

CALMAC FERRIES LIMITED
STRATEGIC REPORT, DIRECTORS' REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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Strategic Report

CalMac is the UK's largest ferry operator, running 34 vessels to over 50 destinations, across 200 miles of Scotland's west coast. 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

Our Business goals:

- Safety – Retain safety at the heart of our organisation.
- Value – Deliver a high-quality, cost-efficient operation
- Customer Service – Deliver brilliant customer journeys to a consistent standard
- People – Put people-first and be one CalMac
- Growth – Set a strong platform for revenue growth
- Environment – Improve an environmentally sustainable service

The Company recorded a profit before tax of £3.3m (2020: £1.7m), operating the Clyde and Hebrides ferry service (CHFS 2) contract profitably, maximising allowable operator return. The principal risk that the Company faces relates to the eight-yearly cycle of competitive tender processes conducted by the Scottish Government.

COVID crisis

The impact of Covid-19 seriously impacted CHFS services and has been an incredibly difficult period for the country, the communities we serve, our customers and our staff. At the start of the pandemic, we introduced an essential service timetable which maintained a lifeline service to our communities.

As the pandemic evolved, we took quick and brave decision to continually change our services in line with rapidly changing guidance to keep staff and passengers safe. Our risk measures were independently assessed by DNV (Det Norske Veritas), which is an independent expert in assurance and risk management and the world's leading classification society for the marine industry. We were also the first UK ferry company to be awarded their Covid-Care accreditation in recognition of the strength of our response.

We operated lifeline services throughout the pandemic, enabling essential travel and support for our communities, with all our staff demonstrating commitment to our CalMac values of putting people first, bravery and acting in the best interests of the places we serve.

We received additional Covid-19 funding in the year of £22.8m from Transport Scotland as a variation to our Clyde and Hebrides Ferry contract and £1.1m of furlough funding through HMRC. We were incredibly grateful for the public funding which enabled us to protect jobs, staff who needed to isolate and the continuity of our services.

Our priority throughout this period was to keep island communities safe, while maintaining lifeline services.

Carrying figures

Carryings were significantly impacted by Covid-19 and lockdown restrictions. This year saw a significant drop in passengers carried from 5,533,762 to 2,059,331, a reduction of 62.7%. This was also reflected in vehicle traffic, with car carryings down from 1,450,325 to 755,602, a 47.9% decrease.

Throughout the pandemic, we continued to maintain vital commercial vehicle links to the islands with carryings of 69,868 compared with 79,612 (12.2% reduction).

Coach carryings were also significantly impacted, and reduced from 10,876 to 1,223 (88.8% reduction) during 2021.

Scheduled sailings dropped from 159,888 last year to 117,039 in 2020/21. This was entirely in relation to the reduction in services as a result of the Covid-19 crisis.

Contracted reliability and punctuality remain at industry leading levels at 99.58% for reliability and 99.89% for punctuality. Actual reliability and punctuality which includes weather disruptions also remains high at 94.04% for reliability and 97.26% for punctuality.

Service Resilience

All 34 leased vessels had a successful annual overhaul at four yards. As of 1 January 2021, a new, long-term contract for the provision of annual vessel overhaul and breakdown support came into effect with our strategic yard suppliers. The contract provides a long-term approach and will improve the preparation, collaboration, and planning for these complex activities.

In 2020/21, we delivered a £7.3m programme of investment on behalf of CMAL, to address vessel resilience. The programme included replacing equipment which is either obsolete or at the end of economic life and upgrades of equipment to improve environmental performance and reliability. This programme also involved replacing equipment where required to support changes in certification requirements.

The work was important, extensive, and included replacing main engines and generators, upgrading lifesaving equipment, improving lighting to modern LED formats, replacing end of life batteries, replacing electrical cabling, and upgrading navigation and communications equipment.

We have invested in a new logistics hub and centre of excellence to support the technical supply chain needs of the business. The new facilities provide increased space, improve our processes, and increase efficiency in the supply of technical parts to vessels in service, during breakdowns and for planned annual overhauls. Regular forums have also been introduced with our suppliers to improve our technical supply chain management. Underpinning all of this is our investment in our people – helping them to achieve formal accreditation in logistics management.

To support the daily management of vessels, we have introduced a defect reporting management system. It provides an online, easy to use facility to log and update status on emerging defects. Reporting has been enhanced and allows us to identify trends and guides our preventative maintenance activity. We have completed our first overhaul season using data from our new vibration analysis system on key components of major vessels.

Our core challenge remains the ageing fleet. However, we are confident that through a planned strategy for a replacement maintenance management system, enhanced support for our people through engagement forums, development and training, we can drive further efficiencies to support and maintain our fleet.

Our People and Staff Engagement

Engagement has been a challenge due to the constraints Covid-19 placed on the ability of senior teams to travel across the network and to meet colleagues face to face. Nonetheless, we put in place initiatives aimed at achieving our objective of 75% of staff saying they would recommend the organisation as a great place to work, compared with 62% in our 2019 staff survey.

The "Our People" project was set up to drive and measure activity across areas of building trust, supportive management, developing a positive and inclusive culture and driving a one-team approach.

Early activity involved a video featuring colleagues from across our network, reminding us of our heritage, the spirit on which the Company was founded, and the legacy entrusted to us. This was a means of sharpening our focus on our core values of people first, bravery and locality, our responsibilities to adapt and change, and our need to connect and communicate with each other.

Achievements included the establishment of an 'Inclusive CalMac' group and a 'Wellbeing' group, both involving colleagues from all areas of our business. This will be followed in the coming year with a People Steering Group, providing a forum where new initiatives can be discussed openly and tested, to ensure they land well throughout the organisation. Innovative technologies have enabled us to connect with colleagues remotely and allow them to become more involved and have their voices heard. This has created a foundation on which we can build in the coming year.

Change and Continuous Improvement

We are embarking on a major programme to improve performance across the business. To achieve the greatest value from this investment, we have recruited Change management and Continuous Improvement experts to help set up the required processes and systems. The aim is to establish a culture in which the business continually improves and with the full commitment of all members of staff.

Through this approach, we will help to standardise change and improvement methods and strengthen leadership training within these areas. Dedicated resources will also be embedded into key projects, ensuring we are ready and prepared for new processes and behaviours.

One of our ambitions is to embed a change and continuous improvement mindset at the heart of everything we do. As part of this work, we will continue to develop our change framework and establish practices across the Company to help make continuous improvement a standardised way of working. Supporting our staff will be a central part of this work, and we will deliver training, coaching and support to help build our collective skills and capabilities in this area. New change networks and communities of practice will underpin this and help drive innovation across the organisation.

Investment in Technology

To improve our customers' experience, there have been some exciting achievements through our investment in technology.

Ticketing and Reservations

We are implementing a new modern booking, ticketing and travel experience via the Ar Turas (Our Journey) project. This will provide a streamlined and efficient booking experience for customers, available through different channels. The solution will be standardised, accessible, digitally-enabled and efficient, and will maximise available, bookable space on our ferries and provide better travel information.

CalMac Ferries Limited/Company Number SC302282/31 March 2021

The new technology will enable the business to use market-leading software to help us standardise and simplify our processes, in line with best practice.

The Digital Refresh Project

To give customers an easier and more streamlined online experience, we are in the process of developing a new-look website and a new CFL App. The website will also highlight and celebrate the Company's achievements, such as its support of communities throughout the network.

Network Improvement Project (WIFI)

Our teams have been working over the last year to upgrade our network connectivity including Wi-Fi and continue to upgrade our port and vessel infrastructure. The upgraded Wi-Fi system will use the 4G mobile network to support improved connectivity for our customers and staff, creating a better onboard experience. Upgrading our port and vessel infrastructure directly supports the new ticketing and reservations system enabling both customers and staff an improved and seamless experience.

Oran Mor project – Retail Stock Management System

We have a new inventory management system known as 'Saffron.' This allows our teams to manage and order stock in a timely and targeted way. The new system aims to help us increase onboard revenue by providing better insight - meaning we can plan effectively, improve availability, and grow sales.

Custelligence – Our New Journey Mapping Tool

This tool allows us to map out our end-to-end customer experience by using a collaborative and intuitive platform. The new platform replaces the previous MS Excel approach. It is web based and supports the business by way of gap analysis and issue identification, with the ability to create signature actions to support improvements.

Communities

CFL is committed to engaging openly and effectively with local communities. Listening to views and opinions from the people who live and work in communities where we provide a lifeline service helps us to gather valuable input, which shapes the way in which we deliver services.

We engage with communities both formally and informally. As well as working closely with ferry committees and ferry stakeholder groups, we are in close contact with local councils and local businesses. During the Pandemic we have continued to work closely with the Community Board with regular meetings attended by our Managing Director. The Community Board have been a valuable addition to our community engagement.

When the Covid-19 pandemic hit, this prompted a change in the way we communicated with our island-based customers. During this period, we were unable to travel across the network to attend meetings, and so we were confined to virtual events. Normal channels of engagement with all stakeholders changed and adapted accordingly, and we worked harder to communicate more frequently, particularly with ferry stakeholder groups, local authorities and resilience and social care partners.

Many decisions affecting travel in Scotland during the pandemic were made at a national level, which we then implemented, all the while ensuring essential services could continue, whilst helping to protect the islands and reduce the spread of infection.

Working with the communities we serve will always be important to us. We will continue to be present through our work with learning and development partners via our popular modern apprenticeship programme where the 2021 intake included 16 employees from local communities, and through career progression events. We are an active employer within the communities we serve with 432 of our employees residing on the islands.

We are active supporters of destination marketing and tourism sector events, economic forums, community events, sporting fixtures and environmental forums. We sponsor awards and help to recognise talent and tenacity in commerce and public service and participate in many commercial and social interest activities – all weaving into a rich tapestry of very real, tangible, and valuable engagement opportunities.

Environment

During the year 2020/21, we redesigned our Environmental Strategy to align with the ambitions of both the UN Sustainable Development Goals and the Scottish Government's 2020 Environmental Strategy.

The priority areas of the Strategy are Climate Action to reduce emissions from fuel combustion and energy consumption; Climate Action to prepare for climate change and manage climate risk; Responsible Consumption and Production to minimise waste and move towards circular economy thinking and Life under Water to protect biodiversity.

The Strategy is supported by an action plan which is being delivered by all areas of the business with environmental performance. Action delivery progress is being routinely reported internally.

To support our ambition to achieve gold status from Keep Scotland Beautiful at all our operated ports and harbours, we introduced a programme of litter audits. Routine, structured litter auditing is now undertaken at all our operated sites

to ensure that we not only keep them clean and tidy, but that we understand the main litter sources and can act accordingly. Cigarette waste was the most observed litter type, and as a result, additional bins and signage have been installed.

The pandemic meant that marine mammal and marine bird surveys were not undertaken onboard. However, we have continued our relationship with the Wildlife Charity ORCA by supporting a Hebrides Wildlife Officer for the third year running. Training and educational materials have been developed, as well as new website content to help engage with prospective passengers and to continue to raise awareness of the biodiversity of western Scotland, with support from our Hebrides Wildlife Officer.

Perth Harbour

Since CFL took over Perth Harbour operations in 2018, there has been a 25% increase in shipments and cargo using the facility. This figure is expected to increase as market opportunities continue to grow.

Business activities at Perth Harbour are helping to contribute £5.5m to the Scottish economy as well as a total of 74 jobs regionally and nationally, according to an in-depth economic study by BIGGAR Economics.

The study also reported an increase in economic impact of 10% to Perth and Kinross since CFL began operating the port – a figure predicted to continue to rise. The Harbour is also estimated to support 54 jobs throughout the region.

The study measured Perth Harbour's impact locally, regionally, and nationally. The Harbour has expanded market opportunities for many businesses, giving them access to cost-effective, high-quality imports and allowing exports of baryte, a commodity which is an important part of the supply-chain in the offshore oil and gas sector.

Cargo currently being transported through the harbour includes timber, for the construction industry, as well as fishmeal and soya protein for the aquaculture industry. The transportation of baryte for the oil and gas industry, is expected to resume later this year.

The research also found that Perth Harbour makes a strong social contribution and is an important community resource for people living in the surrounding area. CFL actively engages with children and young people through the River Tay Community Sports Hub and has helped to develop several charity-based organisations, such as the Willowgate Activity Centre. We recently launched the Perth Harbour Community Fund. It gives projects helping the most vulnerable people locally the opportunity to be granted up to £2,000.

A further expected increase in the number of ships up to 2022/23 is expected to increase the economic contribution, with a modest increase in the Harbour's core economic impact and increased activity at existing operators.

The output of the recent Perth Harbour Economic Impact assessment is evidence of the successful collaboration between all parties involved at the Port. At CFL, we will continue to drive forward the success of the harbour, by repurposing its use as a strategic inland port continuing the support to our customers' needs and the Scottish economy.

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.

A summary of key decisions taken by the Board, with examples of how stakeholder considerations have been considered, are included on page 5-6.

Customers

Key Issues

Reliability and punctuality of service were the key issues for our customers, giving them certainty for their businesses and travel plans.

Given the impact of Covid-19 on our customers, ease of doing business with CalMac was paramount for those travelling with us.

Ensuring our customers feel safe when travelling with us throughout the pandemic and protecting our communities was also of high importance to our customers.

Engagement in 2021

Customer Steering Group:

A Customer Steering Group which includes customer representatives from the Island Community Board and colleagues from front line roles has been created to understand the key issues facing our customers and determining how we best respond.

Voice of Customer:

We survey and analyse feedback from our customers at key stages on their journey and measure several Customer Experience metrics e.g., CSAT, ease of task completion and trust. These are tracked against internal KPIs.

Throughout the past year we have reviewed and analysed thousands of free text responses and social media channels to gather themes for improvement and reasons for scores and sentiment. Insight is delivered to the Customer Experience team and the wider business, working groups. The Customer Steering Group is used to deliver improvements and communicate results. In addition to this, we have conducted numerous ad-hoc research projects and work with independent research agencies to ensure all projects and initiatives are data led and customer focused.

Following a review of our customer communications, we focussed on a strategy of 'truth well told.' The following pillars were the bedrock of that strategy: Customer Focus; Transparency; Empathy; Meeting the needs of different audiences; and alignment of customer, stakeholder, and colleague communications. Through this, we reinforced Scottish Government guidelines and laws to ensure our customers understood our commitments to a safer travel experience and outlining their own responsibilities when travelling.

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 2 contract are;

Resilience: the technical resilience of the current fleet to deliver reliable services.

Community Engagement: effective community engagement.

Infrastructure strategy: the development of a long-term strategy for vessels and ports.

Engagement in 2021

We attend monthly contract meetings where detailed KPIs and performance are reviewed. We are an active participant in the Ferry Division's Network monthly Strategy Group and Project Steering Committees to support the client make procurement choices and build the long-term strategy. We also support the client in community engagement either on their behalf or in collaboration.

We are working to optimise how we collaborate with Transport Scotland, and have commenced a programme aligned to the Miller Heiman, Large Account Management Process, to ultimately develop this key partnership.

Suppliers

Key Issues

Brexit:

We have worked closely with our suppliers during the period to successfully mitigate any post-Brexit issues, to ensure continuity of supply for the business.

Covid-19:

Since the beginning of Covid-19, we have continued to have regular engagement with our supply chain, including a focus on our strategic and critical suppliers, to optimise planning time to ensure critical goods and services are delivered when required.

Face to face engagement with suppliers during the period has been limited, due to the impact of Covid-19 restrictions. However, we have fully utilised new methods of communication, which has led to enhanced supplier engagement.

Prompt payment:

Suppliers expect to be paid promptly after high quality goods or services have been provided. We adopt processes in line with Scottish Government Prompt Payment policy, with 80% of suppliers paid on time and within 30 days.

Engagement in 2021

Supplier Relationship Management (SRM):

We have effectively deployed SRM methodology this year, including regular supplier review meetings to identify key actions for improvement. Processes and procedures have been established to enable the work stream, supporting the delivery of high-quality goods and services.

Supplier Score-carding:

This has successfully been established for an identified range of critical suppliers. This includes scoring suppliers across essential criteria for quality, cost, sustainability, and service. This initiative has been well received by our internal stakeholders, and supply chain, and will continue to be developed.

Where appropriate, the Competitive Procedure with Negotiation (CPN) has been used as the route to market. In our regulated procurement environment, this has supported engagement with suppliers during the procurement process to enable the award of robust, commercially viable contracts that have delivered high quality goods and services.

Employees

Key Issues

Staff welfare and wellbeing:

The impact of Covid-19 on the physical and mental health of staff, whether on the front line or working from home, has been a significant issue during the pandemic.

Pay and conditions:

A two year pay deal with our four recognised trade unions was negotiated in 2020/21.

Career development and training:

We have continued to invest heavily in the development of our staff, adapting much of our training offer to online during the pandemic.

Engagement in 2021

The 'Our People' project was set up to drive and measure activity across the areas of building trust, ensuring supportive management, developing a positive and inclusive culture, and driving a one team approach. More details are included within 'Our People and Staff Engagement' on page 2.

An 'Inclusive CalMac' group and a 'Wellbeing' group have been established, both involving colleagues from all areas of our business.

Modern technologies have enabled us to connect with colleagues remotely and allow them to become more involved and have their voices heard.

Local Communities

Key Issues

Contributing to the success of the communities that we serve, including providing opportunities for local employment and training, as well as supporting local projects to improve the wellbeing of our communities.

As a knock-on effect from the Covid-19 pandemic, our local communities reported to us an increase in the following social issues: mental health; loneliness; social isolation and poverty.

Engagement in 2021

We continue to reach out and be present in our communities, supporting events, working with learning and development partners through our apprenticeship programme and through career progression events.

Regular meetings with our local communities through local Ferry Committees take place to discuss route-specific issues. The CalMac Area Operation Managers liaise with each committee and report key findings back to management for escalation if required.

This is also the case for regional specific issues (dealt with via the Ferry Stakeholder Groups (FSGs)) and network wide strategic issues, which the management team engages with the Ferries Community Board. This is an independent board consisting of representatives from across our network, with the aim of having strategic community input into our decision-making process.

Our Corporate Social Responsibility Manager engages and consults with local third sector organisations and partners to shape CFL community investment programmes such as the CalMac Community Fund. In turn, this ensures our resources are directed toward local needs and return maximum value for our communities. In 2020, we made 60 awards to community groups tackling mental health, loneliness, social isolation, and poverty.

Environment

Key Issues

Carbon emissions:

Due to the impact of the Covid-19 pandemic, passenger numbers, sailings, business travel and the use of heating fuel and electricity in our ports and head office decreased. As a result, total carbon emissions have decreased 20% to 102,418 tCO₂e from 2019/20 levels and relative carbon footprint has increased by 18% to 0.1173 kg CO₂e passenger km.

Waste:

Procurement of new waste contracts and recycling stations across the network as well as a decrease in general waste due to the impact of the Covid-19 pandemic have had a positive impact on recycling rates and diversion of waste from landfill as we have seen total waste produced fall. Total waste produced decreased by 36% from 2019/20 levels and the proportion of our waste sent for recycling increased to 60%, a 16% increase from 2019/20 levels and that sent to landfill decreased to 37%.

Engagement in 2021

We carried out extensive engagement across the business to identify significant environmental aspects and propose actions to reduce environmental impact. The actions which align with the four core priorities of our Environmental Strategy form an Action Plan 2021-23 with progress tracked and reported quarterly to the Board.

We carried out extensive engagement across the business to identify and rank each department's significant environmental aspects and identify actions to reduce environmental impact. The actions which align with the four core priorities of our Environmental Strategy form an Action Plan 2021-23 with progress tracked and reported quarterly to the Board.

We engaged with Scottish Government on topics including the national litter strategy, restrictions on single-use plastics and the Deposit Return Scheme.

We supported national campaigns including Scotland's Climate Week, Recycle Week and the #ReuseBeatsSingleUse campaign through internal and external communications.

Wildlife Fact File blogs and educational material were created by the ORCA Hebrides Wildlife Officer - designed for school age children to access during lockdown and posted on our Marine Awareness webpages.

Shareholder

Key Issues

CFL 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 in 2021

Annual Report:

The Annual report provides details of CFL financial performance, as well as progress against key priorities, with clear and transparent messaging.

CFL Board meetings are held throughout the year.

Board Decisions taken during 2021, where stakeholder views were considered and informed the decision.

Online Refunds & Customer Insights

We reviewed our policies, processes and structures in detail and took the decision to introduce an online refunds process. We removed all cancellation and amendment fees without requesting evidence

We continue to invest in better understanding our customers with the creation of a customer insights team and development of a customer experience strategy. This ensures the business is making decisions based on insights and acting in the areas which are important to our customers.

In the past year, the business has continued its commitment to making data-informed decisions that place the customer at the heart of all we do. The profile of the insights team has been raised and capability grown through the approval of additional resource and procuring new tools and systems; a Customer Experience Measurement Solution (VOC platform) and Customer Journey mapping software. Combined, these will allow us to track and monitor customer sentiment and Customer Experience metrics in real time for all touchpoints in the customer journey, presenting results and actionable insights to those responsible for making real improvements to our service.

Financial Planning

Financial Planning, funding allocation and dividend policy decisions

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

Culture

The Board has a role in ensuring that the business is sustainable in the long term, which includes embedding the desired culture. The Board supported our decision to launch an ambitious programme of values; People First, Bravery, and Locality - and a programme of staff engagement to communicate the values widely, as well as reviewing our need to adapt, connect and communicate with each other. Our values also underpin how we manage our key stakeholder relationships and engagement with our customers, suppliers, shareholder, contractors and the wider community. Progress on the change programme is reported regularly to the Board.

Environment

The Board approved our Environmental Strategy 2021-23. The Strategy focuses on four Core Priority Areas: Climate Action to reduce emissions from fuel combustion and energy consumption; Climate Action to prepare for climate change and manage climate risk; Responsible Consumption and Production to minimise waste and move towards circular economy thinking and Life under Water to protect biodiversity. The four core priorities align with the UN Sustainable Development Goals and the Scottish Governments 2020 Environmental Strategy. The Strategy incorporates an Action Plan of departmental commitments to reduce the impact of their significant aspects.

On behalf of the Board



R Drummond
Director

3 November 2021

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. CalMac Ferries Ltd were the main commercial supporter of the Royal National Mod.

Directors and their interests

The Directors who held office during the year and up to the date of this report were as follows:

D C McGibbon
R L Drummond
D Mackison
S Hagan
S Browell
M Comerford
J Stirling
A Tait

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 owned by the Scottish Ministers of the Scottish Government, we fully subscribe to the Government's Race Equality Scheme, Disability Scheme and the Gender Equality Scheme. As a Company, we continue to develop structures and systems to ensure that equal opportunities becomes an integral part of our thinking and behaviour.

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. The majority of 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 Company will, where possible, retain the employee for duties commensurate with the employee's abilities following the disablement.

Adoption of going concern basis

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

Directors' 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

A handwritten signature in black ink, appearing to read 'R Drummond', with a horizontal line underneath the name.

R Drummond
Director
3 November 2021

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.

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 2021 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 2021 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.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

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, including the internal audit function, 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.

Independent Auditor's Report to the members of CalMac Ferries Limited (continued)

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 by senior finance management, those including key words in description and 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 non-compliance 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.

Independent Auditor's Report to the members of CalMac Ferries Limited *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 10, 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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS

4 November 2021

**Profit and Loss Account
for the year ended 31 March 2021**

| | Note | 2021 £000 | 2020 £000 |
|--------------------------------------|------|------------------|--------------|
| Turnover | 2 | 198,859 | 224,990 |
| Cost of sales | | (170,315) | (190,376) |
| Gross profit | | 28,544 | 34,614 |
| Administrative expenditure | | (23,741) | (31,477) |
| Operating Profit | | 4,803 | 3,137 |
| Interest receivable | 3 | 82 | 360 |
| Interest payable | 3 | (1,606) | (1,966) |
| Investment income | | - | 200 |
| Profit before taxation | 3 | 3,279 | 1,731 |
| Tax on Profit | 5 | (748) | (489) |
| Profit for the financial year | | 2,531 | 1,242 |

All results are derived from continuing operations.

**Statement of Comprehensive Income
for the year ended 31 March 2021**

| | | 2021 £000 | 2020 £000 |
|---|----|---------------|--------------|
| Profit for the year | | 2,531 | 1,242 |
| Other comprehensive income, net of tax | | | |
| Change in value of cash flow hedge recognised | 15 | 8,424 | (11,738) |
| Change in Tax relating to cash flow hedge | 5 | - | 784 |
| Total comprehensive income attributable to equity holders of the company | | 10,955 | (9,712) |

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

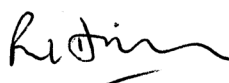
**Balance Sheet
as at 31 March 2021**

| | Note | 2021 £000 | 2020 £000 |
|--|------|-----------------|--------------|
| Fixed assets | | | |
| Tangible assets | 6 | 60,020 | 76,424 |
| Derivative financial instruments | 7 | 465 | - |
| Deferred Tax | 12 | 262 | 489 |
| | | <hr/> | <hr/> |
| | | 60,747 | 76,913 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Stock | 9 | 1,740 | 1,791 |
| Contract assets | 2 | 20,138 | 8,520 |
| Debtors and prepayments | 10 | 10,605 | 8,029 |
| Derivative financial instruments | 7 | 833 | - |
| Cash at bank and in hand | | 14,897 | 23,163 |
| | | <hr/> | <hr/> |
| | | 48,213 | 41,503 |
| | | <hr/> | <hr/> |
| Creditors | | | |
| Contract liabilities | 2 | (3,661) | (4,081) |
| Amounts falling due within one year | 11 | (19,122) | (17,984) |
| Derivative financial instruments | 7 | - | (3,173) |
| Short term lease liability | 13 | (15,808) | (14,742) |
| | | <hr/> | <hr/> |
| Net current assets | | 9,622 | 1,523 |
| | | <hr/> | <hr/> |
| Creditors: Amounts falling due after more than one year | | | |
| Long term lease liability | 13 | (48,009) | (63,078) |
| Derivative financial instruments | 7 | - | (3,953) |
| | | <hr/> | <hr/> |
| Net assets | | 22,360 | 11,405 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 14 | - | - |
| Hedge reserve | 15 | 1,298 | (7,126) |
| Profit and loss account | | 21,062 | 18,531 |
| | | <hr/> | <hr/> |
| Shareholder's funds | | 22,360 | 11,405 |
| | | <hr/> | <hr/> |

These financial statements were approved by the Board of Directors and signed on 3 November 2021 on its behalf by:



D C McGibbon, Chairman



R L Drummond, Director

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

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 2019 | - | 3,828 | 17,289 | 21,117 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | - | 1,242 | 1,242 |
| Other comprehensive income | - | (10,954) | - | (10,954) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the year | - | (10,954) | 1,242 | (9,712) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2020 | - | (7,126) | 18,531 | 11,405 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| | Called Up Share Capital £000 | Hedge Reserve £000 | Profit and Loss Account £000 | Total Equity £000 |
|--|---|-----------------------------------|---|----------------------------------|
| Balance at 1 April 2020 | - | (7,126) | 18,531 | 11,405 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | - | 2,531 | 2,531 |
| Other comprehensive income | - | 8,424 | - | 8,424 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total comprehensive income for the year | - | 8,424 | 2,531 | 10,955 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 March 2021 | - | 1,298 | 21,062 | 22,360 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

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

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 IFRSs"), 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 IFRSs
- disclosures in respect of the compensation of Key Management Personnel.

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

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

Impact of Brexit

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

(a) Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ["Adopted IFRSs"], but makes amendments where necessary 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, which they consider to be appropriate for the following reasons.

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report and Directors' Report on pages 1 to 7.

A key source of income for the Company is the CHFS 2 contract subsidy from Transport Scotland and, during the COVID-19 pandemic additional payments have been received by the Company from Transport Scotland in recognition of the reduced levels of fare revenue resulting from government imposed restrictions on the public including the use of public

Notes on the financial statements

1. Accounting policies (continued)

transport. The Company has recorded a profit after tax in the current financial year and the company's balance sheet shows that it has net current assets of £9.6 million as at 31 March 2021.

For the purposes of the Directors' assessment of the Company's going concern position and to satisfy them of the Company's ability to pay its liabilities as they fall due, the Directors have prepared a cash flow forecast for a period of 12 months from the date of approval of these financial statements that reflect various plausible scenarios as a result of COVID-19 and its impact on the Company. Specifically they have considered a severe, but plausible downside scenario including in a sustained decrease in fare revenue in line with that which was experienced during the initial lockdown period. In the initial period of lockdown and to date, additional funding was received under contract variation from Transport Scotland. While the Directors expect that this will continue it is subject to ongoing approval by Transport Scotland. In the severe but plausible downside the Directors assume continued restrictions on travel and social distancing for a period, and that further contract variations will continue through to March 2022 and that thereafter such variations and associated additional payments are not received.

The cash flow forecasts indicate that, after taking account of this severe but plausible downsides as result of the impact of the COVID-19 pandemic, the Company's existing resources are sufficient to enable it to trade and pay its liabilities as they fall due for the forecast period without using the £15m drawdown facility that they have available through the bank..

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

(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 |
| Ships | 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 of time 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.

Notes on the financial statements

1. Accounting policies (continued)

(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.

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.

Financial assets

(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.

Notes on the financial statements

1. Accounting policies (continued)

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

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

(iii) Derivative financial instruments and hedging

Derivative financial instruments

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

Cash flow hedges

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

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

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

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

Fair value hedges

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

On the discontinuance of hedge accounting, any adjustment made to the carrying amount of the hedged item 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.

Notes on the financial statements

1. Accounting policies (continued)

(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.

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, takes into account tax deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Notes on the financial statements

1. Accounting policies (continued)

(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 14, 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.

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. 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.

| | 2021 | 2020 |
|---|----------------|---------|
| | £000 | £000 |
| Fares and other associated services | 41,758 | 75,601 |
| Government contract – transferred over time | 156,617 | 148,814 |
| Inter Group – management fees | 484 | 575 |
| | <hr/> | <hr/> |
| Total | 198,859 | 224,990 |
| | <hr/> | <hr/> |

Contract balances

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

| | 2021 | 2020 |
|----------------------|----------------|---------|
| | £000 | £000 |
| Contract assets | 20,138 | 8,520 |
| Contract liabilities | (3,661) | (4,081) |
| Trade receivables | 4,856 | 2,769 |

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 revenue associated with advance tickets purchased by customers for future sailings.

Notes on the financial statements

2. Revenue (continued)

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

| | 2021 | 2020 | 2021 | 2020 |
|---|-----------------|----------|--------------------|-------------|
| | Contract | Contract | Contract | Contract |
| | assets | assets | liabilities | liabilities |
| | £000 | £000 | £000 | £000 |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | - | - | (4,081) | (5,358) |
| Increases due to cash received, excluding amounts recognised as revenue during the period | - | - | (3,661) | (4,081) |
| Increases as a result of changes in the measure of progress | 20,138 | 8,520 | - | - |

Transaction price allocated to the remaining performance obligations

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

3. Profit before tax

The profit is stated after charging/(crediting):

| | 2021 | 2020 |
|--|---------------|--------|
| | £000 | £000 |
| Auditor's remuneration - audit of these financial statements | 51 | 45 |
| - other services relating to taxation | 14 | 14 |
| - all other services | 12 | 126 |
| Depreciation of tangible fixed assets | 17,269 | 17,091 |
| Harbour access charges - Caledonian Maritime Assets Limited | 14,898 | 17,235 |
| - other | 12,204 | 16,515 |
| Agency staff costs | 66,185 | 69,436 |
| Finance lease costs - land and buildings | 596 | 511 |
| - ships and motor vehicles | 15,945 | 16,835 |
| Interest receivable - bank | (82) | (360) |
| Interest payable - bank | 7 | - |
| Finance interest expense | 1,606 | 1,966 |
| Bank facility | 72 | 66 |

4. Employee information

Staff costs (including Directors)

| | 2021 | 2020 |
|-----------------------|---------------|--------|
| | £000 | £000 |
| Wages and salaries | 21,820 | 21,728 |
| Social security costs | 2,318 | 2,255 |
| Other pension costs | 4,630 | 8,829 |
| | 28,768 | 32,812 |

Amounts claimed and receivable or received by the company under the Job Retention Scheme, having met the conditions for payment, are Government grants which are recognised in profit or loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate.

In 2021 £1.1m of job retention scheme grants are shown net of wages and salaries.

Directors' remuneration

| | 2021 | 2020 |
|---------------------------------|-------------|------|
| | £000 | £000 |
| Directors' Remuneration | 437 | 456 |
| Employer's Pension Contribution | 41 | 40 |

The aggregated remuneration of the highest paid Director was £190,000 (2020: £191,000). All Directors of the company had their remuneration paid by another company within the David MacBrayne Limited group in both the current and previous year.

Notes on the financial statements

4. Employee information (continued)

Number of Directors

| | 2021 | 2020 |
|--|-------------|------|
| 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 643 (2020: 668).

| Category | 2021 | 2020 |
|-----------------|-------------|------|
| Head Office | 293 | 294 |
| Port | 344 | 358 |
| Vessel | 6 | 16 |
| | 643 | 668 |

5. Taxation

Current tax

| | 2021 | 2020 |
|--|-------------|------|
| | £000 | £000 |
| UK corporation tax profit for the period | 488 | 26 |
| Adjustments in respect of prior periods | 34 | 194 |
| Consortium relief | - | 108 |
| | 522 | 328 |

Deferred tax

| | | |
|---|-------------|------|
| Impact of tax rate change | - | (58) |
| Adjustment in respect of prior periods | (79) | 152 |
| Origination and reversal of temporary differences | 305 | 67 |
| | 226 | 161 |

| | | |
|------------------|------------|-----|
| Total tax charge | 748 | 489 |
|------------------|------------|-----|

Income tax recognised in other comprehensive income

| | 2021 | 2020 |
|---------------------------------|-------------|-------|
| | £000 | £000 |
| Tax relating to cash flow hedge | - | (784) |

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

| | 2021 | 2020 |
|--|--------------|-------|
| | £000 | £000 |
| Profit/(loss) for the period before tax | 3,279 | 1,731 |
| UK corporation tax rate of 19% (2020: 19%) | 623 | 328 |
| Tonnage tax | (124) | (167) |
| Non taxable income | - | (38) |
| Adjustments in respect of prior periods | (45) | 347 |
| Impact of rate change | - | (58) |
| Non deductible expenses | 46 | 77 |
| Deferred tax asset not recognised | 248 | - |
| | 748 | 489 |

Notes on the financial statements

5. Taxation (continued)

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax liability as at 31 March 2021 was calculated at 19% (2020: 19%).

An increase in the UK corporation tax from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly and increase the deferred tax by £83k.

6. Fixed Assets

| | Buildings £000 | Ships £000 | Vehicles & Equipment £000 | Total £000 |
|--|-------------------|---------------|---------------------------------|---------------|
| Cost | | | | |
| At 1 April 2020 | 2,048 | 90,473 | 999 | 93,520 |
| Additions in the year | 1 | 693 | 174 | 868 |
| Items re-classified during year | - | - | (3) | (3) |
| At 31 March 2021 | 2,049 | 91,166 | 1,170 | 94,385 |
| Depreciation and impairment | | | | |
| At 1 April 2020 | 396 | 16,449 | 251 | 17,096 |
| Charge for the year | 396 | 16,608 | 265 | 17,269 |
| Disposals in the year | - | - | - | - |
| At 31 March 2021 | 792 | 33,057 | 516 | 34,365 |
| Net book value at 31 March 2021 | 1,257 | 58,109 | 654 | 60,020 |
| Net book value at 31 March 2020 | 1,652 | 74,024 | 748 | 76,424 |

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 2020 | 2,048 | 90,473 | 677 | 93,198 |
| Additions in the year | 1 | 693 | 173 | 867 |
| Disposals in the year | - | - | - | - |
| At 31 March 2021 | 2,049 | 91,166 | 850 | 94,065 |
| Depreciation and impairment | | | | |
| At 1 April 2020 | 396 | 16,449 | 149 | 16,994 |
| Charge for the year | 396 | 16,609 | 158 | 17,163 |
| Disposals in the year | - | - | - | - |
| At 31 March 2021 | 792 | 33,058 | 307 | 34,157 |
| Net book value at 31 March 2021 | 1,257 | 58,108 | 543 | 59,908 |
| Net book value at 31 March 2020 | 1,652 | 74,024 | 527 | 76,203 |

Notes on the financial statements

7. Derivative financial Instruments

| | 2021 | | | | 2020 | | | |
|---------------------|-----------------|-------------------------|-----------------|-------------------------|-----------------|-------------------------|-----------------|-------------------------|
| | Assets | | Liabilities | | Assets | | Liabilities | |
| | Current £000 | Non- Current £000 | Current £000 | Non- Current £000 | Current £000 | Non- Current £000 | Current £000 | Non- Current £000 |
| Hedging derivatives | | | | | | | | |
| Cash flow hedge | | | | | | | | |
| Fuel hedge | 833 | 465 | - | - | - | - | (3,173) | (3,953) |

8. Investments

£000

At 1 April 2020 and 31 March 2021

-

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 287, 4th Floor, West Wing, Trafalgar Court, Admiral Park, St. Peter Port, Guernsey, GY1 3RL.

9. Stock

| | 2021 £000 | 2020 £000 |
|------------------------|--------------|--------------|
| Fuels and lubricants | 432 | 502 |
| Consumable inventories | 1,237 | 1,038 |
| Retail inventories | 71 | 251 |
| | 1,740 | 1,791 |

Fuels and lubricants, consumable inventories and retail inventories recognised in Cost of Sales £15.3m (2020: £21.9m).

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.

10. Debtors and prepayments

| | 2021 £000 | 2020 £000 |
|-----------------------------------|---------------|--------------|
| Trade receivables | 4,856 | 2,769 |
| Other receivables | 1,361 | 1,272 |
| Prepayments and accrued income | 4,388 | 3,701 |
| Amounts due by group undertakings | - | 287 |
| | 10,605 | 8,029 |

11. Creditors: amounts falling due within one year

| | 2021 £000 | 2020 £000 |
|-----------------------------------|---------------|---------------|
| Trade payables | 8,353 | 6,906 |
| Other payables and accruals | 9,905 | 10,071 |
| Corporation tax | 488 | 328 |
| Amounts due to group undertakings | 376 | 679 |
| Fuel hedge | - | 3,173 |
| | 19,122 | 21,157 |

Notes on the financial statements

11. Creditors: amounts falling due within one year (continued)

Terms and debt repayment schedule

| | Currency | Nominal Interest Rate | Year of Maturity | Face Value 2021 £000 | Carrying Amount 2021 £000 | Face Value 2020 £000 | Carrying Amount 2020 £000 |
|----------------|-----------------|------------------------------|-------------------------|---------------------------------|--------------------------------------|---------------------------------|--------------------------------------|
| Loan from bank | GBP | Libor + 1.5% | 31 Oct. 2022 | - | - | - | - |

This is a revolving credit facility with no fixed repayment prior to maturity.

12. Deferred tax assets and liabilities

The main components of deferred tax at 19% (2020: 19%) are:

| | Assets 2021 £000 | Liabilities 2021 £000 | Assets 2020 £000 | Liabilities 2020 £000 | Net 2021 £000 | Net 2020 £000 |
|-----------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|--------------------------|--------------------------|
| Tangible fixed assets | 445 | - | 459 | - | 445 | 459 |
| Financial assets | - | (247) | - | - | (247) | - |
| Other | 64 | - | 30 | - | 64 | 30 |
| | 509 | (247) | 489 | - | 262 | 489 |

Movement in deferred tax during the year

| | 1 April 2020 £000 | Recognised in income £000 | 31 March 2021 £000 |
|-----------------------|------------------------------|--------------------------------------|-------------------------------|
| Tangible fixed assets | 459 | (14) | 445 |
| Financial assets | - | (247) | (247) |
| Other | 30 | 34 | 64 |
| | 489 | (227) | 262 |

Movement in deferred tax during the previous year

| | 1 April 2019 £000 | Recognised in income £000 | 31 March 2020 £000 |
|-----------------------|------------------------------|--------------------------------------|-------------------------------|
| Tangible fixed assets | 634 | (175) | 459 |
| Financial assets | (784) | 784 | - |
| Other | 16 | 14 | 30 |
| | (134) | 623 | 489 |

13. 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 2020 | 1,652 | 527 | 74,024 | 76,203 |
| Additions to right-of-use assets | 1 | 173 | 693 | 867 |
| Depreciation charge for the year | (396) | (157) | (16,609) | (17,162) |
| Balance at 31 March 2021 | 1,257 | 543 | 58,108 | 59,908 |

Notes on the financial statements

13. Leases (continued)

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

| | | |
|---------------------------------------|--------------|-------|
| | 2021 | 2020 |
| | £000 | £000 |
| Interest expense on lease liabilities | 1,585 | 1,933 |

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

Amounts recognised in statement of cash flows

| | | |
|-------------------------------|---------------|--------|
| | 2021 | 2020 |
| | £000 | £000 |
| Total cash outflow for leases | 14,869 | 15,378 |

| | Vessels £000 | Property £000 | Vehicles & plant £000 | Total £000 |
|---------------------------------|-------------------------|--------------------------|--|-----------------------|
| IFRS16 – lease liability | | | | |
| Within 1 year | 15,275 | 355 | 178 | 15,808 |
| 1 - 2 years | 16,132 | 372 | 172 | 16,676 |
| 2 - 3 years | 17,041 | 389 | 112 | 17,542 |
| 3 - 4 years | 13,503 | 199 | 84 | 13,786 |
| 4 - 5 years | - | - | 5 | 5 |
| | 61,951 | 1,315 | 551 | 63,817 |

14. Share capital

| | | |
|---------------------------------------|-------------|------|
| | 2021 | 2020 |
| | £000 | £000 |
| Allotted issued and fully paid | | |
| 1 Ordinary Share of £1 each | - | - |

15. Analysis of movements in equity attributable to equity holders of CalMac Ferries Limited

| | Commodity derivatives £000 | Tax effect £000 | Total £000 |
|---|---|----------------------------|-----------------------|
| Cash flow hedges | | | |
| At 1 April 2020 | (7,126) | - | (7,126) |
| Effective portion of changes in fair value of cash flow hedges | 5,098 | - | 5,098 |
| Tax relating to cash flow hedge | - | - | - |
| Net charge in fair value of cash flow hedges reclassified to profit or loss | 3,326 | - | 3,326 |
| At 31 March 2021 | 1,298 | - | 1,298 |

The fuel hedge relates to CHFS2 contract and is placed in line with agreement with Transport Scotland.

16. 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 2018, carried out by an independent actuary, showed that the scheme had liabilities of £224.7m, assets of £196.6m and, consequently, a deficit of £28.1m.

Updated information as at 31 March 2021 in relation to, inter alia, scheme deficit prepared in accordance with IAS 19 is included in the financial statements of CMA for the year ended 31 March 2021. The March 2021 assets/liabilities are detailed below:

Notes on the financial statements

16. Pension arrangements (continued)

| | 2021 £000 | 2020 £000 |
|-------------------------------------|----------------------------|--------------|
| Present value of funded liabilities | (380,228) | (316,478) |
| Fair value of scheme assets | 335,161 | 248,325 |
| | <hr/> | <hr/> |
| Deficit | (45,067) | (68,153) |
| | <hr/> | <hr/> |

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 (MNOFF) is closed to new members and the actuarial valuation carried out at 31 March 2018 showed a gross deficit of £73m at the valuation date and that the market value of the assets of £3,278m covered 98% of the value of the liabilities. The Company could still be required to make contributions against any deficit.

As the Trustees of the MNOFF 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 MNOFF, 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 MNOFF 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 MNOFF 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.

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

| | 2021 £000 | 2020 £000 |
|---|----------------------------|--------------|
| CalMac Pension Fund | 4,394 | 8,556 |
| Ensign | 12 | 12 |
| Other schemes | 224 | 261 |
| | <hr/> | <hr/> |
| | 4,630 | 8,829 |
| | <hr/> | <hr/> |
| Contributions to be paid to pension schemes included in creditors | 479 | 424 |
| | <hr/> | <hr/> |

CalMac Pension Fund includes a contribution of £4.6m paid in 2020.

17. 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:

Notes on the financial statements

17. Related party transactions (continued)

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | £000 | £000 |
| Transactions during the year – receivable/(payable): | | |
| Scottish Ministers | | |
| - subsidy | 153,233 | 144,168 |
| - subsidy – pension contribution | - | 4,646 |
| - consultancy services | 1,381 | 1,463 |
| Caledonian Maritime Assets Limited | | |
| - vessel leasing charges | (15,653) | (16,508) |
| - harbour services | (9,008) | (17,711) |
| - vessel new build, modifications and other costs | 7,309 | 6,725 |
| - ferry travel costs | 5 | 9 |
| Solent Gateway Limited | | |
| - consortium relief | - | (108) |
| - management recharge | 315 | 619 |
| | <hr/> | <hr/> |
| | 2021 | 2020 |
| | £000 | £000 |
| Amounts due at end of year – receivable/(payable): | | |
| Scottish Ministers | | |
| - subsidy | 20,138 | 8,520 |
| - recharge of consultancy agreements | 564 | 360 |
| Caledonian Maritime Assets Limited | | |
| - harbour services | (132) | (1,037) |
| - vessel new build, modifications and other costs | 1,656 | 1,168 |
| - ferry travel costs | 1 | 1 |
| Solent Gateway Limited | | |
| - consortium relief | - | (108) |
| - management recharge | 1,796 | 1,796 |
| | <hr/> | <hr/> |

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 is a joint venture company between David MacBrayne Limited and GBA (Holdings) Limited. It is owned and controlled 50% by David MacBrayne Limited and 50% by GBA (Holdings) Limited.

18. 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 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 8.

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, Gourrock, PA19 1QP and are also available on the parent company's website.

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 insurers | The North of England Protecting & Indemnity Association |
| Website | Parent company: www.david-macbrayne.co.uk Company: www.calmac.co.uk |