisation. As a result, under the Operational Control approach, the emissions associated with the fuel consumed by these vessels are recognised as being Scope 3 indirect emissions. However, due to the unavailability of information, this emission source is currently omitted from the SECR report. An exception to this is the MV Alfred of the Pentland Ferries Fleet, chartered from 2023 on a time charter. This ferry has been providing vital timetable support, and as such, emissions for this vessel have been included in Scope 1 direct emissions.

Annual energy consumption and associated greenhouse gas emissions are reported in kilowatt hours (kWh) and tonnes of carbon dioxide equivalent (CO_2e) respectively. Conversions have, where possible, been carried out using UK Government GHG Conversion Factors for Company Reporting 2023.

The organisation goes to great lengths to ensure emissions are calculated from complete and verifiable data, and any missing data is minimal.

The DML Group's emissions and energy use data has been independently verified in accordance with the International Organisation for Standardisation ISO 14064-3:2019 to a limited level of assurance.

Materiality

All sources of energy consumption and carbon emissions within scope have been included in the assessment. No sources have been excluded on a materiality basis.

Emissions and energy use

	2024	2023	2022	2020 Base year
Scope 1: Direct GHG Emissions (tCO_2e)				
Mobile transport (vessels, fleet vehicles)	121,606	128,109	120,984	126,625
Stationary combustion (gas, heating oil, wood chip)	134	256	336	163
CO_2 from Biofuels (Out of scope)	145	92	543	129
Scope 2: Indirect GHG Emissions from imported energy (tCO_2e)				
Purchase of electricity	691	685	765	907
Total Scope 1 and Scope 2 Emissions (tCO_2e)	122,431	129,050	122,085	127,824

Energy consumption used to calculate Scope 1 and Scope 2 Emissions (kWh)	*472,445,822*	*501,335,011*	*474,088,488*	*504,122,609*
Scope 3: Indirect GHG Emissions (tCO2e)				
Business travel (air, land, hotel stay)	945	827	715	684
Electricity transmission and distribution	60	63	68	-
EV charging points for public use	18	11	9	2
Waste disposal	313	417	409	-
Water supply and treatment	20	13	10	-
Well-to-Tank (vessels, fleet vehicles, gas, heating oil, wood chip, electricity, business travel)	28,491	29,602	27,641	-
Total Scope 1, Scope 2 and Scope 3 Emissions (tCO2e)	152,278	159,983	150,938	128,510

The scope of the Group's GHG inventory was broadened in 2022/23 to encompass emissions related to well-to-tank emissions for electricity and business travel. The inclusion of these Scope 3 emissions sources continues to enhance the comprehensiveness of the Group's annual SECR report.

Emissions since the 2019/20 base year shows, in general, a decrease in emissions across scope 1 and 2 emissions. Since scope 3 emissions were not included in 2019/2020, we do not yet have sufficient data to confirm an overall decrease in scope 3 emissions.

After a continual decrease in Scope 2 electricity emissions, we have now seen a plateau. Still, however, in excess of a 20% decrease since the base year 2019/2020.

The amount of business travel has continued to increase year on year, with a 12% increase compared to the previous reporting year, and a 36% increase compared to the base year 2019/2020.

Measures taken to improve energy efficiency

The 2024-2027 Environmental Plan sets a target to reduce scope 2 and 3 emissions by 2% year on year during the period of the plan. We aim to achieve this by reducing and scrutinising travel, electrifying our vehicular fleet where possible, supporting any greening initiatives of our leased ports, and strengthening staff training on waste management and the impacts of individual efforts. It also aims to "provide a more environmentally sustainable service", primarily by efficiently introducing new dual fuel vessels into the fleet.

Employees

The Group has a policy of equal opportunities and non-discrimination in all aspects of employment. The Group is committed to equality of opportunity for all its employees and customers, and to treating every member of staff and every customer with dignity and respect.

It is the Group's policy to ensure that all staff can work in an environment free from discrimination, harassment, and bullying.

As a company owned by the Scottish Ministers of the Scottish Government, we fully subscribe to the Government's Race Equality Scheme, Disability Scheme, Gender Equality Scheme and the Modern Slavery Statement. As an organisation, we continue to develop structures and systems to ensure that equal opportunities become an integral part of our thinking and behaviour. Our Modern Slavery Statement is reviewed annually by the Board and published on our website.

Our policy for pay and conditions for our employees is to continue to provide a fair and appropriate employment package to all employees regardless of age, hours of work or type of employment contract. We are an accredited living wage employer and do not use zero hours contracts. Our salary packages are enhanced by wider pay and benefits which exceed statutory minimums, including generous pension schemes, maternity and sickness pay, holiday entitlement and an employee bonus scheme. This provides our workforce with an overall employment package that helps to ensure a good work-life balance, supports the Scottish Government's social drivers, enables us to recruit and retain staff in a competitive labour market and supports the welfare of our people.

We publish our Gender Pay Gap annually and work proactively to encourage increased diversity in what is traditionally a very male dominated workforce.

All these measures are kept under regular review with a view to identifying where improvements can be made.

Employee Consultation

The Group is committed to effective employee communications, which it maintains through all staff notices, staff newsletters, and briefing sessions.

The Group also provides further engagement through active participation with our Trade Unions. Most employees are formally represented by Trade Unions recognised for collective bargaining purposes. A system of consultative committees is well established.

Through either the formal negotiating or consultative process, or a combination of both, employees at all levels, directly or through their representatives, are provided with information on matters concerning them and are encouraged to be involved in the activities of the Group.

Policy of employment of people with disabilities

It is the Group's policy to consider applications for employment from people with disabilities on the same basis as other potential employees, subject to the nature and extent of disability and the degree of physical fitness demanded of the position. Ability and aptitude are the determining factors in the selection, training, career development and promotion of all employees with disabilities. If any employee becomes disabled during his/her period of employment, the Group will, where possible, retain the employee for duties commensurate with the employee's abilities following the disablement.

Employment recruitment

Recruitment campaigns undertaken by the Group were carried out based on fair and open competition and selection on merit. The Group companies' recruitment/selection records are subject to regular scrutiny by internal auditors. We are signed up to the Good Recruitment Charter and Partnership for Change.

Investing in Developing our People

We are committed to continually developing our people to ensure they have the skills they need to be effective in their current and future roles. Our training portfolio delivers mandatory training to all staff as required, as well as developmental training. In addition to our officer cadet sponsorship programme, we continue to be a leading employer of maritime modern apprenticeships in deck, engine, and hospitality.

Whilst we have always prioritised Health and Safety learning and development for our staff, we have continued this year to place a particular focus on wellbeing and mental health training. In partnership with RMT and Scottish Trade Union Learning, we have continued to provide training to support our 100 staff from across the organisation in their role as Mental Health First Aiders.

Performance Management

Our performance management framework consists of a cycle of objective setting, personal development planning, mid-year reviews and end of year appraisals. Objectives are set to support achievement of our business plan. A key part of the process is to discuss behaviours and ensure that our staff are operating in accordance with our core competencies and values. Managers are trained in how to manage performance effectively as part of our Management and Leadership Academy Framework, with further support provided through online guidance notes, toolkits and coaching.

Attendance Management

The Group accepts that employees will be prevented from attending work due to illness or injury from time to time. Although the Group recognises that employees need to be properly supported during absences, our priority is to meet our operational objectives. As a result, we take distinct steps to balance the needs of the individual with the needs of the Group and to manage sickness absence effectively. To achieve this balance, we take a positive and pro-active approach to attendance management including: -

- advising all employees and line managers of their roles and responsibilities through appropriate training, guidance, and support,
- consistent application of our Attendance Management Policy, agreed with the support of our trade union partners,
- early intervention and return to work support from a third-party Occupational Health provider in cases of longer-term sickness absence,
- a confidential, third-party Employee Assistance Programme.

The policy provides support for employees via our Occupational Health provider to facilitate a safe and timely return to work. Equally, the policy sets out a series of triggers, warnings, and formal monitoring procedures to manage employees with frequent absences in a fair and consistent manner.

Whistleblowing Policy

A whistleblowing policy has been in place covering all David MacBrayne Limited Group companies since 2012. This policy is in adherence with the guidance published in the Public Interest Disclosure Act 1998 and provides assurances for staff who may wish to raise areas of critical concern. The Group introduced this procedure to enable staff to raise concerns about suspected malpractice at an early stage and in the right way. The whistleblowing procedure is primarily for concerns where the interests of others or of the organisation itself are at risk, as opposed to the grievance procedure, which deals with situations where employees feel aggrieved about their personal positions.

Political and charitable donations

The Group made no political or charitable donations during the year. However, Group companies support a range of local organisations through travel-related sponsorship.

Research and Development

The Group does not undertake research and development activities directly. We do work with universities and other supplier parties to support ongoing future innovation.

Financial instruments

The Group's risk management objectives and policy are set out in note 15 of the financial statements.

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, as far as they are each aware, there is no relevant audit information of which the Group'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 Group's auditor is aware of that information.

Auditor

A resolution to re-appoint KPMG LLP as Group and Company auditor will be put to the members at the Annual General Meeting.

On behalf of the Board

Erik Østergaard
Chairman

12 December 2024

B9. Directors' Responsibilities

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the situation of the Group and parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to: -

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable, relevant, reliable, and prudent,
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006,
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Part C
Financial Statements

C1. Independent Auditor’s Report to the members of David MacBrayne Limited

Opinion

We have audited the financial statements of David MacBrayne Limited (“the Company”) for the year ended 31 March 2024 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement, company balance sheet, company statement in changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s and of the parent company’s affairs as at 31 March 2024 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with the UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the Group’s and the Parent Company’s ability to continue as a going concern is dependent on the continuation and subsequent assumptions in respect of the CHFS contract with Transport Scotland beyond its current expiry in September 2025. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group’s and the parent Company’s ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (''fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

• Enquiring of directors, as to the Group's high-level policies and procedures to prevent and detect fraud, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

• Reading Board minutes.

• Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and Company management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates. On this audit we do not believe there is a fraud risk related to revenue recognition because, with the exception of CFHS2 revenue, the Group and Company's revenues consist entirely of routine, non-complex transactions which are subject to systematic processing and do not require significant judgements.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unrelated accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of noncompliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or loss of legal ability to operate. We identified the following areas as those most likely to have such an effect: health and safety, employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 30, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent companies' ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Michael Wilkie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

12 December 2024

C2. Group Income Statement
for the year ended 31 March 2024

	Note	2024 Total £000	2023 Totals £000
Revenue	2	**295,310**	250,558
Cost of sales		**(257,059)**	(221,946)
Gross profit		**38,251**	28,612
Administrative expenses		**(34,828)**	(33,561)
Operating Profit/(Loss)		**3,423**	(4,949)
Finance Income/(costs)	4	**311**	(767)
Share of profit in joint venture	14	**-**	362
Gain on disposal of Fixed Asset		**64**	-
Gain on sale of investment	19	**-**	22,378
Profit before tax	3	**3,798**	17,024
Taxation	6	**(841)**	(54)
Profit for the year		**2,957**	16,970

C3. Consolidated Statement of Comprehensive Income
for the year ended 31 March 2024

		2024 £000	2023 £000
Profit for the year		**2,957**	16,970
Other comprehensive income, net of tax			
Change in value of cash flow hedge recognised		**-**	(8,527)
Tax relating to cash flow hedge	6	**-**	1,620
Total comprehensive income attributable to equity holders of the parent		**2,957**	10,063

The accompanying notes are an integral part of these financial statements

C4. Group Balance Sheet
as of 31 March 2024

	Note	2024 £000	2023 £000
Non-current assets			
Property, plant and equipment	7	**11,163**	28,253
Deferred tax	8	**787**	935
		11,950	29,188
Current assets			
Inventories	9	**4,650**	3,352
Contract assets	2	**-**	10,948
Trade and other receivables	10	**19,683**	10,564
Cash and cash equivalents	11	**64,479**	51,268
Total current assets		**88,812**	76,132
Total assets		**100,762**	105,320
Current liabilities			
Contract liabilities	2	**(9,876)**	(7,122)
Trade and other payables	12	**(29,922)**	(23,160)
Lease liability	13	**(14,106)**	(17,335)
Deferred Income		**(554)**	(596)
Total current liabilities		**(54,458)**	(48,213)
Creditors: Amounts falling due after more than one year			
Lease liability	13	**(778)**	(14,538)
Total liabilities		**(55,236)**	(62,751)
Net assets		**45,526**	42,569
Equity			
Share capital	16	**5,500**	5,500
Retained earnings		**40,026**	37,069
Total equity attributable to equity holders of the parent		**45,526**	42,569

These financial statements were approved by the Board of Directors and signed on 12 December 2024 on its behalf by:

E J Østergaard, Chairman

Duncan Mackison, Chief Executive Officer

The accompanying notes are an integral part of these financial statements

C5. Group Cash Flow Statement for the year ended 31 March 2024

	Note	2024	2023
		£000	£000
Cash flows from operating activities			
Profit/(Loss) for the year		**2,957**	18,590
Adjustments for:			
Depreciation and impairment		**17,442**	17,146
(Gain)/Loss on disposal of Fixed Assets		**(64)**	-
(Gain)/Loss on disposal of investment		**-**	(22,378)
Finance income		**(960)**	(153)
Finance expenditure		**648**	935
Income tax (credit)/expense		**842**	(1,539)
Share of loss of joint ventures		**-**	(363)
Operating cash flows before movements in working capital		**20,865**	12,238
(Increase)/Decrease in trade and other receivables		**(9,175)**	5,634
Decrease/(Increase) in contract assets		**10,948**	16,862
Increase/(Decrease) in contract liabilities		**2,754**	(217)
(Increase)/Decrease in inventories		**(1,298)**	(1,249)
Increase/(Decrease) in trade and other payables		**6,098**	(658)
Cash (absorbed by) operations		**30,192**	32,610
Tax paid		**24**	(102)
Net cash inflow from operating activities		**30,216**	32,508
Cash flows from investing activities			
Acquisition of property, plant & equipment		**(39)**	(661)
Disposal of Shares		**-**	22,355
Interest received		**960**	153
Net cash inflow from investing activities		**921**	21,847
Cash flows from financing activities			
Payment of lease liability		**(17,278)**	(16,106)
Capital Grants		**-**	(117)
Interest paid & similar charges		**(648)**	(923)
Release of joint venture		**-**	(112)
Net cash inflow from financing activities		**(17,926)**	(17,258)
Net increase/(decrease) in cash and cash equivalents		**13,211**	37,097
Cash and cash equivalents on 1 April		**51,268**	14,171
Cash and cash equivalents on 31 March	11	**64,479**	51,268

The accompanying notes are an integral part of these financial statements

C6. Group Statement of changes in equity

	Share Capital £000	Hedge Reserve £000	Retained Earnings £000	Total Equity £000
At April 2022	5,500	8,527	18,479	32,506
Profit for the year*	-	-	16,970	16,970
Other comprehensive income	-	(8,527)	1,620	(6,907)
On 31 March 2023	5,500	-	37,069	42,569
At April 2023	5,500	-	37,069	42,569
Profit for the year	-	-	2,957	2,957
Other comprehensive income	-	-	-	-
At 31 March 2024	**5,500**	**-**	**40,026**	**45,526**

* The profit for the prior year is made up of the operating loss and exceptional items profit combined.

The accompanying notes are an integral part of these financial statements

C7. Notes to the Group Accounts

1. Accounting policies

David MacBrayne Limited (the "Company") is a company incorporated and domiciled in the UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Principles, including FRS 101 Reduced Disclosure Framework; these are set out on pages 34 to 36. The parent company financial statements present information about the Company as a separate entity and not about the Group.

Change in accounting policy

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Standards issued but not yet effective

- Amendment to IFRS 18 'Presentation and Disclosure in Financial Statements'
- Amendments to IFRS 16 'Lease Accounting' Lease Liability in a Sale and Leaseback
- Amendments to IAS21 'Lack of Exchangeability'
- Amendments to IAS 1 'Presentation of Financial Statements' classification of liabilities as current or non-current
- Amendments to IAS 7 & IFRS 7 'Supplier Finance Arrangements amendments'
- Amendments to IFRS 1 'General Requirements for Disclosure of Sustainability-related Financial information' and IFRS 2 Climate-related Disclosure'
- Amendments to IAS 1 'Presentation of Financial Statements' Non-current Liabilities with Covenants
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The future application of this pronouncement is not expected to have a material impact on the Group's accounting policies, financial position, or performance.

Basis of preparation

The consolidated accounts have been prepared in accordance with International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006. The consolidated accounts are prepared in accordance with the accounting policies set out in Note 1. Monetary amounts are presented in pounds Sterling and rounded to the nearest hundred thousand unless otherwise indicated. The consolidated accounts are prepared on the historical cost basis apart from certain financial assets and liabilities measured at fair value.

Going concern

The directors have prepared the financial statements on a going concern basis, which they consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts to March 2026 which indicate that, taking account of reasonably possible downsides, the group and company will have sufficient funds to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements (the going concern assessment period).

The principal activity of the group is the delivery of the Clyde and Hebrides Ferry Services (CHFS) Contract by its subsidiary (CalMac Ferries), for which a contract subsidy is received from Transport Scotland via a Public Service Contract, to ensure the ongoing delivery and resilience of ferry services. At date of approval of the financial statements , the Scottish Government has granted a 12-month extension to the existing contract which will end on 30 September 2025. the Transport Minister has announced that the Scottish Government will explore awarding the next contract to operate the Clyde and Hebrides Ferry Services directly to CalMac Ferries Ltd. A due diligence process has been launched to establish the feasibility of a direct award using the "Teckal exemption" in accordance with the Public Contracts (Scotland) Regulations 2015. It is expected that the assessment will be completed in the Summer of 2025.

Under the CHFS contract, Transport Scotland bears the risk of increases in inflation and fuel prices which are currently significant areas of cost increase. CalMac Ferries bears the risk on all other expenditure including fleet maintenance and the delivery of services. The increasing average age of the fleet and the resulting increase in the volume of technical issues, is driving significant increases in vessel maintenance costs. The Directors have agreed a level of funding for the 12-month period of the CHFS contract extension to September 2025, which includes additional funding associated with the delivery of 3 new Major Vessels, and which includes an element of risk to cover further cost increases.

The directors' cash flow forecasts reflect current assumptions with respect to passenger demand and cost pressures, including the increasing cost of vessel maintenance. Due to the seasonality of revenues, the delivery of the overhaul programme during the winter months, CalMac Ferries have agreed with Transport Scotland that DML Ltd (the company) will support any additional short term cash requirements for CalMac Ferries Ltd from October 2024 which enables it to more closely match the CHFS contract income with the costs of delivery.

In preparing their assessment of going concern, the directors have considered severe but plausible downside scenarios which could affect the forecasts. These include reduced fare and retail income, increased vessel maintenance costs, and performance penalties. The directors' forecasts are also based on the assumption that the CHFS contract will be awarded directly to the company from 1 October 2025. While the directors are confident that the contract will be extended or renewed under a direct award, this is outwith their control. Should the contract not be renewed then the group's core trading activity would cease.

Taking these factors into consideration the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the renewal of the CHFS contract represents a material uncertainty that may cast significant doubt on the group and company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities for a period of at least 12 months from the date of approval of the financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Estimates and judgments

The Directors make judgements, estimates and assumptions concerning the future based on experience and various other factors which are reasonable in the circumstances. The actual results may differ from these estimates. The key estimates and assumptions are in relation to the recognition of revenue in respect of contracts with customers and the fair value of any fuel hedges. The basis of assessment of these is explained later in this document under note 1 and 2.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, they have been applied consistently to all periods presented in these Group financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except that financial instruments and derivative financial instruments, where applicable, are stated at fair value.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method. They are initially recognised at cost. After initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which joint control ceases.

Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified after their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in joint ventures and subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances held with the bank.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied - see below), the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged expected future cash flows affects profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss in equity is recognised in the income statement immediately.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

On the discontinuance of hedge accounting, any adjustment made to the carrying amount of the hedged item because of the fair value hedge relationship, is recognised in the income statement over the remaining life of the hedged item.

(iv) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measured loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as twelve-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all default events over the expected life of a financial instrument.

Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the twelve months after the reporting date, or a shorter period if the expected life of the instrument is less than twelve months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive.) ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is ‘credit impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Vessels acquired by David MacBrayne Limited have a carrying value based on an independent revaluation carried out on 21st March 2022. The useful economic life of the vessels owned by DML will depreciate in line with the 3rd party revaluation performed, in line with the survey life expectancy until 31st March 2037.

Where constituent parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items of property, plant, and equipment. The carrying amount of any replaced item of property, plant and equipment is derecognised. All expenditure relating to repairs and maintenance of property, plant and equipment is charged to the income statement as and when incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item or, where appropriate, part of an item of property, plant, and equipment. Land is not depreciated. The estimated useful lives are as follows:

Vessels	30 years
Plant and Equipment	between 3 and 6 years
Motor Vehicles	3 years

Useful lives and residual values are reviewed at each year end.

Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.

The lease liability is measured at amortised cost using the effective interest method.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Inventories

Retail inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. Inventories in relation to fuels, lubricants and consumable stores are stated at cost. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the relevant inventories and other costs incurred in bringing them to their existing location and condition.

Foreign currency translation

Day to day transactions, which relate to on board sales turnover, are recorded in sterling at the exchange rates ruling on the dates of those transactions.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; if any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. The recoverable amount is the greater of their fair values less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Dividend policy

The Board of Directors may recommend and pay a dividend to the Shareholder, acting in the best interests of the Company, regarding their fiduciary duties outlined in the Companies Act.

Employee benefits

The companies comprising the Group are participating employers in the CalMac Pension Scheme, which is a defined benefit scheme operated by Caledonian Maritime Assets Limited. Certain subsidiary undertakings are also participating employers in the Ensign Retirement plan. The assets of each scheme are held separately from those of the participating employers in independently administered funds. As more fully set out in note 20, the amount charged in the income statement represents the contributions payable to each scheme in respect of the financial year.

New employees are auto enrolled into a stakeholder pension scheme. They can choose to opt out of this scheme and enrol in the existing final salary scheme at appropriate times during the year.

Revenue

Accounting policy for revenue is described in note 2.

Capital grants

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

Expenses

Maintenance and repair costs

Routine maintenance and repair costs, as well as vessel overhaul costs, are charged in the income statement in the financial year in which the work is performed. Where any Group company charters vessels in providing ferry services under a fixed-term contract, at contract end, independent vessel surveys are carried out to establish any work required and an accrual is made for the estimated cost of any such work.

Finance income and expenses

Finance income comprises interest receivable on funds invested and movements in the fair value of derivative financial instruments.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The Group is elected to tonnage tax. However, certain activities within the Group are liable to corporation tax. Accordingly, the charge for taxation is based partly on ship tonnage and partly on the result for the year and considers tax deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2. Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a product or service to a customer.

Nature of goods and services

The following is a description of principal activities from which the Group generates its revenues.

Revenue from passengers comprises ticket sales for individuals, and vehicle ferry passage and associated retail operation.

The Group operates the Clyde and Hebrides ferry service contract on behalf of the Scottish Government, for which it receives subsidy revenue. The CHFS2 contract was awarded to the Group with a start date of 1 October 2016 and runs for eight years, an additional one-year extension was announced in May 2024. CalMac Ferries Limited will continue to operate Clyde and Hebrides ferry services. The contracts provide the Group with revenue to subsidise the lifeline services provided.

Products and Services	Nature, timing of satisfaction of performance obligations and significant payment terms.
Fares	The Group recognises revenue when the sailing associated with the ticket sold occurs. The amount is equal to the value of the ticket price. Receipts for advanced tickets are recognised with reference to the day of travel with the deferred element maintained on the balance sheet within contract liabilities.
Contracts with Government	The CHFS2 contract is paid on a straight-line basis, monthly in arrears over the contract year. The Group recognises revenue as the services under the contract are provided. This is deemed to be over time over the length of each contact year and is based on a cost less revenue plus method. If the Group has recognised revenue for which payment has not been received, the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. Where there is variable consideration, and other constraints to the assessment of the transaction price, the total forecast value is restricted to that amount to which a subsequent reversal is not highly probable. This includes performance deductions and profit-sharing arrangements.

Disaggregation of revenue

In the following table, revenue is disaggregated by service line and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue by reportable segment.

Year to 31 March 2024	**Clyde & Hebrides £000**	**Perth Harbour £000**	**Group Services £000**	**Total £000**
Fares and other associated services transferred at a point in time	78,574	101	1,138	79,813
Government contract – transferred over time	215,455	-	42	215,497
Total	**294,029**	**101**	**1,180**	**295,310**

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2024 £000	2023 £000
Contract assets	**-**	10,948
Contract liabilities	**(9,876)**	(7,122)
Trade receivables	**4,664**	4,221

The contract assets primarily relate to the Group's rights to consideration for services delivered but not billed on 31 March 2024 on the CHFS2 contract. £7.7m of the contract liabilities relate to the revenue associated with advance tickets purchased by customers for future sailings and £2.1m relates to the contract funding provided to operate the CHFS contract.

Significant changes in the contract assets and contract liabilities balances during the year are as follows: -

	2024 Contract assets £000	2023 Contract assets £000	**2024 Contract liabilities £000**	2023 Contract liabilities £000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**-**	-	**(7,122)**	(7,339)
Increases due to cash received, excluding amounts recognised as revenue during the period	**-**	-	**(7,737)**	(7,122)
Changes in the measure of progress	**-**	10,948	**(2,139)**	-

Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

3. Profit before tax

The profit before tax is stated after charging/(crediting):		**2024 £000**	2023 £000
Auditor's remuneration	- audit of these financial statements	**62**	45
	- audit of financial statements of subsidiaries pursuant to legislation	**173**	137
	- other services relating to tax	**24**	29
	- other assurance services	**7**	-
	- all other services	**4**	16
Depreciation of property, plant, and equipment		**17,442**	17,146
Net gain on disposal of tangible fixed assets		**(64)**	(35)
Net gain on sale of investment		**-**	(22,378)
Agency staff costs		**3,496**	3,795
Harbour access charges	- Caledonian Maritime Assets Limited	**17,096**	16,706
	- other	**21,352**	19,522
Interest receivable		**(959)**	(153)
Interest payable		**(1)**	5
Finance interest expense		**648**	920

4. Finance income and costs

	2024 £000	2023 £000
Bank interest receivable	**959**	153
Finance interest payable	**(648)**	(920)
Net finance income/(costs)	**311**	(767)

5. Employee information

Staff costs (including Directors)

	2024 £000	2023 £000
Wages and salaries	**94,038**	89,511
Social security costs	**7,263**	4,604
Other pension costs	**21,671**	19,315
	122,972	113,430

Details of Directors' remuneration is given in the Directors' Remuneration Report on page 24.

Amounts claimed and receivable or received by the company under the Job Retention Scheme, having met the conditions for payment, are Government grants which are recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate. In 2024 £0m (2023: £0.04m) of job retention scheme grants are shown net of wages and salaries.

Employee numbers

The average number of people employed by the Group, including Directors, during the year was 1,954 (2023: 1,918). The year-on-year increase in headcount includes crew associated with Loch Frisa as well as additional resource to support service resilience within our customer and service support teams.

	2024	2023
Head office	**381**	387
Port	**383**	371
Vessel	**1,190**	1,160
	1,954	1,918

6. Taxation

Recognised in the income statement

	2024 **£000**	2023 £000
Current tax		
UK corporation tax profit for the period	**692**	7
Adjustment in respect of prior periods	**-**	(29)
Current tax expense/(income)	**692**	(22)
Deferred tax		
Origination and reversal of temporary differences	**122**	(43)
Impact of tax rate change	**-**	(36)
Adjustment in respect of prior periods	**27**	14
Deferred tax charge/(credit)	**149**	(65)
Share of joint venture tax	**-**	141
Total tax charge/(credit)	**841**	54

Income tax recognised in other comprehensive income

	2024 **£000**	2023 £000
Tax relating to cash flow hedge	**-**	(1,620)

Reconciliation of effective tax rate

	2024 **£000**	2023 £000
Profit/(Loss) before tax	**3,798**	17,024
Tax using the UK corporation tax rate of 25% (2023:19%)	**950**	3,235
Tax effects of:		
Tonnage tax	**-**	1,030
Fixed Asset Difference	**24**	(17)
Expenses not deductible for tax purposes	**6**	82
Non-taxable income	**(189)**	(3,822)
Adjustments to brought forward values	**4**	21
Amounts (Charged)/credited directly to SORIE	**(11)**	(8)
Exclusion of joint ventures' profits/losses	**9**	-
Adjustment in respect of prior years	**27**	(16)
IFRS16 Adjustment	**-**	92
Impact of rate change	**-**	(36)
Non-taxable disposal of investment	**-**	(507)
Movement in deferred tax asset not recognised	**21**	-
Total tax charge	**841**	54

The Group is elected to tonnage tax. However, certain activities within the Group are liable to corporation tax. Tonnage tax is levied wholly on the net tonnage of certain vessels operated by the Group. Accordingly, the amount of tonnage tax payable is not affected by the amount of accounting profits or losses related to the associated entities.

7. Property, plant, and equipment

	Ships £000	Buildings £000	Vehicles £000	Leasehold Improvements £000	Total £000
Cost					
At 1 April 2023	92,853	2,852	1,235	1,291	98,231
Additions in the year	-	-	313	39	352
Disposals in the year	-	-	(45)	-	(45)
Transfers in the year	-	-	-	-	-
At 31 March 2024	**92,853**	**2,852**	**1,503**	**1,330**	**98,538**
Depreciation and impairment					
At 1 April 2023	67,264	1,567	1,019	128	69,978
Charge for the year	16,407	490	211	334	17,442
Disposals in the year	-	-	(45)	-	(45)
At 31 March 2024	**83,671**	**2,057**	**1,185**	**462**	**87,375**
Net book value at 31 March 2024	**9,182**	**795**	**318**	**868**	**11,163**
Net book value at 31 March 2023	25,589	1,285	216	1,163	28,253

Property, plant, and equipment includes right-of-use assets with carrying amounts as follows:

Right of use assets – IFRS16

	Ships £000	Buildings £000	Vehicles & Equipment £000	Total £000
Cost				
At 1 April 2023	89,653	2,852	915	93,420
Additions during period	-	-	313	313
At 31 March 2024	**89,653**	**2,852**	**1,228**	**93,733**
Depreciation and impairment				
At 1 April 2023	65,162	1,568	698	67,428
Charge for the year	16,327	492	211	17,030
At 31 March 2024	**81,489**	**2,060**	**909**	**84,458**
Net book value at 31 March 2024	**8,164**	**792**	**319**	**9,275**
Net book value at 31 March 2023	24,491	1,284	217	25,992

8. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets 2024 £000	**Liabilities 2024 £000**	Assets 2023 £000	Liabilities 2023 £000	**Net 2024 £000**	Net 2023 £000
Property, plant, and equipment	**723**	**-**	697	-	**723**	697
Other timing differences	**64**	**-**	238	-	**64**	238
	787	**-**	935	-	**787**	935

Movements in deferred tax during the year

	1 April 2023 £000	Recognised in income £000	31 March 2024 £000
Property, plant, and equipment	697	26	723
Other timing differences	238	(174)	64
Net asset	935	(148)	787

Movements in deferred tax during the previous year

	1 April 2022 £000	Recognised in income £000	31 March 2023 £000
Property, plant and equipment	780	(83)	697
Financial assets	(1,620)	1,620	-
Other timing differences	90	148	238
Net asset	(750)	1,685	935

9. Inventories

	2024 £000	2023 £000
Fuels and lubricants	**860**	957
Consumable stores	**3,550**	2,186
Retail inventories	**240**	209
	4,650	3,352

Fuels and lubricants, consumable stores and retail inventories recognised in cost of sales £33m (2023: £28.8m).

Non-retail inventories are held for the operating requirements of the Group and not for resale. Of the retail stocks held, £nil was expected to be recovered after more than twelve months in both this and the previous year.

10. Trade and other receivables

	2024 £000	2023 £000
Trade receivables	**4,664**	4,221
Other receivables	**10,576**	2,952
Prepayments and accrued income	**4,443**	3,340
Corporation tax	**-**	51
	19,683	10,564

Trade receivables are shown net of the expected credit loss as detailed in Note 15.

The carrying amount of the Group's trade and other receivables are all expressed in £ sterling.

Other receivables include insurance claims, fuel tax and value added tax recoverable.

11. Cash and cash equivalents and short-term deposits

	2024 £000	2023 £000
Cash and cash equivalents	**64,479**	51,268
Bank balances and cash in hand	**64,479**	51,268

12. Trade and other payables

	2024 £000	2023 £000
Trade payables	**10,449**	7,311
Other payables and accruals	**18,781**	15,821
Corporation tax	**692**	28
	29,922	23,160

All trade and other payables were expected to be settled within 12 months in relation to both this and the previous year.

13. Leases

Leases as a lessee

Right-of-use assets
Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant, and equipment. See note 7.

	Buildings £000	**Vehicles & Equipment £000**	**Ships £000**	**Total £000**
Balance at 1 April 2023	1,284	217	24,491	25,992
Additions during the period	-	313	-	313
Depreciation charge for the year	(492)	(211)	(16,327)	(17,030)
Balance at 31 March 2024	**792**	**319**	**8,164**	**9,275**

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Group is a lessee:

Leases under IFRS 16

	2024 £000	2023 £000
Interest expense on lease liabilities	**648**	930

Amounts recognised in statement of cash flows

	2024 £000	2023 £000
Total cash outflow for leases	**(17,094)**	(16,106)

	Vessels £000	Property £000	Vehicles & plant £000	Total £000
IFRS16 – lease liability				
Within 1 year	13,639	292	175	14,106
1 - 2 years	-	113	72	185
2 - 3 years	-	123	42	165
3 - 4 years	-	309	22	331
4 - 5 years	-	75	22	97
	13,639	**912**	**333**	**14,884**

14. Equity - Accounted investees

	2024 £000	2023 £000
Interest in joint venture	-	-
Balance at 1 April	-	(245)
Share of profit/(loss)	-	362
Sale of joint venture	-	24
Tax	-	(141)
Balance at 31 March	-	-

	2024 £000	2023 £000
Revenue	-	10,060
Cost of sales	-	(7,444)
Administration expenses	-	(802)
Finance expenditure	-	(1,090)
Profit/(loss) & total comprehensive income (100%)	-	724
Group's share of profit/(loss) & total comprehensive income (50%)	-	362

Solent Gateway Limited was a joint venture owned and controlled 50% by David MacBrayne Limited and 50% by GBA (Holdings) Limited until 31st January 2023 when it was divested.

2023 Year-end profit reflects the inclusion of IFRS16 lease accounting in relation to the guaranteed rental lease within Solent Gateway Limited.

15. Financial instruments

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies, and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.
The Board has overall responsibility for the establishment and overview of the Group's risk management framework.

The Audit & Risk Committee oversees management procedures in monitoring compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts included in the balance sheet are net of the expected credit loss, which have been estimated by management based on prior experience and known factors at the balance sheet date, which may indicate that a provision is required.

Counterparties for cash and short-term deposits are limited to financial institutions which have a high credit rating.

Trade receivables

There are well-established systems of credit control in place throughout the Group. These incorporate formal credit application procedures including credit checks, regular monitoring of customers' accounts by dedicated credit controllers and, where considered appropriate, the use of credit insurance facilities.

Other receivables

Other receivables consist of fuel tax recoverable and vessel damage insurance claims.

Liquidity risk

The Group's liquidity risk is that it will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. An agreement was reached with Transport Scotland during 2023 to rephase the drawdown in line with seasonal carrying levels to ensure that the apportionment of subsidy meets the requirements of the business.

Market risk

Derivative financial instruments

The Group's market risk is primarily that changes in market prices, such as fuel prices, will affect the Group's cost base or the value of its holdings of financial instruments which the Group may seek to minimise through hedge arrangements designed to manage a substantial proportion of the Group's overall exposure. The hedge arrangements take account of the different fuel types which the Group purchases.

Due to the volatility of the Fuel price, we have not re-entered a financial instrument at this time. Under the terms of the respective public service contracts, under which the main operating companies provide ferry services, the risk related to the material movement on fuel prices at any time is taken by Transport Scotland.

The Directors consider that these arrangements provide appropriate stability of the Group's cost base in this significant expense area.

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	**Carrying amount**	
		2024	2023
		£000	£000
Trade and other receivables	10	**4,664**	4,221
Cash and cash equivalents	11	**64,479**	51,268
		69,143	55,489

The balance of trade and other receivables shown excludes prepayments and statutory receivables which are not classified as financial instruments. The Group has no significant concentration of credit risk, with exposure spread across many customers.

Expected credit loss

The ageing of trade receivables (all of which relate to UK counterparties) at the reporting date was:

	Gross 2024 £000	**Impairment 2024 £000**	Gross 2023 £000	Impairment 2023 £000
Not past due	**3,216**	**-**	3,116	-
Past due 0-30 days	**527**	**-**	1,088	-
Past due 31-120 days	**241**	**1**	6	-
More than 120 days	**828**	**33**	11	1
	4,812	**34**	4,221	1

The individually impaired receivables relate to customers facing cash flow problems because of the current difficult trading conditions. All other receivables are expected to be recovered within six months from the year end date.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2024 £000	2023 £000
Balance at beginning of year	**1**	5
Expected credit loss during year	**33**	(4)
Balance at end of year	**34**	1

Impairment losses are accounted for separately unless the Group is satisfied that there is no likelihood of recovery of the amount owing, in which case the amount is considered irrecoverable and is written off against the financial asset directly.

Liquidity risk

The following are the contractual maturities of financial liabilities at the year-end date.

31 March 2024

	Carrying amount £000	**Contractual cash flows £000**	**6 months or less £000**
Non derivative financial liabilities			
Trade and other payables	**36,570**	**36,570**	**36,570**

31 March 2023

	Carrying amount £000	Contractual cash flows £000	6 months or less £000
Non derivative financial liabilities			
Trade and other payables	35,633	35,633	35,633

The balance of trade and other payables shown above excludes deferred income and statutory liabilities which are not classified as financial instruments.

Fair Values

Fair values and carrying amounts

The fair values of financial assets and liabilities and the carrying amounts included in the Balance sheet are as follows:

	31 March 2024		31 March 2023	
	Carrying amount £000	**Fair value £000**	Carrying amount £000	Fair value £000
Trade and other receivables	**4,664**	**4,664**	4,221	4,221
Cash and cash equivalents	**64,479**	**64,479**	51,268	51,268
Contract assets/(Liabilities)	**(2,139)**	**(2,139)**	10,948	10,948
Trade and other payables	**(36,570)**	**(36,570)**	(35,633)	(35,633)
	30,434	**30,434**	30,804	30,804

The financial instruments, noted in the table above, are all valued as level 1 fair values. The definition of a level 1 financial instrument meets the following criteria – quoted prices (unadjusted) in active markets for identical assets or liabilities.

Estimation of fair values

The following methods and assumptions were used to estimate the fair values shown above:

Trade and other receivables/payables and cash and cash equivalents – the fair value of receivables and payables with a remaining life of less than one year, and the fair value of cash and cash equivalents, all of which have short term maturities, is deemed to be the same as the book values.

16. Share capital

	2024 £000	2023 £000
Allotted issued and fully paid		
5,500,002 Ordinary shares of £1 each	**5,500**	5,500

17. Pension arrangements

Many the Group’s employees are members of the CalMac Pension Fund (the ‘Scheme’ or the ‘CalMac Scheme’), which is a defined benefit scheme that shares risk between entities under common control. The CalMac Scheme is operated by Caledonian Maritime Assets Limited (CMAL), a company also wholly owned by Scottish Ministers. As CMAL is legally considered to be the sponsoring employer for the Scheme and is responsible for past deficit repair obligations in relation to the Scheme, the Company and its subsidiary undertakings who are members of the Scheme make contributions in accordance with an agreed schedule, and pension liability arising during the period of the grant is indemnified by Scottish Ministers. The Company and subsidiary undertakings account for the Scheme in their respective financial statements as if the Scheme were a defined contribution scheme in accordance with paragraph 41 of IAS 19 – *Post employment benefits defined benefits plans.*

The latest full triennial actuarial valuation of the CalMac Scheme as at 6 April 2021, carried out by an independent actuary, showed that the scheme had liabilities of £343.5m, assets of £338.6m and, consequently, a deficit of £4.9m. Several of the Group’s employees participate in one of the Merchant Navy Pension Funds which are industry-wide defined contribution schemes. Contributions to these schemes are therefore accounted for on a defined contribution basis.

Certain of the Company’s subsidiary undertakings are participating employers in the Merchant Navy Officers’ Pension Fund (MNOPF) which is closed to new members. The Company could still be required to make contributions against any deficit. The actuarial valuation, which was carried out at 31 March 2021, showed a gross surplus of £58m at the valuation date and that the market value of the assets of £3,250m covered 102% of the value of the liabilities.

In March 2016, the MNOPF scheme closed to future accrual. Employees who were members of the scheme were transferred to the Ensign Retirement Plan, an industry-wide defined contribution scheme.

As the Trustees of the MNOPF are unable to identify the Group’s share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company’s subsidiary undertakings who are participating employers in the MNOPF are accounting for the Scheme in their respective financial statements as if the Scheme was a defined contributions scheme.

Under the Government's Pension Auto Enrolment legislation, employers must automatically enrol into a 'qualifying pension scheme' all qualifying employees not already in a pension scheme as well as all new starters. The legislation also dictates that those who have opted out must be reviewed and enrolled again every three years.

The Peoples Pension are the provider for a stakeholder pension scheme for auto enrolment purposes. New employees can still choose to opt out of this new scheme and enrol in the existing final salary scheme at appropriate times during the year. Employees can only be in one scheme at any given time.

The amount charged to the income statement in respect of employer contributions to Pension Schemes is:

	2024 £000	2023 £000
CalMac Pension Fund	**20,974**	18,472
Ensign	**129**	129
Other schemes	**568**	714
	21,671	19,315
Contributions to be paid to pension schemes included in payables	**616**	623

18. Related party transactions

Identification of related parties

The following have been identified as related parties of the Group:

- Scottish Ministers as sole shareholder of the Company
- Caledonian Maritime Assets Limited due to common ownership by the Scottish Ministers
- Key management personnel

Transactions between the Company and its subsidiaries have been eliminated on consolidation and do not require to be disclosed.

During the year, Group subsidiaries entered the following transactions with related parties who are not members of the Group:

	2024 £000	2023 £000
Transactions during the year – receivable/(payable):		
Scottish Ministers		
- revenue subsidy	**196,794**	165,424
- Other subsidy/Grants	**18,703**	4,953
- consultancy services	**801**	2,658
Caledonian Maritime Assets Limited		
- vessel leasing charges	**(17,020)**	(16,446)
- harbour services	**(14,741)**	(11,981)
- vessel new build, modification and other costs	**10,897**	6,951
- ferry travel costs	**15**	27
Solent Gateway Limited		
- management charge	**-**	307
Amounts due at end of year – receivable/(payable):		
Scottish Ministers		
- revenue subsidy	**(2,139)**	11,380
- Other Subsidy/Grants	**6,485**	-
- consultancy services	**-**	659
Caledonian Maritime Assets Limited		
- harbour services	**(1,335)**	(1,791)
- vessel new build, modification, and other costs	**3,991**	2,121
- ferry travel costs	**2**	2

During the year, CalMac Ferries Limited acted as agent for Caledonian Maritime Assets Limited in relation to certain elements of vessel upgrade and modifications. The associated funds were paid to third parties and recovered from Caledonian Maritime Assets Ltd.

Remuneration of key management personnel

Key management personnel are defined as the Executive Directors of the Company and their remuneration is disclosed in the Report on Directors' Remuneration on page 24. There were no other transactions or amounts due at year end relating to key management personnel.

19. Joint Venture Divestment

In the previous year on 31 January 2023 the group sold their 50% Shareholding in Solent Gateway Limited. This resulted in a £22,378k gain on sale of investments which is broken down as follow:

	2024	2023
	£000	£000
Sale Proceeds	**-**	22,355
Investment	**-**	(2,500)
50% Share of SGL Ltd Retained Losses	**-**	2,523
	-	22,378

C8. Company Balance Sheet
as at 31 March 2024

	Note	**2024 £000**	2023 £000
Fixed assets			
Tangible assets	2	**1,019**	1,097
Investments	3	**74**	74
Deferred tax	6	**230**	243
		1,323	1,414
Current assets			
Cash and cash equivalents		**29,255**	28,795
		29,255	28,795
Creditors: amounts falling due within one year	4	**(519)**	(618)
Net current assets		**28,736**	28,177
Creditors: amounts falling due after one year	5	**(554)**	(596)
Total assets less liabilities		**29,505**	28,995
Net assets		**29,505**	28,995
Capital and reserves			
Share capital	8	**5,500**	5,500
Profit and loss account		**24,005**	23,495
Shareholder's funds		**29,505**	28,995

These financial statements were approved by the Board of Directors and signed on 12 December 2024 on its behalf by:

E J Østergaard, Chairman

Duncan Mackison, Chief Executive Officer

The accompanying notes are an integral part of these financial statements

C9. Company Statement of changes in equity

	Called Up Share Capital £000	Profit and Loss Account £000	Total Equity £000
Balance at 1 April 2022	5,500	3,098	8,598
Total comprehensive income for the year			
Profit for the year	-	20,397	20,397
Balance at 31 March 2023	**5,500**	**23,495**	**28,995**

	Called Up Share Capital £000	Profit and Loss Account £000	Total Equity £000
Balance at 1 April 2023	5,500	23,495	28,995
Total comprehensive income for the year			
Profit for the year	-	510	510
Balance at 31 March 2024	**5,500**	**24,005**	**29,505**

The accompanying notes are an integral part of these financial statements

C10. Notes to the FRS 101 parent company financial statements

1. Accounting policies

David MacBrayne Limited is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures: -

- a Cash Flow Statement and related notes
- comparative period reconciliations for tangible fixed assets
- disclosures in respect of transactions with wholly owned subsidiaries
- disclosure in respect of capital management
- the effects of new but not yet effective IFRSs
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of David MacBrayne Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures: -

- the disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided.

After the end of the Brexit transition period (31 December 2020) the UK ceased to be subject to EU law. Under the European Union (Withdrawal) Act 2018, all existing IFRSs adopted by the EU at that time have been 'frozen' into UK law thus were considered as in force in the UK at the end of the transition period. Adoptions, interpretations, and amendments of IFRS adopted by the EU after the end of the transition period will no longer apply in the UK. For subsequent financial years, companies must use UK-adopted IFRS. At the end of the transition period, those standards will be identical to the EU-adopted IFRS in force on that date, but subsequently the UK has established its own endorsement process to adopt UK-adopted IFRS, interpretations and amendments of IFRS. For the year ended 31 March 2021, UK companies therefore have the option to use any standards which have been adopted for use within the UK in addition to the frozen EU-adopted IFRS. In previous years, the Accounts have been prepared in accordance with FRS 101 applying the recognition, measurement, and disclosure requirements of IFRS as adopted by the EU at the date of approval of the Accounts and which were mandatory for each financial year. In line with the above, the Accounts for the year ended 31 March 2021 have been prepared in accordance with FRS 101 applying the 'frozen' IFRS as adopted by the EU in accordance with the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019. The Accounts for financial year beginning 1 April 2021, will be prepared in accordance with FRS 101 applying the recognition, measurement and disclosure requirements of IFRS as adopted by the UK. The changes in the way that IFRS are described because of the UK's exit from the EU, including the move to UK adopted IFRS for accounting periods starting on or after 1 April 2021, do not represent a change in the basis of preparation which would necessitate a prior year restatement.

(a) Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement, and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 [("Adopted IFRSs")] but makes amendments where necessary to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements.

Going concern
The Company has recorded a profit after tax in the current financial year and the Company's balance sheet shows that it has net current assets of £28.7m as at 31 March 2024.

For the purposes of the Directors' assessment of the company's going concern position, and to satisfy them of the company's ability to pay its liabilities as they fall due, the Directors have prepared a cash flow forecasts to March 2026 which indicate that the company will have sufficient funds to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

The principal contract for the Group is the delivery of the Clyde and Hebrides Ferry Services (CHFS) Contract by its subsidiary CalMac Ferries, for which a subsidy is received from Transport Scotland via a Public Service Contract, and to ensure the ongoing delivery and resilience of ferry services. The existing CHFS contract has been extended by 12 months ending on 30 September 2025. A due diligence process is underway to establish the feasibility of a direct award using the "Teckal exemption" in accordance with the Public Contracts Scotland Regulations 2015.

Taking these factors into consideration, the Directors believe it remains appropriate to prepare these accounts on a going concern basis. However, the renewal of the CHFS contract represents a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their liabilities for a period of at least 12 months from the date of approval of the financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

(b) Fixed assets
Fixed asset investments represent interests in subsidiary undertakings and joint ventures which are carried at historical cost.

(c) Tangible fixed assets
Gross book values of tangible assets are stated at the revalued amount as per 3rd party assessment on 21st March 2022. No depreciation is charged until an asset is brought into use. Depreciation is provided by equal instalments calculated to write off the cost (taking account of estimated residual values) over their useful lives as follows:

Vessels	-	30 years

Vessels acquired by David MacBrayne Limited have a carrying value based on the revaluation carried out on 31 March 2022. The useful economic life of the vessels owned by DML will depreciate in line with the independent value assessment performed during March 2022, the assessed life expectancy will end at March 2037.

(d) Impairment excluding inventories and deferred tax assets
The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; if any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. The recoverable amount is the greater of their fair values less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified after their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in joint ventures and subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances held with the bank.

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as twelve-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all default events over the expected life of a financial instrument.

Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date, or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive.) ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

(e) Operating leases

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

(f) Dividends

Where circumstances permit, a dividend is payable annually to the Company by each of the main operating companies. The quantum of the dividend is dependent on the estimated profit which is expected to be achieved for the financial year and the cash position of each company. Dividends are included in the financial statements as a liability/receivable only after they have been declared by the Board of the relevant company.

2. Tangible assets

	Ships £000
Cost	
At 1 April 2023	3,200
	3,200
Depreciation	
At 1 April 2023	2,103
Charge for the year	78
At 31 March 2024	**2,181**
Net book value at 31 March 2024	**1,019**
Net book value at 31 March 2023	1,097

David MacBrayne Limited assets are in relation to two vessels owned and leased to CalMac Ferries Limited.

3. Investments

	2024 £000	2023 £000
Shares in subsidiary undertakings	**74**	74
	74	74

The Company owns the whole of the issued ordinary share capital of its subsidiary undertakings CalMac Ferries Limited, NorthLink Ferries Limited, Argyll Ferries Limited and David MacBrayne HR (UK) Limited, all of which are incorporated in Scotland. Registered office address: The Ferry Terminal, Gourock, PA19 1QP.

CalMac Ferries Limited operates the Clyde and Hebrides ferry services, Argyll Ferries Limited operated the Gourock - Dunoon ferry service until 20 January 2019 when it was transferred to CalMac Ferries Limited and David MacBrayne HR (UK) Limited provides human resource services to the companies within the Group.

CalMac Ferries Limited owns the whole of the issued ordinary share capital of Caledonian MacBrayne Crewing (Guernsey) Limited, which administers its offshore crewing arrangements. Registered office address: PO Box 112, St Martins House, Le Bordage, St Peter Port, Guernsey, GY1 4EA

The Company owns the whole of the issued share capital of NorthLink Ferries Limited which is incorporated in Scotland and currently non-trading. The registered office address is The Ferry Terminal, Gourock, PA19 1QP.

The Company also owned 50% of the issued share capital of Solent Gateway Limited until 31 January 2023 when the shares were sold. Registered office address: Meridean House, Alexandra Dock North, Grimsby, DN31 3UA.

4. Creditors: amounts falling due within one year

	2024 £000	2023 £000
Trade creditors	**18**	50
Other creditors and accruals	**290**	540
Corporation tax	**211**	28
	519	618

5. Creditors: amounts falling due after one year

	2024 £000	2023 £000
Deferred Income	**554**	596
	554	596

6. Deferred tax

The main components of deferred tax at 25% (2023: 19%) are:

Recognised deferred tax assets and liabilities

	Assets 2024 £000	Assets 2023 £000	**Net 2024 £000**	Net 2023 £000
Tangible fixed assets	**229**	243	**229**	243
Other	**1**	-	**1**	-
Net assets	**230**	243	**230**	243

Movement in deferred tax during the year

	1 April 2023 £000	**Recognised in income £000**	**31 March 2024 £000**
Tangible fixed assets	243	(12)	**231**
Other	-	(1)	**(1)**
	243	(13)	**230**

Movement in deferred tax during the prior year

	1 April 2022 £000	Recognised in income £000	31 March 2023 £000
Tangible fixed assets	257	(14)	**243**
Other	1	(1)	**-**
	258	(15)	**243**

7. Leases as lessor

During the year, £314,760 (2023: £299,000) was recognised as rental income by the Company in respect of vessel leases between David MacBrayne Limited and CalMac Ferries Limited.

The following table sets out a maturity analysis of lease payments to be received, showing the undiscounted lease payments to be received after the reporting date:

Operating leases under IFRS 16

	2024 £000	2023 £000
Less than 1 year	**159**	308
Between 1 and 2 years	**-**	159
More than 2 years	**-**	-

8. Share capital

	2024 £000	2023 £000
Allotted issued and fully paid		
5,500,002 Ordinary shares of £1 each	**5,500**	5,500

9. Ultimate controlling party

The Company is wholly owned by the Scottish Ministers, who are regarded as the ultimate controlling party. The only Group in which the results of this Company are consolidated, is this set of financial statements. The Company's related undertakings are its subsidiaries and joint venture as disclosed in note 3.

C11. Corporate information

Registered office	The Ferry Terminal Gourock PA19 1QP
Principal Group advisors	
Auditor	KPMG LLP
Solicitor	Pinsent Masons
Banker	The Royal Bank of Scotland plc
Insurers	The North of England Protecting & Indemnity Association
Websites	www.david-macbrayne.co.uk www.calmac.co.uk