CALMAC FERRIES LIMITED SC302282
STRATEGIC REPORT, DIRECTORS' REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

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Part A
Strategic Report

A1. Directors Report

Operations during the year have been challenging for CalMac, service disruption and vessel resilience of our fleet continues to present cost pressure on the Company and delivery frustration across the communities we serve. On a positive note, we welcome the announcement by Scottish Government that new tonnage will be introduced to the fleet between 2024 and 2026. The additional fleet will result in 6 new major vessels by 2026, the first of which will be joining our fleet before the end of 2024, and procurement of 7 new electric vessels is currently underway.

Whilst we await this tonnage introduction, the total investment in maintaining our existing vessels including overhaul has reached £40.0m (2023: £29.0m), a large portion of this related to emergent resilience costs including steelwork. Transport Scotland provided £15.0m during 2024 to support this emergent work, which was welcomed and will support future service resilience.

The introduction of our new online ticketing system was launched during May 2023, and this has modernised the way people travel with us. Whilst we have worked to integrate this efficiently across our network, we have identified further improvements to support frontline colleagues and customers within the booking process. We are working with the system provider to identify any new and improved functionality. Together with our software provider, we will introduce these to improve our operations, ensuring a consistent and seamless experience for people travelling the network. We have also created a Centre of Excellence where our colleagues from ports are receiving enhanced training on the system.

The principal risk that the Company faces remains the eight-yearly cycle of competitive tender processes conducted by the Scottish Government. The current Clyde and Hebrides Ferry Services contract has been extended for a further 12 months, ending on 30 September 2025. A due diligence process is under review 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 complete before the expiry of the 12-month extension.

As we move forward from this financial year there are 3 clear priorities for the Company,

- 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.
- Provide a seamless customer experience by enhancing our eBooking platform, assessing the system effectiveness, removing outstanding problems and re-training our staff.
- Maintain stability, planning for future contract changes by working with our stakeholders.

A2. Background

CalMac Ferries Limited is the UK's largest ferry operator, running 36 vessels to over 50 destinations, across 200 miles of Scotland's west coast as at 31 March 2024. We provide an everyday lifeline service to west coast communities, and for tourism, we play a critical role in enabling its development, which is hugely important for the area's economy.

Our Purpose:

- To navigate the waters, ensuring life thrives, wherever we are

Our Values:

- People first – We help each other thrive
- Locality – We act in the best interest of the places we serve
- Bravery – We think and act with courage and conviction

A3. Strategic Priorities

Our 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.

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

Operational Excellence

Service Resilience is one of CFL'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

During the financial year our operated sailings totalling 165,786, a decreased of 2%, mainly attributable to a 54% increase in technical and weather-related cancelled sailings compared to the prior year. Our contractual reliability and punctuality results are materially aligned to the prior year achievements, as we operate our services in line with the Clyde and Hebrides Ferry contract.

Our Customer Satisfaction (CSAT) average score of 86% (2023: 87%) was above our 85% target level, holding up well overall, although the % dropped below target on several occasions due to the impact of onboard conditions such as the availability of indoor seating.

Fiscal Year	Passengers	Cars	Commercials	Coaches
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
Year on Year Growth/(Decline)	2%	2%	(2%)	4%

<u>CHFS Reliability and Punctuality 2021 to 2024</u>

The CHFS contract stipulates the contractual reliability and performance definitions which exclude weather-related disruptions. We also report and monitor actual reliability and performance, which includes the impact of all disruption to services. The illustration below sets out our contractual and actual performance over the last 3 years.

Fiscal Year Name	Contractual Reliability %	Actual Reliability %	Contractual Punctuality %	Actual Punctuality %	Operated Sailings
FY 2022	98.91%	93.11%	99.61%	96.7%	152,275
FY 2023	98.67%	95.16%	99.57%	96.6%	169,929
FY 2024	98.01%	92.61%	99.41%	96.2%	165,786

During 2024, we delivered contractual reliability of 98.01% (2023: 98.67%) and performance of 99.41% (2023: 99.57%). An average of 3-4% of sailings each year are impacted by weather, and this is higher during the winter season.

A5. Financial Performance

The Company recorded a profit before tax of £2.9m (2023: loss before tax £6m), operating the Clyde and Hebrides Ferry Service (CHFS 2) contract.

The Company paid no dividend to the Shareholder during this financial year (2023: nil).

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 a dedicated Fleet Management and Standards & Performance department 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 (CAP)

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.

New HR System

Additionally, our commitment to continuous improvement is evident in the upgrades to our MyHR system. This year, we expanded the functionality of our internal MyHR system by implementing a manager and employee self-service feature, enabling a 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

Developing our knowledge of what our customers think, and how they feel about their journey with Caledonian MacBrayne, is a continuing focus for the business. Over the last year, we have invested in research, technology, and our brand to continue to not only understand, but to improve their experience at each touchpoint.

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.

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

The launch of our new eBooking platform in May 2023, marked 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.

This is an improved online booking system that allows 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.

2023-24 also brought other transformative changes that played a crucial role in advancing the organisation. In line with our Operational Excellence programme, we introduced a new Target Operating Model. This fundamental restructuring of our operational and asset management teams has been transformative, creating clearer lines of accountability and bridging the gap between ship and shore.

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. 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.

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.

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 this 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 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 CCB 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.

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 to 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.

2024 has seen a decrease in emissions, compared to the previous year. Comparative analysis of scope 1,2, and 3 emissions suggest an approximate 5% decrease in GHG emissions since the previous year.

Total waste arisings have decreased by 2% from last year, while recycling rate has increased by 3%, from 58% last year to 60% in 2024. Landfill has also decreased from 36% last year, to 30% in 2024.

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
- Our commitment to implementing new recycling initiatives

Voluntarily maintaining Ship Energy Efficiency Manuals, after the legal requirement has lapsed.

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. 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 Company 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. <u>Community Engagement</u> Regular engagement with communities, providing the opportunity to contribute directly on priority issues relating to service provision.
Engagement Activities: <u>Customer Steering Group</u> 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. <u>Communication</u> 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. <u>Community Engagement</u> 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; <u>Resilience</u> 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.

<u>Commercial Haulier Group meetings</u>
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: <u>Annual Report</u> The Annual report provides details of the company's financial performance, as well as progress against key priorities, with clear and transparent messaging. 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.

On behalf of the Board

E Østergaard
Chairman
9 December 2024

Part B
Governance

B1. Directors' Report

Political and charitable donations

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

Directors and their interests

The Directors who held office during the year and up to the date of this report were 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 Company at any time during the year.

The Company's sole Shareholder is David MacBrayne Limited, which is wholly owned by the Scottish Ministers.

Employees

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

The Company 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 Company's policy to ensure that all staff are able to work in an environment free from discrimination, harassment and bullying.

As a Company we fully subscribe to the Government's Race Equality Scheme, Disability Scheme, Gender Equality Scheme and the Modern Slavery Statement. As a Company, 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 of these measures are kept under regular review with a view to identifying where improvements can be made.

Employee consultation

The Company is committed to effective employee communications, which it maintains through all staff notices, the staff newsletter and briefing sessions.

The Company 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 Company.

Policy of employment of people with disabilities

It is the Company'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 Company were carried out based on fair and open competition and selection on merit. The 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.

Adoption of going concern basis

The principal contract for CalMac Ferries Ltd is the delivery of the Clyde and Hebrides Ferry Services (CHFS), for which a subsidy is received from Transport Scotland via Public Service Contract. The existing CHFS contract has been extended for a further 12 months to 30 September 2025. At date of signing, the Transport Minister announced that Scottish Government will explore awarding the next contract to operate the Clyde and Hebrides Ferry Services to CalMac Ferries Ltd. A due diligence process is ongoing to establish the feasibility of a direct award using the "Teckal exemption" in accordance with the Public Contracts Scotland Regulations 2015.

The Directors have assessed that these accounts are prepared on a going concern basis, however highlighting a material uncertainty, due to the timing of the direct award decision and the future provision of CHFS services from 1 October 2025.

For the purposes of the Directors' assessment of the Group and Company's going concern position, the Directors have prepared Group and Company cash flow forecasts for a period of 18 months from the date of approval of these financial statements that reflect the current assumptions with respect of the main trading entity CalMac Ferries continuing to provide CHFS ferry services from October 2025, limited passenger carrying growth, a continuance of cost inflation, all of which are impacting demand. Cashflows also include the increasing cost of vessel maintenance over the 18 months.

Taking these factors into consideration, the Directors have assessed that CalMac Ferries Ltd will have sufficient funds to meet all their liabilities for the period of at least 12 months from the date of signing of this report.

Disclosure of information to Auditor

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

Auditor

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

On behalf of the Board

E Østergaard
Chairman
9 December 2024

B2. 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 financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 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 Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 reasonably open to them to safeguard the assets of the Company 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 CalMac Ferries Limited

Opinion

We have audited the financial statements of CalMac Ferries Limited ("the Company") for the year ended 31 March 2024 which comprise the Profit and Loss Account, Balance Sheet, Statement of 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 Company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company 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 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 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 Company's high-level policies and procedures to prevent and detect fraud, and the Company'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 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 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 Company 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 Company 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 16, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the 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

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. Profit and Loss Account
for the year ended 31 March 2024

	Note	**2024 £000**	2023 £000
Turnover	2	**295,791**	251,156
Cost of sales		**(259,863)**	(224,680)
Gross profit		**35,928**	26,476
Administrative expenditure		**(32,834)**	(31,642)
Operating (Loss)/Profit		**3,094**	(5,166)
Interest receivable	3	**447**	83
Interest payable	3	**(657)**	(934)
Gain on disposal of Fixed Asset		**64**	-
(Loss)/Profit before taxation		**2,948**	(6,017)
Tax on (Loss)/Profit	5	**(526)**	374
(Loss)/Profit for the financial year		**2,422**	(5,643)

All results are derived from continuing operations.

Statement of Comprehensive Income
for the year ended 31 March 2024

	Note	**2024 £000**	2023 £000
(Loss)/Profit for the year		**2,422**	(5,643)
Other comprehensive income, net of tax			
Change in fair value of cash flow hedge recognised		**-**	(8,527)
Change in Tax relating to cash flow hedge	5	**-**	1,374
Total comprehensive income attributable to equity holders of the company		**2,422**	(12,796)

The accompanying notes are an integral part of these financial statements.

C3. Balance Sheet
as at 31 March 2024

	Note	2024 £000	2023 £000
Fixed assets			
Tangible assets	6	**10,282**	27,568
Deferred Tax	11	**548**	683
		10,830	28,251
Current assets			
Stock	8	**4,650**	3,352
Contract assets	2	**-**	10,948
Debtors and prepayments	9	**19,864**	10,552
Cash at bank and in hand		**31,515**	21,736
		56,029	46,588
Creditors			
Contract liabilities	2	**(9,876)**	(7,122)
Amounts falling due within one year	10	**(26,428)**	(22,295)
Short term lease liability	12	**(14,262)**	(17,335)
Net current assets		**5,463**	(164)
Creditors: Amounts falling due after more than one year			
Long term lease liability	12	**(778)**	(14,994)
Net assets		**15,515**	13,093
Capital and reserves			
Called up share capital	13	**-**	-
Profit and loss account		**15,515**	13,093
Shareholder's funds		**15,515**	13,093

These financial statements were approved by the Board of Directors and signed on 9 December 2024 on its behalf by:

E Østergaard, Chairman

The accompanying notes are an integral part of these financial statements

C4. Statement of changes in equity

	Called Up Share Capital £000	Hedge Reserve £000	Profit and Loss Account £000	Total Equity £000
Balance at 1 April 2022	-	8,527	17,362	25,889
Total comprehensive income for the year				
Loss for the year	-	-	(5,643)	(5,643)
Other comprehensive income	-	(8,527)	1,374	(7,153)
Total comprehensive income for the year	-	(8,527)	(4,269)	(12,796)
Balance at 31 March 2023	**-**	**-**	**13,093**	**13,093**

	Called Up Share Capital £000	Hedge Reserve £000	Profit and Loss Account £000	Total Equity £000
Balance at 1 April 2023	-	-	13,093	13,093
Total comprehensive income for the year				
Profit for the year	-	-	2,422	2,422
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	2,422	2,422
Balance at 31 March 2024	**-**	**-**	**15,515**	**15,515**

The accompanying notes are an integral part of these financial statements.

C5. Notes on the financial statements

1. Accounting policies

CalMac Ferries Limited is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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 IFRS") but makes amendments where necessary in order 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 of David MacBrayne Limited
- disclosure in respect of capital management
- the effects of new but not yet effective IFRS
- 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.

(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 IFRS") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Going concern

The Directors have prepared the financial statements on a going concern basis and consider this 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 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 going concern assessment period).

The principal activity of the company is the delivery of the Clyde and Hebrides Ferry Services (CHFS) contract 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 the date of the 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 announced that the Scottish Government is exploring awarding the next contract to operate the CHFS 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. The company 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, and the delivery of the overhaul programme during the winter months, the company have agreed with Transport Scotland that David MacBrayne Ltd (the parent company), will support any additional short term cash requirements 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

Notes on the financial statements

1. Accounting policies (continued)
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, from October 2025, this is outwith their control. Should the contract not be renewed then the company'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 company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its 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) Tangible assets
Gross book values of all tangible assets are stated at cost. No depreciation is charged until the asset comes into use.

(c) Depreciation
Depreciation is provided on tangible assets by equal annual instalments calculated to write off the cost (taking account of anticipated residual values) over their estimated useful lives as follows:

Equipment	4 years
Motor vehicles	3 years
Vessels	30 years

(d) Leases
At the inception of a contract, the Company 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 Company 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 Company'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 Company 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 Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(e) Investments
Fixed asset investments are carried at cost.

(f) 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.

Notes on the financial statements

1. Accounting policies (continued)

Financial assets

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 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

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to 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

Notes on the financial statements

1. Accounting policies (continued)

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 as a consequence of the fair value hedge relationship, is recognised in the income statement over the remaining life of the hedged item.

Hedge effectiveness
Hedge effectiveness is measured and respective entries recorded in the balance sheet, reserves and income statement on a yearly basis in respect of commodity hedging relationships. Hedge effectiveness is achieved where the correlation between the changes in value of the hedging instrument and the hedged item is between 80% and 125%.

Discontinuing hedge accounting
The Company discontinues prospectively hedge accounting when the hedge instrument expires or is sold, terminated or exercised, when the hedge relationship no longer qualifies for hedge accounting or when the designation is revoked. In the case of cash flow hedging, any gain or loss that has been recognised in equity until that time remains separately recognised in equity until the forecast transaction occurs. If the transaction is no longer expected to occur, related cumulative gains and losses which have been previously deferred in equity are recognised in the income statement.

Valuation of financial instruments
In those circumstances where IAS 39 requires financial instruments to be recognised in the balance sheet at fair value, the Company's valuation strategies for derivative and other financial instruments utilise as far as possible quoted prices in an active trading market.

(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 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.

Notes on the financial statements

1. Accounting policies (continued)

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 possible 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.

(g) Inventories
Retail inventories are stated at the lower of cost and net realisable value. 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 stock and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

(h) Maintenance and repair costs
Routine maintenance and repair costs, as well as vessel overhaul costs, are charged to the profit and loss account in the financial period in which the work is performed. Where the Company provides ferry services under a fixed-term contract, at contract end, independent vessel surveys are carried out to establish any work required.

(i) Revenue
The accounting policy for revenue is described in note 2.

(j) Taxation
The Company is included within a Group election into tonnage tax effective from commencement of trading. However, certain activities within the Company are liable to corporation tax. Accordingly, the charge for taxation is based partly on ship tonnage and partly on the result for the period and, where appropriate, considers tax deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

(k) Pensions
The Company is a participating employer in the CalMac Pension Fund, which is a defined benefit scheme operated by Caledonian Maritime Assets Limited. As set out in note 16, for the purposes of FRS 101, pension contributions are accounted for as if the scheme was defined contribution.

2. Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Company 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 Company generates its revenues.

Notes on the financial statements

2. Revenue (continued)

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

The Company operates the Clyde and Hebrides ferry service contract on behalf of the Scottish Government, for which it receives subsidy revenue. The CHFS 2 contract was awarded to the Group with a start date of 1 October 2016 and runs for eight years and has recently been extended for one further year. CalMac Ferries Limited will continue to operate Clyde and Hebrides ferry services. The contract provides the Company with revenue to subsidise the life-line services provided.

Products and Services	Nature, timing of satisfaction of performance obligations and significant payment terms.
Fares	The Company 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 time of travel with the deferred element maintained on the balance sheet within contract liabilities.
Contracts with Government	The CHFS 2 contract is paid on a straight-line basis, monthly in arrears over the contract year. The Company recognises revenue as the services under the contract are provided. This is deemed to be over time over the length of each contract year and is based on a cost-plus method. If the Company 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.

	2024 £000	2023 £000
Fares and other associated services	**79,794**	80,112
Government contract – transferred over time	**215,455**	170,493
Inter Group – management fees	**542**	551
Total	**295,791**	251,156

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	**4,662**	3,930

The contract assets relate to the Company's rights to consideration for services delivered but not billed at 31 March on the CHFS 2 contract. The contract liabilities primarily relate to the £7.7m revenue associated with advance tickets purchased by customers for future sailings along with a £2.1m liability for the contract funding paid for operating the Clyde & Hebridean Ferry Service 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)
Increases as a result of changes in the measure of progress	**-**	10,948	**(2,139)**	-

Transaction price allocated to the remaining performance obligations.

Notes on the financial statements

3. Profit before tax

The profit is stated after charging/(crediting):			**2024 £000**	2023 £000
Auditor's remuneration	-	audit of these financial statements	**141**	102
	-	other services relating to taxation	**17**	17
	-	all other services	**-**	-
Depreciation of tangible fixed assets			**17,638**	17,342
Harbour access charges	-	Caledonian Maritime Assets Limited	**17,096**	28,059
	-	other	**21,352**	8,169
Agency staff costs			**90,366**	83,617
Finance lease costs	-	land and buildings	**576**	576
	-	ships and motor vehicles	**17,215**	16,612
Gain on disposal of Fixed Asset			**64**	-
Interest receivable	-	bank	**(447)**	(83)
Interest payable	-	bank	**(1)**	5
Finance interest expense			**657**	934

4. Employee information

Staff costs (including Directors)

	2024 £000	2023 £000
Wages and salaries	**28,713**	27,559
Social security costs	**5,237**	3,052
Other pension costs	**5,929**	5,274
	39,879	35,885

Directors' remuneration

	2024 £000	2023 £000
Directors' Remuneration	**260**	361
Employer's Pension Contribution	**52**	45

The aggregated remuneration of the highest paid Director was £186,000 (2023: £171,000). All Directors had their remuneration paid by another company within the David MacBrayne Limited group in both the current and prior year.

Number of Directors

	2024	2023
Retirement benefits are accruing to the following number of Directors under:		
Defined benefit schemes	1	1

Employee numbers
The average number of people employed by the Company, including Directors, during the year was 731 (2023: 722).

Category	**2024**	2023
Head Office	347	346
Port	383	370
Vessel	1	6
	731	722

Notes on the financial statements

5. Taxation

Current tax	**2024 £000**	2023 £000
UK corporation tax profit for the period	**474**	6
Adjustments in respect of prior periods	**(83)**	(56)
Total current tax charge	**391**	(50)
Deferred tax		
Impact of tax rate change	**-**	(37)
Adjustment in respect of prior periods	**27**	13
Origination and reversal of temporary differences	**108**	(300)
Total deferred tax charge/(credit)	**135**	(324)
Total tax charge/(credit)	**526**	(374)

Income tax recognised in other comprehensive income

	2024 £000	2023 £000
Tax relating to cash flow hedge	**-**	(1,374)

The tax charge on profit for the year varied from the standard rate of UK corporation tax as follows:

	2024 £000	2023 £000
(Loss)/Profit for the period before tax	**2,948**	(6,017)
UK corporation tax rate of 25% (2023: 19%)	**737**	(1,143)
Tonnage tax	**9**	1,029
Capital Items Expensed	**12**	-
Adjustments in respect of prior periods	**(83)**	(56)
Adjustments in respect of prior periods – deferred tax	**27**	13
Remeasurement of deferred tax for changes in tax rates	**-**	(37)
Non-deductible expenses	**(176)**	3
Group relief surrendered		63
Reversal of deferred tax asset previously not recognised	**-**	(246)
Total tax (credit)/charge	**526**	(374)

Notes on the financial statements

6. Fixed Assets

	Buildings £000	Leasehold Improvements £000	Ships £000	Vehicles & Equipment £000	Total £000
Cost					
At 1 April 2023	2,852	1,291	91,166	1,235	96,544
Additions in the year	-	39	-	313	352
Disposals in the year	-	-	-	(45)	(45)
At 31 March 2024	**2,852**	**1,330**	**91,166**	**1,503**	**96,851**
Depreciation and impairment					
At 1 April 2023	1,568	128	66,261	1,019	68,976
Charge for the year	490	334	16,603	211	17,638
Disposals in the year	-	-	-	(45)	(45)
At 31 March 2024	**2,058**	**462**	**82,864**	**1,185**	**86,569**
Net book value at 31 March 2024	**794**	**868**	**8,302**	**318**	**10,282**
Net book value at 31 March 2023	1,284	1,163	24,905	216	27,568

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

Right of use assets

	Buildings £000	Ships £000	Vehicles & Equipment £000	Total £000
Cost				
At 1 April 2023	2,852	91,166	915	94,933
Additions in the year	-	-	313	313
Disposals in the year	-	-	-	-
At 31 March 2024	**2,852**	**91,166**	**1,228**	**95,246**
Depreciation and impairment				
At 1 April 2023	1,567	66,262	698	68,527
Charge for the year	491	16,602	211	17,304
Disposals in the year	-	-	-	-
At 31 March 2024	**2,058**	**82,864**	**909**	**85,831**
Net book value at 31 March 2024	**794**	**8,302**	**319**	**9,415**
Net book value at 31 March 2023	1,285	24,904	217	26,406

Notes on the financial statements

7. Investments

	£000
At 1 April 2023 and 31 March 2024	-

The Company owns the whole of the issued share capital of Caledonian MacBrayne Crewing (Guernsey) Limited, which is registered in Guernsey, and undertakes the Company's offshore crewing arrangements. Registered office address: PO Box 112, St Martins House, Le Bordage, St Peter Port, Guernsey, GY1 4EA

8. Stock

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

Fuels and lubricants, consumable inventories and retail inventories recognised in Cost of Sales £31.8m (2023: £28.8m).

Non-retail inventories are held for the operating requirements of the Company 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.

9. Debtors and prepayments

	2024 £000	2023 £000
Trade receivables	**4,662**	3,930
Other receivables	**10,394**	2,586
Prepayments and accrued income	**4,808**	3,985
Corporation tax	**-**	51
	19,864	10,552

10. Creditors: amounts falling due within one year

	2024 £000	2023 £000
Trade payables	**6,860**	6,426
Other payables and accruals	**18,322**	15,021
Corporation tax	**475**	-
Amounts due to group undertakings	**771**	848
	26,428	22,295

Notes on the financial statements

11. Deferred tax assets and liabilities

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

	Assets 2024 £000	**Liabilities 2024 £000**	Assets 2023 £000	Liabilities 2023 £000	**Net 2024 £000**	Net 2023 £000
Tangible fixed assets	**495**	**-**	455	-	**495**	455
Other	**53**	**-**	228	-	**53**	228
	548	**-**	683	-	**548**	683

Movement in deferred tax during the year

	1 April 2023 £000	Recognised in income £000	**31 March 2024 £000**
Tangible fixed assets	455	40	**495**
Other	228	(175)	**53**
	683	(135)	**548**

Movement in deferred tax during the previous year

	1 April 2022 £000	Recognised in income £000	31 March 2023 £000
Tangible fixed assets	524	(69)	455
Financial assets	(1,621)	1,621	-
Other	83	145	228
	(1,014)	1,697	683

12. Leases

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 6).

	Buildings £000	**Vehicles & Equipment £000**	**Ships £000**	**Total £000**
Balance at 1 April 2023	1,285	217	24,904	26,406
Additions to right-of-use assets	-	313	-	313
Depreciation charge for the year	(491)	(211)	(16,602)	(17,304)
Balance at 31 March 2024	**794**	**319**	**8,302**	**9,415**

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

	2024 £000	2023 £000
Interest expense on lease liabilities	**657**	908

No short-term leases were recognised in the profit or loss in the year.

Amounts recognised in statement of cash flows

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

Notes on the financial statements

12. Leases (continued)

	Vessels £000	Property £000	Vehicles & plant £000	Total £000
IFRS16 – lease liability				
Within 1 year	13,795	292	174	14,261
1 - 2 years	-	113	72	185
2 - 3 years	-	123	42	165
3 - 4 years	-	135	21	156
4 - 5 years	-	75	23	98
	13,795	**738**	**332**	**14,865**

13. Share capital

	2024 £000	2023 £000
Allotted issued and fully paid		
1 Ordinary Share of £1 each	**-**	-

14. Pension arrangements

A large number of the Company's employees are members of the CalMac Pension Fund which is a multi-employer defined benefit scheme (the 'Scheme' or the 'CalMac Scheme'). The Company is a participating employer in the CalMac Scheme, which is operated by Caledonian Maritime Assets Limited ('CMAL'), a company also wholly owned by Scottish Ministers. As the Trustees of the CalMac Scheme are unable to identify the Company's share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, and as CMAL is legally considered to be the sponsoring employer for the Scheme, and is responsible for any deficit repair obligations in relation to the Scheme, the Company is accounting for the Scheme in its financial statements as if the Scheme was a defined contribution scheme.

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.

A number of the Company's employees participate in one of the Merchant Navy Pension Funds which are industry-wide defined contribution schemes. Contributions to these schemes are accounted for on a defined contribution basis.

The Merchant Navy Officers' Pension Fund (MNOPF) is closed to new members and the actuarial valuation 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. The Company could still be required to make contributions against any deficit.

As the Trustees of the MNOPF are unable to identify the Company's share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis, the Company, which is a participating employer in the MNOPF, is accounting for the Scheme in its financial statements as if the Scheme was a defined contributions scheme. Future contributions are expected to continue at a rate of 20%.

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

The Directors also consider that any liability the Company has in relation to MNOPF will ultimately be funded by Scottish Ministers.

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 is 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.

Notes on the financial statements

14. Pension arrangements (continued)

The amounts charged to the income statement in respect of employer contributions to Pension Schemes are:

	2024 £000	2023 £000
CalMac Pension Fund	**5,627**	4,956
Ensign	**13**	13
Other schemes	**289**	305
	5,929	5,274
Contributions to be paid to pension schemes included in creditors	**566**	583

15. Related party transactions

Under FRS 101, the Company is exempt from the requirement to disclose related party transactions with Group undertakings with David MacBrayne Limited as it is a wholly owned subsidiary of a parent undertaking which prepares and publishes consolidated financial statements.

Details of transactions with other related parties are as follows:

	2024 £000	2023 £000
Transactions during the year – receivable/(payable):		
Scottish Ministers		
- subsidy	**196,794**	165,424
- SEC 70 Grant	**18,347**	4,479
- Capital Supplement	**314**	590
- 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, modifications and other costs	**10,879**	6,951
- ferry travel costs	**15**	27
Solent Gateway Limited		
- management recharge	**-**	271
Amounts due at end of year – receivable/(payable):		
Scottish Ministers		
- subsidy	**4,346**	11,380
- recharge of consultancy agreements	**-**	657
Caledonian Maritime Assets Limited		
- harbour services	**(1,355)**	(1,791)
- vessel new build, modifications and other costs	**3,994**	2,121
- ferry travel costs	**2**	2

During the year, the Company acted as agent for Caledonian Maritime Assets Limited in relation to certain elements of new vessel builds. The associated funds were paid to third parties and recovered from Caledonian Maritime Assets Limited.

Solent Gateway Limited was a joint venture company between David MacBrayne Limited and GBA (Holdings) Limited. On 31 January 2023, David MacBrayne Limited and GBA (Holdings) Limited divested their interest in Solent Gateway Limited.

16. Ultimate parent company and related undertakings

The Company is a wholly owned subsidiary of David MacBrayne Limited, which is wholly owned by the Scottish Ministers, who are regarded as the ultimate controlling party. The Group in which the Company's results are consolidated is that

Notes on the financial statements

16. Ultimate parent company and related undertakings (continued)

headed by David MacBrayne Limited, which is incorporated in the United Kingdom. No other Group financial statements include the Company's results.

The Company's other related undertaking is its subsidiary as disclosed in note 7.

The consolidated financial statements are available to the public and copies may be obtained from the parent company's registered office at the Ferry Terminal, Gourock, PA19 1QP and are also available on the parent company's website.

C6. Corporate information

Registered office	The Ferry Terminal Gourock PA19 1QP
Auditor	KPMG LLP
Solicitor	Pinsent Masons
Bankers	The Royal Bank of Scotland plc Santander UK plc
Principal insurer	The North of England Protecting & Indemnity Association
Website	Parent company: www.david-macbrayne.co.uk Company: www.calmac.co.uk