

**DAVID MACBRAYNE LIMITED SCO15304
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

Contents

		Page No
<u>Part A</u>	<u>Strategic Report</u>	1
A1	Chairman and Chief Executive's Overview	2
A1.1	Chairman and Chief Executive's Overview (Gaelic)	3
A2	Background & History	4
A3	Strategic Priorities	4
A4	Deliver CHFS Contract Extension	4
A5	Enhance Operational Resilience	4
A6	Deliver Customer Service Excellence	5
A7	People First	7
A8	CHFS Contract Performance	7
A9	Financial Performance	9
A10	Environment	10
A11	Principal Risks	10
A12	Stakeholders and 172 Statement	12
<u>Part B</u>	<u>Governance</u>	16
B1	Board of Directors	17
B2	Principal Activity and Business review	17
B3	Purpose Statement and Values	18
B4	Corporate Governance Statement	18
B5	Board Committees	19
B6	Board and Board Committee Meetings	21
B7	Directors' Remuneration Report	21
B8	Statutory Disclosures	22
B9	Directors' Responsibilities	27
<u>Part C</u>	<u>Financial Statements</u>	28
C1	Independent Auditor's Report to the members of David MacBrayne Limited	29
C2	Group Income Statement	32
C3	Consolidated Statement of Comprehensive Income	32
C4	Group Balance Sheet	33
C5	Group Cash Flow Statement	34
C6	Group Statement of Changes in Equity	35
C7	Notes to the Group Accounts	36
C8	Company Balance Sheet	51
C9	Company Statement of Changes in Equity	52
C10	Notes to the Company Accounts	53
C11	Corporate Information	59

Part A
Strategic Report

A1. Chairman and Chief Executive's Overview

This has been another challenging year for our service – one shaped by the realities of an ageing fleet and increasing maintenance costs. These pressures have tested the resilience of our operations and the commitment of our people. Yet, through focused effort and purposeful leadership, we have continued to deliver for our customers and communities while laying the foundations for a more sustainable and reliable future.

One of our main priorities this year has been working with Scottish Ministers to develop arrangements for a new Clyde & Hebrides Ferry Services contract commencing on 1st October 2025 (commonly referred to as CHFS3), which will bring ferry services under public control, a critical milestone that underpins the continuity and future development of lifeline ferry services. To this end, we set out with clear objectives: enhance operational resilience, and improve the customer experience. We are pleased to report that progress against these aims has been encouraging and tangible across multiple areas of the business.

A major strategic initiative this year was the establishment of an Enhanced Engagement Model, designed to inject greater resilience and operational expertise at a local level. Central to this model was the creation of six newly defined regions, each led by area managers and deputy area managers, and embedded within local communities. This structural shift has not only improved day-to-day responsiveness but also deepened our relationships with the communities we serve – a cornerstone of effective, empathetic public service delivery. This model spearheads a reinvigorated approach to service delivery and customer operations and marks the start of a journey we expect will lead to us being 'best in class' in the maritime sector.

Plans to renew the fleet, owned by Caledonian Maritime Assets Ltd (CMAL), continued at pace. We welcomed the arrival of MV Glen Sannox, the first of six major vessels joining the fleet by early 2027. This brought increased capacity and reliability to Arran's service. We also bid a fond farewell to MV Hebridean Isles, acknowledging almost four decades of tremendous service across virtually the whole network. Looking ahead, we are excited to introduce more new vessels, including MV Isle of Islay and MV Loch Indaal in the coming year, which will further strengthen our network's resilience and capacity.

Meanwhile, the charter of MV Alfred proved to be a vital support during the prolonged unavailability of MV Caledonian Isles, which has been undergoing major repairs. This flexible approach – combining long-term fleet investment with tactical solutions that provide relief in the here and now – reflects our commitment to being responsive to meeting the needs of communities and customers in a difficult environment.

While operational challenges remain, so too does our determination. We are grateful for the continued patience and support of our customers and stakeholders, and we remain focused on delivering a service that is resilient, responsive, and fit for the future.



Erik Østergaard

Chairman

DML Board

11 December 2025



Duncan Mackison

Chief Executive Officer

DML Group

11 December 2025

For-shealladh a' Chathraiche agus a' Cheannaird

B' e bliadhna dhùbhlachd eile a bha seo dhar cuid sheirbheisean – tè a bha fo bhuaidh fìorachd aois cabhlaich agus fàs chosgaisean cumail suas. Chuir na h-uallaichean sin ath-leumachd ar dòighean-obrach agus dealas ar luchd-obrach fo dheuchainn. Ach, le cuimse amais agus stiùireadh gnothachail chùim sinn a' lìbhrigeadh dha luchd-ceannaich agus coimhearsnachdan, fhad 's a leag sinn bunait airson àm nas seasmhaiche 's nas earbsaiche romhainn.

B' e aon de phrìomh amasan na bliadhna seo an ath-chùmhnant airson Seirbheisean Aiseig Chluaidh is Innse Gall (SACIG3) bho 1 Dàmhair 2025 (ris an canar SACIG3 gu cumanta) a ghleidheadh, clach-mhìle bhunaiteach airson leantainneachd, agus leasachadh ri teachd, air seirbheis aiseagan dheatamach. Chuimsich sinn air a' cheann-uidhe sin le amasan soilleir: feabhas a thoirt air ath-leumachd obrach, agus eòlas luchd-ceannaich a leasachadh. Tha sinn toilichte innse gum bheil adhartas a dh'ionnsaigh nan amasan sin air a bhith misneachail agus nochdte thar iomadh roinn den ghnìomhachas.

Bha stèidheachadh Modail Dleastanais Leasaichte na prìomh iomairt ro-innleachdail am-bliadhna, ga dhealbhadh gus barrachd ath-leumachd agus sgil ealanta a shuidheachadh aig ìre ionadail. Aig cridhe a' mhodail seo bha sia sgìrean ùr-stèidhichte le stiùireadh fa leth. Chan e a-mhàin gum bheil an t-atharrachadh structair seo air freagairteachd làitheil a leasachadh, tha e cuideachd air dàimh a dhaingneachadh leis na coimhearsnachdan a tha sinn a' frithealadh – clach-oisein seirbheis lìbhrigidh poblach a tha èifeachdach is co-fhaireachail. Tha am modail seo a' tòiseachadh dòigh ùraichte air seirbheis lìbhrigidh is frithealadh luchd-ceannaich, a' comharrachadh toiseach cuairt sam bheil dùil againn a bhith aig "bàrr a' chlas" ann an roinn na mara.

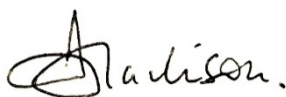
Ghluais planaichean ùrachaidh a' chabhlaich, a bhuineas do Caledonian Maritime Assets Earr (CMAL), gu sgiobalta. Chuir sinn fàilte air teachd MV Glen Sannox, a' chiad tè de shìs phrìomh shoithichean a thig dhan chabhlaich mu thoiseach 2027. Leudaich seo comas is earbsachd sheirbheis Arainn. Ghabh sinn cuideachd beannachd dhùrachdach le MV Eileanan Innse-Gall, ag aithneachadh faisg air ceithir deichead de sheirbheis shònraichte thar cha mhòr an lìonra gu lèir. A' coimhead romhainn tha fiughair oirnn eòlas a chur air tuilleadh shoithichean ùra, nam measg an ath-bhliadhna MV Eilean Ìle agus MV Loch Indaal, a chuireas tuilleadh neart ri ath-leumachd agus comas an lìonra.

Aig a' cheart àm bha cumhnant-fastaidh MV Alfred na thaic dheatamach is an MV Eileanan Cailleannach a-mach à seirbheis 's i a' faotainn chàraidhean mòra. Tha am modh-obrach sùbailte seo – a' co-mheasgachadh tasgadh fad-ùine sa chabhlaich agus freagairtean innleachdail a bheir faochadh an-dràsta fhèin – a' nochdadh ar dealas ann a bhith coinneachadh feumalachdan choimhearsnachdan agus luchd-ceannaich ann an àrainneachd dhuilich.

Ged a tha dùbhlain obrach a' leantainn, tha cuideachd ar dìongmhaltas. Tha sinn an comain foighidinn agus taic leantainneach ar luchd-ceannaich agus luchd-ùidhe, agus tha sinn a' cumail air adhart le cuimse air seirbheis a bhios ath-leumach, freagairteach, agus iomchaidh romhainn.



Erik Østergaard
Cathraiche
Bòrd DML
11 Dùbhlachd 2025



Donnchadh Mackison
Ceannard
Buidheann DML
11 Dùbhlachd 2025

A2. Background & History

David MacBrayne Limited is one of the largest logistics companies in Scotland and the largest ferry company in the UK. A multi-award-winning ferry operator, harbour, and ship management specialist, it is one of Scotland's biggest headquartered firms employing on average 2,109 people during this financial year.

DML, through its main subsidiary company CalMac Ferries Limited, delivers the Clyde and Hebrides Ferry Service contract, transporting more than five million passengers each year. We operate 35 vessels delivering services across 30 routes, to 55 ports and harbours. 26 of the port and harbour locations are operated by CalMac Ferries Ltd on behalf of Caledonian Maritime Assets Ltd.

A3. Strategic Priorities

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

DML's strategic priorities are:

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

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

- Deliver CHFS 2 Contract Extension
- Enhance Operational Resilience
- Deliver Customer Service Excellence
- Put People First

A4. Deliver CHFS Contract Extension

In 2024, we secured an extension of the Clyde and Hebrides Ferry Services (CHFS) contract until 30 September 2025. This enabled continued service delivery and supported development of an Enhancement and Change Plan (ECP) in collaboration with Transport Scotland. The ECP forms the foundation of our transformation programme, setting the stage for long-term service improvements and improved transparency.

Key achievements under the ECP include:

- Introduction of six regional areas led by dedicated management teams (Enhanced Engagement Model).
- Rollout of Regional Performance Scorecards.
- Enhanced community engagement and consultation.
- Improvements to the eBooking system, including deck space optimisation.
- Ongoing customer satisfaction tracking.
- Formation of integrated transport partnerships to improve journey connectivity.

One of our other priorities this year was to secure the new CHFS contract from 1 October 2025. The decision to directly award the contract to CalMac Ferries Ltd was announced by the Minister on 8 May 2025. This critical milestone underpins the continuity and future development of lifeline ferry services.

A5. Enhance Operational Resilience

Introduction of new vessels to the fleet

Working closely with our vessel owners CMAL, we successfully delivered MV Glen Sannox to passenger service between Troon and Brodick in January 2025, the first large vessel to join our fleet in over a decade. We've continued to work with CMAL and Ferguson Marine Port Glasgow to ensure a smooth initial few months in service. MV Glen Sannox's arrival marks the first of six major new vessels to join our fleet by 2027. This will see over half of our major fleet renewed, and in retaining other vessels we will have a permanent resilience vessel in the fleet in the near future.

We anticipate the delivery of MV Isle of Islay within the calendar year and MV Loch Indaal in early 2026, followed by MV Glen Rosa, MV Lochmor, and MV Claymore during 2026/27.

Additionally, our collaboration with CMAL has supported the Small Vessel Replacement Programme, with Phase 1 now awarded to a build yard and Phase 2 in active development. Between 2027 and 2029, seven new small vessels will join our fleet – meaning in total over a third of our fleet is renewed in the next four years, which will improve service reliability and reduce technical issues typical of an ageing fleet.

Improvements to Performance Reporting

Internal and external performance reporting saw substantial improvements this year. Internally, updates to our eBooking data marts have enhanced data accuracy and expanded accessibility via Power BI dashboards to frontline staff.

Externally, we increased transparency by publishing 29 Route Performance Reports, 6 Regional Reports, and 11 Island Performance Reports monthly, providing valuable insights into key service metrics. These are freely available on our website.

Improved Maintenance Management and Planning

A new Maintenance Change Management system was implemented to streamline New Vessel Maintenance Build planning. Adjustments in long-term yard contracts now reflect requirements for vessel introductions. We introduced a critical supplier audit framework, enhancing our quality management partnerships and ensuring stronger preventative maintenance planning.

Condition Assessment Programme

We continued to develop the Condition Assessment Programme, delivering enhanced surveys to evaluate age-related degradation. This proactive approach informs our preventative maintenance plans and reduces unplanned vessel downtime. Procurement of a Vibration Analysis Solution is underway to improve mechanical equipment monitoring.

Safety

We embedded Fleet Management and Harbour Standards across operations, reinforcing our commitment to safety. Improved internal investigation capabilities have allowed us to manage complex safety incidents effectively, with external expertise brought in where necessary.

A6. Deliver Customer Service Excellence

eBooking and Customer Website

Following the successful conclusion of the Digital Refresh Project, we redesigned our digital platform and launched a new CalMac app. These developments mark a key milestone in our evolution into a digital-first organisation.

The eBooking platform remains central to our digital strategy while continuing to support traditional service channels. We have introduced a range of enhancements based on customer and colleague feedback and we are working with our technology partner to ensure that the system evolves in line with changing user expectations.

Digital engagement has seen strong and sustained growth. Between 1st April 2024 and 31st March 2025, our platforms welcomed over 4.58 million active users – a 23% increase year-on-year. These users generated nearly 12 million sessions (up 25%) and contributed to a 20% increase in ticket revenue, reaching £33.16 million. Transactions grew by 17%, with a total of 682,995 bookings completed.

The newly launched CalMac app has also made an immediate impact. Between November 2024 and March 2025, it registered 28,331 Android and 44,828 Apple active users. The introduction of push notifications for updates on favourite routes has significantly improved real-time communication and customer convenience.

Our approach to customer service excellence is anchored in meaningful engagement, insight-driven improvements, and a steadily advancing digital infrastructure. With strong growth across digital platforms, higher satisfaction scores, and operational innovations, CalMac is better equipped than ever to deliver consistent, high-quality service to all customers.

Deck Space Management

There are many factors which impact on the day-to-day management of deck space, relating to the eBooking system functionality and performance, vehicle dimensions and bookings data quality, and processes around customer behaviour.

We have put in place an ongoing rolling review of vessel capacities to best represent these in the booking system and align with the patterns of demand seen across the network, including planning for new vessels coming into service.

A program of deck space optimisation has been initiated, bringing together areas of activity within the business which are all working towards a more accurate capacity management system and addressing customer needs. This includes mezzanine deck deployment optimisation and a review of terms and conditions around block bookings.

Enhanced Customer Communications

We refined our disruption communication strategy, offering up-to-date, route-specific updates and narrative-based customer summaries. The addition of impacted bookings visibility on service status pages enhanced transparency.

Our digital communications are continuously reviewed for clarity and relevance, with customer and colleague feedback shaping improvements. We have introduced clearer disruption messaging on our social media channels, with accessibility-friendly imagery.

Customer Standards and Training

We began embedding our updated Customer Promise—to be reliable, easy to deal with, and show we care—across the organisation. Updated Customer Standards, using the CARE model (Connect, Assess, Respond, Enjoy), are guiding frontline behaviours.

Centre of Excellence

We launched our Centre of Excellence (CoE) to support customer service training and operational consistency. Three training campuses were established in Gourock, Oban, and Stornoway, with 74 new Port Assistants and over 80 other staff trained across eBooking and customer service. Phase 1 of the CoE has set the foundation for long-term improvement and will eventually see all staff trained to the 'CalMac standard', ensuring customers have the same great experience wherever they are on the network.

Insight-driven action model

In April 2024, we deployed a customer experience measurement platform, internally known as RADAR (Real-time Analysis of Data and Actionable Reporting). This platform underpins our commitment to evidence-based decision making and represents a significant step forward in our approach to understanding and improving the customer experience.

RADAR facilitates real-time measurement and reporting of customer feedback across the network. Results are made available via self-serve dashboards at a granular level for each vessel, port location, and operational area. This transparency enables the business to pinpoint the key drivers behind customer sentiment metrics such as Overall Satisfaction with the Service CalMac Provides, Trust, and Ease of Travel. The platform empowers local teams by encouraging ownership of insights and enabling the delivery of timely, targeted interventions.

Our Insight into Action ecosystem ensures that the voice of the customer translates directly into service improvement. Through structured weekly and monthly review processes, feedback is analysed and acted upon in collaboration with operational stakeholders and those responsible for customer-facing delivery. Actions are tracked, with progress communicated both internally and externally, reinforcing our commitment to accountability and continuous improvement.

Crucially, the Insight into Action model is most effective when implemented alongside other transformation programmes, including the Enhanced Engagement Model, improvements in eBooking, and customer-focused communications.

The impact of this integrated approach is already evident. For example, Overall Satisfaction (OSAT) among island-based respondents increased from 66.7% in August 2024 to 75% in March 2025, representing a 12% improvement over that period. This uplift highlights the positive outcomes that can be achieved through robust insight, targeted action, and collaborative delivery.

Retail Update

Retail revenue reached £8.9 million, below the expected £10.8 million. This was due to several vessel disruptions, such as the lengthy absence of MV Caledonian Isles, the retirement of MV Hebridean Isles, and the reduction of passenger numbers on MV Isle of Mull. However, customer satisfaction scores rose, with strong performance from MV Loch Seaforth, MV Finlaggan, MV Hebrides, and MV Isle of Arran. Along with the new MV Glen Sannox also contributing positively. We awarded our coffee supply contract to Matthew Algie, enhancing our onboard offer.

Brand Engagement

Our brand reputation score increased to 73.3%, supported by strategic marketing campaigns and partnerships with local tourism bodies. Attending global travel trade events enhances economic growth by fostering networking opportunities, increasing brand visibility, and facilitating knowledge sharing, which leads to new business and collaboration. Additionally, these events promote destinations, boost tourism, and encourage cultural exchange, all contributing to overall economic development. The rollout of accessible branding and signage, including Royal National Institute of Blind People (RNIB) compliant designs on MV Glen Sannox, continues across the fleet and ports.

Communities

Taking on board feedback from communities across the network and recognising the need to be more responsive to local needs, we have restructured our Operations team so there are now six areas. Each area has an Area Manager and Deputy Area Manager, quadrupling the management team in operations. The Area Managers provide a direct link between communities and others at CalMac, and initial feedback has been positive in terms of the accessibility of these individuals. The change, part of our Enhanced Engagement Model, is still being fully embedded.

We have improved our communications with communities relating to all aspects of service delivery. This includes aiming to provide comprehensive rationale to our decision-making during disruption, conducting more robust consultation in timetable planning, and publishing performance reports which cover actual reliability.

A7. People First

Employee Relations and Wellbeing

We maintain positive engagement with all four recognised trade unions, with a 4% pay deal agreed in October 2024. An enhanced Employee Assistance Programme (including the Wisdom AI wellbeing app) which supports colleagues' mental and physical health, is accessible to all. This Programme is informed by our Wellbeing Survey, where we use feedback from our people to enhance the offering.

Learning and Development

Our Learning and Development team supports a blended training approach, offering digital and in-person options across regulatory, operational, and leadership topics. Over 100 Mental Health First Aiders have been trained, and we deliver ongoing line manager training, including Mental Health Awareness.

We continue to invest in early careers through:

- Seagoing Apprenticeship Programmes
- Cadet sponsorship
- Expansion of shore-based apprenticeships
- Engagement campaigns to attract diverse talent into maritime careers.

This programme of activity also creates opportunities for local employment in the communities we exist to serve.

We also introduced management training via the Centre of Excellence and strengthened succession planning and external coaching for top talent.

Commitment to Fair Work

As a Living Wage employer, we lead the industry with a favourable Gender Pay Gap for shore roles and transparent workforce practices:

- No zero-hours contracts
- Collective bargaining rights for all union-represented groups
- Monthly People Steering Group engagement

A8. CHFS Contract Performance

CHFS Service Statistics

Our performance is measured in two ways: contractual reliability and actual reliability.

The contractual statistics we report are based on the agreed timetable issued 21 days prior to the sailing day but excludes weather-related disruption, in line with how performance is assessed under our service agreement. However, we know that for the communities we serve, and the customers who rely on us, it's not just about what counts contractually - it's about the full picture.

That's why we also track and report actual reliability, which includes the growing impact of weather-related disruption - something that is becoming more frequent and more severe across the west coast.

By sharing both sets of figures, we aim to provide greater transparency, acknowledge the real-life impact of disruption, and give a clearer sense of how we're performing under increasingly challenging operating conditions.

The table below outlines contractual and actual reliability, as well as the number of sailings we operated in the last three years.

Fiscal Year Name	Contractual Reliability %	Actual Reliability %	Contractual Punctuality %	Actual Punctuality %	Operated Sailings
FY 2023	98.7%	95.2%	99.6%	96.6%	169,929
FY 2024	98.0%	92.6%	99.4%	96.2%	165,786
FY 2025	98.5%	92.7%	99.3%	95.4%	161,013

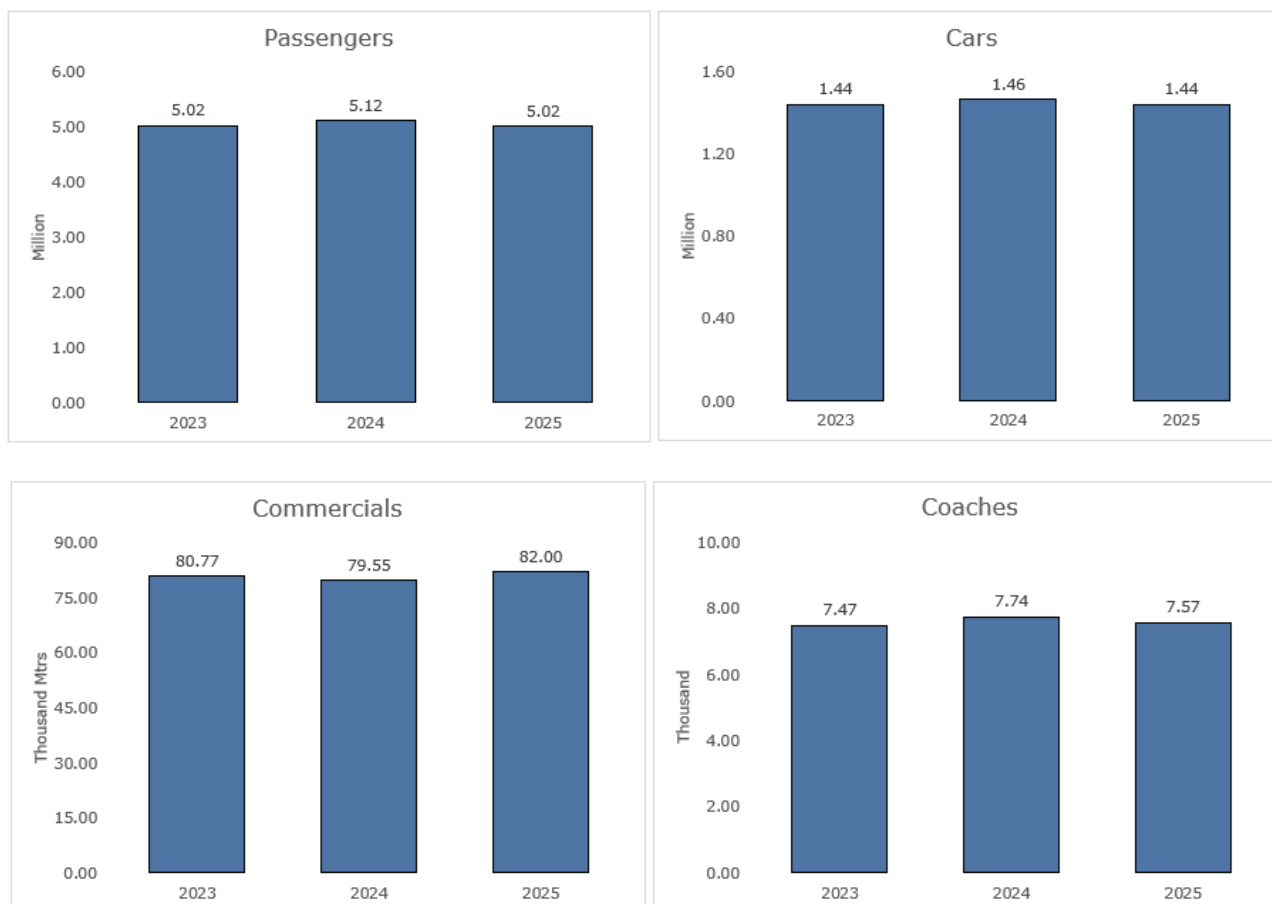
We operated 161,013 sailings during 2025 - meaning we achieved contractual reliability of 98.5% and punctuality levels of 99.3%, while our actual reliability was 92.7% and punctuality 95.4%.

CHFS Carryings

We carried over 5.0 million passengers, and 1.4 million cars, a slight decrease of 2.0% and 1.7% on prior year carryings.

We also transported 81,995 commercial vehicle metres in the year, which reflect an increase of 3.1% on prior year.

Fiscal Year	Passengers	Cars	Commercial (mtrs)	Coaches
FY 2023	5,020,637	1,441,649	80,768	7,469
FY 2024	5,117,761	1,464,755	79,551	7,737
FY 2025	5,016,458	1,440,179	81,995	7,566
Prior Year Growth/(Decline)	(2.0%)	(1.7%)	3.1%	(2.2%)



Overall Satisfaction with the Service CalMac Provides (OSAT) 83.8% (Target: 86%)

We have now moved to measuring OSAT in line with industry best practice. OSAT is 'How satisfied are you with the overall service CalMac has provided?', calculated from responses to our Post Journey email surveys performed by our customers using the QR codes in Ports and on Vessels.

The other headline Customer KPI we measure as part of the business plan is Trust. Trust is 'How much do you trust CalMac to deliver the service it offers?' Like OSAT, this measurement comes from customer responses to post journey email surveys and QR codes, the result for the year was 75.7%, and considered as good customer service (>75%).

Themes within our customer feedback results have focused on how we are handling disruption and dissatisfaction from service changes including how we communicate these changes. Feedback includes the following:

- Arran services operating from Troon and the introduction of the MV Glen Sannox featured particularly in feedback from our Clyde area.
- Throughout the network frustration around vessel reliability particularly relating to technical reasons, extended waits for long overdue new vessels and having to move vessels from routes to provide service to others also featured in feedback.
- Lack of booking availability features in feedback from our other surveys. Our frontline staff continue to receive positive recognition from our customers for their friendliness and helpfulness with many being perceived to have 'gone the extra mile' to assist customers

We track and report performance of these customer satisfaction results by operational area and for island communities.

A9. Financial Performance Overview

Income Statement

The Income Statement shows the results for the Group for the year. The Group's services yielded an Operating Profit of £5.8m (2024: 3.4m), which is an increase of £2.4m compared with 2024.

Profit after tax for the Group is £5.5m (2024: £3.0m).

Expenditure

Cost of sales to deliver all services in the year totalled £289.8m (2024: £257.1m). Cost increases include the impact of vessel maintenance across the fleet, particularly the major steelwork repairs to MV Caledonian Isles carried out during 2025. This year we also delivered the 2024/25 programme of vessel resilience, with funding provided by Transport Scotland, this programme was delivered by Caledonian Maritime Assets in prior years.

We have incurred costs associated with the introduction of the new MV Glen Sannox vessel which was delivered on 20 November 2024, including the new vessel lease and other operational costs to operate on the Arran route. We also have the charter of the MV Alfred operating the Arran route alongside the Glen Sannox during 2025.

There is also cost reduction in 2025 associated with the retiral from service of the Hebridean Isles on 17 November 2024.

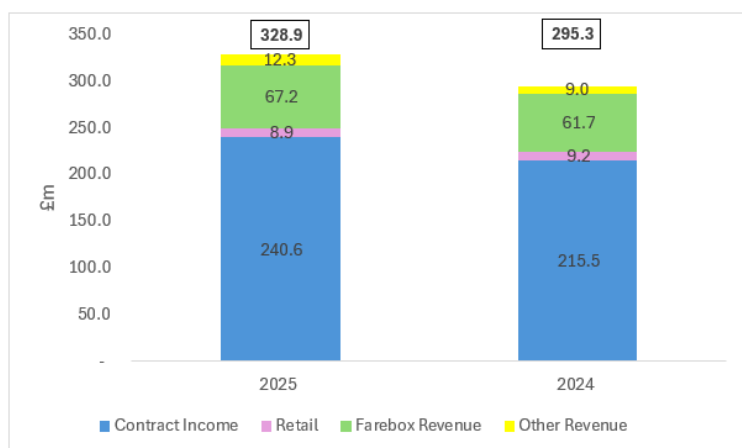
Other cost increases include annual inflation, which are partially offset by a reduction in fuel prices during 2025 compared with 2024.

Revenue

Revenue from ticket sales was £67.2m (2024: £61.7m), an increase of £5.5m, reflecting annual fares increase of 8.7% applied April 2024, as well as improved ticket sales yield.

CHFS Contractual income increased by £25.1m to £240.6m (2024: £215.5m). This reflects the net financial impact on expenditure and revenue during 2025; vessel maintenance, service impact of new vessel delivery and vessel charter, as well as inflationary cost increases.

The following graph shows the breakdown of Revenue by category for 2025 and 2024:



Balance Sheet

The net asset position on the Balance sheet at 31 March 2025 is £51m (2024: £45.5m) which reflects the financial and operational delivery of services, and associated funding received in the year.

Due to the extension of the CHFS Contract and bareboat charter to 30 September 2025, the Balance Sheet includes a £19.0m increase in the Right of use asset balance within Property, plant and equipment and a corresponding increase in the Lease liability to reflect the contract extensions.

In preparation for the arrival of the new vessels, CalMac Ferries Ltd invested in stocks of engineering consumables to ensure the resilience of the new fleet as they enter service. We also invested in the purchase of other strategic vessel consumables and equipment in the year to support ongoing service resilience across the existing fleet.

Cash holding at the year end increased by £8.3m to £72.8m (2024: £64.5m).

Financial Performance Key Performance Indicators

Income Statement	2025	2024
Farebox Revenue Growth	8.9%	0.6%
Gross Profit %	11.9%	13.0%
Operating Profit %	1.7%	1.2%
Balance Sheet		
Current Ratio	1.63	1.63
Quick Ratio	1.48	1.55
Days Payable Outstanding	22	22
% Suppliers paid within 30 days	94.6%	95.0%

A10. Environment

CalMac Ferries is committed to supporting the aims of the Scottish Government to provide a wealthier and fairer, smarter, healthier, safer, stronger and greener Scotland. We operate under the requirements of our ISO 14001:2015 Environmental Management System which identifies and mitigates the environmental risk of our operations. Our environmental performance is managed by the Environmental Team with support across the organisation.

CalMac's business plan sets out three main objectives with the aim of providing the best and most resilient service possible. There is a strong focus within the plan on our customers, our colleagues, and our communities. Aligning this focus with our commitment to the environment, we have developed the following vision for the Environmental Plan:

To be a responsible and forward-thinking ferry operator, and to contribute to improvement of life wherever we sail. To navigate through these environmentally challenging times and become a company which has achieved progress, and innovated successfully, towards creating a more sustainable future.

To deliver on this vision, CalMac has identified five tangible goals, with climate change mitigation being the driving force behind the development of these goals:

1. Provide a more environmentally sustainable service
2. Reduce scope 2 and 3 emissions by 2% year on year
3. Foster economic growth of our island communities, and support their journey to carbon neutrality
4. Increase our recycling rate to consistently exceed 70% and reduce our landfill rate to 5% by 2028
5. Actively contribute to biosecurity and conservation in the areas we operate

Each Goal has a set of actions which are embedded throughout the business, with defined targets set and progress closely monitored.

Emissions

2025 has seen our total Greenhouse Gas emissions decrease by 0.15% compared to the previous year. However, this is still lower than the baseline year at 17.5%. Comparable analysis from the previous year shows that Scope 1 and 2 emissions have decreased by 0.3%, however Scope 3 emissions have increased by over 30%.

Waste

Total waste arisings have decreased by 2% from the previous year and recycling rates have slightly decreased from 60% to 57%. Landfill rates remained static at 30%. To help increase our recycling rate, we have established a new PPE and uniform recycling scheme at the mainland ports which has already seen nearly 2 tonnes of waste being recycled and diverted from landfill. We continue to investigate new methods to recycle waste including specialist areas such as IT equipment.

Biodiversity

To protect biodiversity, we continue our CalMac Marine Awareness Programme working with ORCA, Joint Nature Conservation Committee (JNCC) and Royal Society for the Protection of Birds (RSPB) to undertake marine biodiversity monitoring activities and passenger engagement onboard our vessels. In 2024, ORCA recording 12 different marine species and spotted 815 individual animals over 27 surveys over 5 different CalMac routes. With this we are in the process of achieving Predator Free Certification from RSBP which will help protect vulnerable islands from invasive predators. It is anticipated that this certification will be achieved by summer 2025.

A11. Principal Risks

The Group's Risk Management Strategy

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

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

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

Reference	Risk	Key Mitigations
Fleet Reliability	There is a risk that some of our vessels may be unavailable for an extensive period, impacting on our ability to deliver a reliable service. This risk arises as we operate a fleet of vessels with a diverse age range, condition, and complexity. This risk will continue to be the Group's biggest risk until new vessels are brought into the fleet.	<p>We are collaborating with CMAL (vessel owner) and Transport Scotland on several initiatives that will improve vessel reliability:</p> <ul style="list-style-type: none"> • Vessel Replacement Programme, introducing new vessels into the fleet. • Vessel Disposal Plan transitioning the highest risk vessels following the introduction of vessel replacements. • Delivery of Upgrade and Resilience programme of work for the fleet. • Provide support for Transport Scotland to develop the vessel strategy for the Scottish Government Ferries Plan. • Exploring the potential chartering of vessels in collaboration with Transport Scotland. <p>We have also developed a programme of Fleet Reliability improvement initiatives that include:</p> <ul style="list-style-type: none"> • Introduction of structural maintenance policies and the development of a maintenance programme ringfencing time within the timetables of new and existing fleet. • Delivery of Preventative Maintenance Strategy, and condition monitoring programme for major vessel equipment. • Embedding learnings and improvements from experience, vessel technical events and investigations.
Ticketless Travel	There is a risk that we could potentially lose revenue if all passengers are not ticketed on all routes.	<p>CalMac has established a Centre of Excellence team, along with the introduction of an eBooking Governance Group. Both areas focusing on the following key areas to mitigate risk:</p> <ul style="list-style-type: none"> • Implementation and regular review of a technical register of system issues driving quicker resolution for notified technical issues. • The delivery of enhanced training across all staff with ease of access to training documentation when required. • Monitoring of non-compliance and ticketless travel and Revenue Protection assurance activity across the network.
Cyber Attack	There is a risk of a cyber-attack that could lead to systems and data being unavailable to fulfil business, contractual or legal obligations. CalMac could be susceptible to phishing attacks, ransomware, and other forms of malware that could jeopardise customer data and disrupt our operations.	<p>CalMac is pursuing Cyber Essentials Plus Accreditation</p> <ul style="list-style-type: none"> • Regular security exercises and stress testing of our IT Security provisions are undertaken to help us understand and address any identified weaknesses. • We work closely with our partners in the IT Supply Chain to ensure we deploy robust security measures. • IT Security Training is rolled out to all CalMac staff to ensure that staff are vigilant to potential cyber-attacks and the steps to take should they identify any potential threats. • Embedded Cyber Security within our Business Continuity Planning, considering scenarios and testing outcomes to ensure mitigation.

Disrupted Sailings	There is a risk that increased network disruption negatively influences the customer experience, impacts on revenue and damages the reputation of CFL.	<ul style="list-style-type: none"> • CalMac created a dedicated team who manage disruption and facilitate the timely movement of customers from affected sailings. • CalMac has implemented a disruption dashboard and has augmented the service status pages to inform customers of amendments to sailings. • CalMac actively tracks the progress of any disruption to maintain operational clarity and improve inter-departmental co-ordination.
--------------------	--	---

A12. Stakeholders and Section 172 Statement

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

Stakeholder: Customers
<p>Key Issues:</p> <p>Regular and reliable ferry service with minimal disruption to improve customer experience and support island residents, and customers' business and leisure travel expectations.</p> <p>Communities having the opportunity to contribute directly on priority issues relating to service provision.</p>
<p>Engagement Activities:</p> <p>Customer Steering Group We hold regular Customer Steering Group meetings for our colleagues and customers to collaborate on key customer focused issues and improve where possible. Meetings focus on core operational issues/impacts, to seek feedback and identify ways to improve our service.</p> <p>Communication We continually review our customer communications and regularly assess the impact of these communications to identify where we can improve. Our primary focus this year has been to pro-actively communicate with our customers to prepare them for their journey. Through cross departmental collaboration and actions driven via customer led insight, our teams aim to provide timely, accurate and quality information that aligns with our customers and colleagues needs.</p> <p>Community Engagement We have continued to grow our consultations with communities, holding face-to-face community drop-in sessions, launching our voice of the customer feedback monitoring and attending key community forums. Inviting our customers to contribute directly on priority issues has allowed for more meaningful engagement and understanding of the challenges our customers face, utilising data-based decision making for improvements to the customer experience.</p>

Stakeholder: Client (Transport Scotland)
<p>Key Issues:</p> <p>Transport Scotland's vision is that island transport connectivity should enable sustainable, inclusive, safe and accessible movement of people, goods and services to support island communities. The key issues in relation to the CHFS contract are;</p> <p>Service Resilience and Performance Community Engagement Affordability Long term infrastructure strategy for vessels and ports</p>
<p>Engagement Activities:</p> <p>Monthly Contract Meetings We attend monthly CHFS contract meetings with Transport Scotland, and provide detailed KPIs and performance metrics, in relation to contractual performance and service reliability.</p> <p>Community Engagement Our Community engagement strategy supports Transport Scotland in meaningful community engagement, including regular timetable matters, as well as more significant changes driven by vessel changes and/or harbour infrastructure projects. By working in collaboration with Transport Scotland, we ensure that community feedback and concerns are incorporated into our service planning and delivery.</p>

<p>Financial Monitoring & Planning Meetings</p> <p>We lead a monthly meeting to discuss both financial performance monitoring and both medium and long-term financial planning to align with the delivery of core services, our Change Plan, and the programme of new vessels to the fleet.</p> <p>Enhancement & Change plan</p> <p>The Enhancement & Change Plan is CalMac's commitment to meeting the challenge set by the Cabinet Secretary for Transport and represents a significant step towards improving the quality and reliability of our ferry services. It is made up of initiatives managed across the business and our objective is clear: to improve every journey. We provide a quarterly update to Transport Scotland.</p> <p>Tripartite Network Planning Forum</p> <p>We chair this group. The purpose of the Tripartite Network Planning Forum is to provide a structured forum for strategic decision-making, coordination, and oversight regarding the future development, enhancement, and management of the network. The Group will address long-term plans and strategies as depicted in the Strategic Network Plan and associated frameworks, including CHFS2 and CHFS3. The group meets quarterly.</p> <p>Network Strategy Group/Project Steering Committees</p> <p>We are an active participant in the Ferry Division's monthly Network Strategy Group and Project Steering Committees, to support Transport Scotland in their strategic decision-making and contributing to their long-term strategy and goals.</p> <p>Prioritisation Group</p> <p>We are a participant in this group and the purpose of the meeting is to discuss the prioritisation of external projects that have had escalations to Transport Scotland. The group meets monthly.</p>

<p>Stakeholder: Suppliers</p> <p>Key Issues:</p> <p>International Conflicts</p> <p>We continue to work closely with our key suppliers to determine the impact of any on-going conflicts on our supply chain. We engage regularly and risks have been highlighted, including price increases and potential continuity of supply issues which we have been effectively managing.</p> <p>Prompt Payment</p> <p>Suppliers expect to be paid promptly after goods or services have been provided. We adopt processes in line with the Scottish Government Prompt Payment policy.</p> <p>Engagement Activities:</p> <p>Supplier relationship Management (SRM)</p> <p>We continue to develop and improve our SRM programme. Processes and procedures have been continuously improved to enable this work stream, which supports the delivery of high-quality goods and services.</p> <p>Supplier Score-carding</p> <p>All critical suppliers are scored across essential criteria for quality, cost, sustainability, and service. This continues to be an established part of our business-as-usual processes, with buy in from our internal stakeholders and supply chain.</p> <p>Routes to Market</p> <p>Where appropriate, the Competitive Procedure with Negotiation (CPN) is used as the route to market. In our regulated procurement environment, this continues to support engagement with suppliers during the procurement process to enable the award of robust, commercially viable contracts that have delivered high quality goods and services.</p>
--

<p>Stakeholder: Employees</p> <p>Key Issues:</p> <p>Career Development & Training Employee Diversity & Inclusion Employee Voice & Trust Competitive, Market Aligned Pay and Reward</p> <p>Engagement Activities:</p> <p>Talent Management & Succession Planning, Statutory Training, Safety at Work</p> <p>We continue to invest in the development of our staff, supporting developmental training and career development plans across the organisation as identified through our Talent Management and Succession Planning processes. This is above our core programmes of statutory training, to ensure our staff maintain essential safety at work and professional certifications to support service delivery.</p> <p>We will focus on creating career paths for roles within the organisation to support both employee career progression and management of the talent pipeline.</p>
--

<p>Employee Wellbeing Our Wellbeing Committee and our Women's Network also provides a forum for employees to share views and contribute positively to company initiatives.</p> <p>Occupational Health To support the positive health of our people we work with an Occupational Health provider, an industry leading Employee Assistance Programme and a dedicated Absence Reporting Helpline offering support when needed. In addition, we have a network of Mental Health First Aiders who can support our colleagues across the organisation.</p> <p>Women's Network We have signed up to the Maritime UK Diversity Pledge and the Women's Network re-launch date was 6 August 2025 which will commence an action group, a network designed for colleagues to share, network and support one another to thrive, develop and progress careers in the industry.</p> <p>Employee Voice We recognise four trade unions, Nautilus International, RMT, Unite and TSSA, for collective bargaining purposes and engage positively with them on all issues affecting our people.</p> <p>Employee Surveys We conduct employee surveys to understand the organisational performance and culture, identifying areas of success as well as identifying key areas requiring further action.</p>

<p>Stakeholder: Communities</p> <p>Key Issues:</p> <p>Service Reliability and Fleet Availability Fleet deployment across many communities, to maintain a breadth of core lifeline service across the network during periods of disruption.</p>
<p>Engagement Activities:</p> <p>Community Group Meetings We attend and support over 25 Ferry Committees and other community group meetings across the network. By ensuring our focus and attention to these group meetings we have seen positive improvements, particularly with regards to open, honest, and transparent discussions.</p> <p>Ferry Stakeholder Group Meetings Ferry stakeholder group meetings have continued twice-yearly with representation at each of the three geographical Scottish Government meetings where we have worked closely with Transport Scotland, CMAL, Hitrans and relevant local councils.</p> <p>Ferry Communities Board The Ferries Community Board has continued to provide a very valuable link across the network. Through the Community Board we have been able to seek opinion and viewpoints on strategic matters impacting our contract and our service. The board have played an influential part in helping us to shape our business.</p> <p>Enhanced Engagement Model During this year, we have introduced a new operational community support model with each area engaging with a single point of contact within CalMac who understands the customer needs and can represent the customer internally in CalMac.</p>

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

Board discussions and decisions taken during 2024-25, where stakeholder views were considered and informed the decision.

Financial Planning

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

During the annual planning process and as part of our regular strategy reviews, we review funding requirements. This ensures that our financial planning supports delivery of our strategy and meet shareholder expectations by paying dividends when appropriate. Our strategy is ambitious but will position DML well for CHFS3 which is underpinned by the delivery of commitments to our stakeholders.

Enhanced Engagement Model

The Board approved an Enhanced Engagement Model with additional Area Managers and Deputy Area Managers across the network to provide the following frontline operations improvements:

- Health & Safety – address lack of time and resource for frontline operations staff to allow consistent application of and adherence to core processes and procedures across ports & harbours
- Stakeholder Communication – increasing the number of Area Managers from 4 to 6 to allow greater focus on communication with communities and to improve the quality of this communication.
- eBooking implementation – renewed and improved training for frontline staff in combination with greater management support to improve the service to customers and ensure this system was fully embedded within the business.
- Culture – this model was designed to support frontline staff and assist them in carrying out their duties as well as demonstrate that the business was listening to and addressing the concerns of stakeholders.



Duncan Mackison

Chief Executive Officer

DML Group

11 December 2025

Part B
Governance

B1. Board of Directors

Erik Østergaard **Chairman**

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

David Beaton **Non-Executive Director**

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

Tim Ingram **Non-Executive Director**

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

Grant Macrae **Non-Executive Director**

Grant Macrae is a Member of ICAS and CIPFA and has extensive experience of audit, risk management and governance. For many years he led external audit of a wide range of entities owned by government across the public sector. He has participated in the development of international accounting standards. Since returning to the UK, he has been a board member of several bodies where he has chaired finance or audit and risk committees. He has also been an independent member of the audit and risk committee of two large organisations. He was a Board Member of the Scottish Police Authority until 31 March 2025.

Kay Ryan **Non-Executive Director**

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

Lucy Conway **Non-Executive Director (Appointed 3 November 2025)**

Lucy Conway, an islander based on Eigg, brings extensive personal, business, and community understanding of the challenges of essential ferry service provision. She is a current Director of the Isle of Eigg Heritage Trust, which manages the community-owned island and works to improve access to opportunities and services. Her career includes creative and community economic development roles with Highlands and Islands Enterprise and the Island Communities Fund at Inspiring Scotland. On Eigg, Lucy has worked at the local primary school, volunteered as a Community First Responder, and runs a self-catering business on her croft. She is a founding member of Visit Small Isles and SCOTO (Scotland's Community Tourism Network) and serves on the SSEN Transmission Regional Community Benefit Fund panel. Prior to settling on Eigg, Lucy also lived in communities across the Highlands and Islands.

John Nolan **Non-Executive Director (Appointed 3 November 2025)**

John Nolan brings over 35 years of experience in senior technology roles, having developed and operated systems across banking, oil, eCommerce, telecommunications, advertising, media, and transportation. He served as Chief Technology Advisor to the UK Met Office and has held CTO positions in several organisations. He provides guidance to corporations and start-ups on technology strategy and operational processes and is recognised as an ACM Distinguished Engineer.

Duncan Mackison

Executive Director (Appointed 12 February 2025)

Duncan Mackison is CEO for CalMac Ferries Limited. Duncan has more than 25 years' experience in senior executive roles at MD and CEO level, responsible for the delivery of complex outsourced service contracts to government and local government customers in a variety of sectors including transport, defence, property and technology. He has significant experience in leading service transformation and change, working for companies such as G4S, Serco, Buccleuch Group, David MacBrayne and Biffa, with responsibility for annual contract income values up to £400m and staff numbers up to 5,000. His early career was as an officer in the Royal Marines.

B2. Principal Activity and Business Review

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

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

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

B3. Purpose Statement and Values

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

We are hard-working and conscientious, resilient and responsible, warm and welcoming to all.

We operate 35 vessels serving over 50 destinations across 200 miles of Scotland's west coast. Our primary focus is providing the highest customer service, safety, and reliability for our communities, our people and anyone who travels with us.

Our core values are:

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

B4. Corporate Governance Statement

The Group is committed to ambitious standards of corporate governance, business integrity and professionalism in all its activities, a summary of which is set out on the remainder of this page and pages 19 to 26.

Board of Directors

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

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

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

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

Board balance and independence

The Board currently comprises five Non-Executive Directors (including the Chairman) and one Executive Director. The Board considers that all Non-Executive Directors are independent.

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

The Directors believe their collective experience provides an appropriate mix of skills, experience, and expertise. The Board Committees comprise Directors with a mix of relevant skills and experience such that no undue reliance is placed on any one individual.

The Non-Executive Directors combine broad business and commercial experience with independent and objective judgement and constructively challenge and assist the development of proposals on strategy.

The balance between Non-Executive and Executive Directors enables the Board to provide clear and effective leadership and maintain the highest standards of integrity and professionalism across the Group's business activities.

Appointment of Directors

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

Information, induction, and professional development

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

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

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

Performance evaluation

The Chairman's performance is assessed by Scottish Ministers and the performance of Non-Executive Directors is assessed by the Chairman. The performance of the Chief Executive Officer is assessed by the Board. Executive Directors' performance is assessed by the Chief Executive Officer and reported to the Remuneration Committee.

Internal control

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

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

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

Control structure

The Group's control structure is the responsibility of the Directors and Managers at all levels. The Group's organisational structure has clear lines of responsibility and effective communication channels which ensures that best practice in managing risks and controls is consistently applied throughout the Group.

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

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

Identification and monitoring of business risks

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

Major corporate information systems

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

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

Going concern

Based on the information available to them, the Directors have assessed that these accounts are prepared on a going concern basis.

The current CHFS contract has been extended to 30 September 2025. The Transport Minister announced on 8 May 2025 that Scottish Government will implement a direct award of the next Clyde and Hebrides Ferry Services contract to CalMac Ferries Ltd, which will commence on 1 October 2025 for a period of 10.5 years.

B5. Board Committees

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

Audit & Risk Committee

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

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

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

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

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

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

G Macrae (Chairman)
D Beaton
T Ingram
K Ryan

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

Remuneration Committee

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

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

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

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

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

G Macrae (Acting Chairman)
E Ostergaard
K Ryan

Health, Safety, Environment & Quality (HSEQ) Committee

The Group Health, Safety, Environment & Quality (HSEQ) Committee is required, on behalf of the Board, to satisfy itself as to the adequacy and effectiveness of the Health & Safety, Waste, Quality and Security policies and procedures adopted in compliance with all legislation and other requirements of safety, health, environmental and quality matters affecting

the Company's activities. The Committee may investigate or comment on these and any other related issues that are referred to it or as may appear to be necessary.

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

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

T Ingram (Chairman)
D Beaton
K Ryan

B6. Board and Board Committee meetings

The number of Board and Board Committee Meetings held during the year, and the individual attendance by members holding office for the year ended 31 March 2025, was as follows (figures in brackets denote the number of meetings which members were eligible to attend):

	Board	Audit & Risk	Remuneration	HSEQ
E Østergaard	11 (11)	-	6 (6)	-
D Beaton	10 (11)	6 (6)	-	2 (4)
T Ingram	11 (11)	6 (6)	-	4 (4)
G Macrae	11 (11)	6 (6)	6 (6)	
S O'Connor	3 (5)	-	2 (2)	1 (1)
K Ryan	11 (11)	6 (6)	3 (3)	4 (4)

Based on committee membership through the year.

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

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

Relations with sole shareholder

As disclosed in the Directors' Report, the Company, which is currently designated as a Non-Departmental Public Body, is wholly owned by the Scottish Ministers.

The Scottish Ministers' appointed Assessor has the right to attend all Board meetings.

B7. Directors' Remuneration Report

Details of Directors' remuneration for those holding office during the year to 31 March 2025 are as follows: -

	Salary £000	Fees £000	Compensation for loss of office £000	Benefits in kind £000	Total 2025 £000	2024 £000	Employer's Pension Contribution 2025 £000	2024 £000
Executive Directors								
R L Drummond	105	-	48	4	157	186	18	52
D Mackison	221	-	-	14	235	-	10	-
Non-Executive Directors								
E Østergaard	-	38	-	-	38	38	-	-
S O'Connor	-	4	-	-	4	12	-	-
G MacRae	-	12	-	-	12	12	-	-
T Ingram	-	12	-	-	12	12	-	-
D Beaton	-	12	-	-	12	9	-	-
K Ryan	-	12	-	-	12	4	-	-
	326	90	48	18	482	273	28	52

Pensions

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

	Annual Pension payable from normal retirement date based on service and salary at March		After taking account of inflation during the year, the increase in annual pension is		The effect on the transfer value of the movement in annual pension is		Transfer value based on accrued pension	
	2025 £000	2024 £000	2025 £000	2024 £000	2025 £000	2024 £000	2025 £000	2024 £000
R L Drummond	35	34	1	5	(37)	64	332	369

Allowance has been made in the above for the contributions made by Directors. D Mackison employer pension contributions during 2025 do not relate to CalMac Pension Fund. Normal Retirement Age (NRA) within the CalMac Pension Fund is 65.

Service Contracts of Executive Directors

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

	Term	Notice of termination by the Company	Notice of termination by the Director
D Mackison	Coterminous with holding the associated executive post	6 months	6 months

B8. Statutory Disclosures

Strategic Report & Directors' Report

The Strategic report and the Directors' report for the year ended 31 March 2025 comprise pages 2-27.

Directors and their interests

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

E Østergaard	
D Mackison	Appointed 12 February 2025
R L Drummond	Resigned 12 July 2024
T Ingram	
G Macrae	
S O'Connor	Resigned 25 July 2024
D Beaton	
K Ryan	

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

Directors' Indemnification

The Directors' of DML Group Limited are covered by the Directors and Officers liability Insurance arranged by Marsh Ltd with Omega Management Liability, placed through Liberty Specialty Markets. The policy provides a limit of £10,000,000 for each single claim.

International Financial Reporting Standards

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

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

Safety, Environment and Security

The Board of Directors recognises their obligations in relation to Health and Safety to ensure the safe operation of our Vessels, Ports and Harbours, Shore Support Services and Support Services. Our commitment is clearly documented in our Health and Safety Policy, with arrangements and responsibilities clearly defined. This is supported by our organisational structure and a robust company management system.

Our Legal Register process defines applicable legislation that is relevant to our business activities for both Occupational Health and Safety and Environmental requirements. New legislation or changes to legislation are reviewed as part of this process to ensure that we remain compliant with statutory requirements across the key areas of legislation including security.

We undertake regular internal assurance through our integrated audit programme. This is risk based and any actions arising from this are documented with suitable and sufficient corrective actions applied. We are also regularly audited by external auditors including the MCA and Lloyds Register, alongside audits for our ISO9001 and ISO 14001 certification.

We have a robust incident procedure to capture any adverse events such as accidents and near misses, ensuring that suitable investigation is undertaken and learning outcomes identified. These are input into our management system to ensure continuous improvement.

Risk assessments and trend identification continue to be used as the foundation of all safety, environmental and security tasks.

The safety arrangements within the Group requires regular reporting to the Group HSEQ Committee. The purpose of this committee is to review and monitor the application and adherence to formal policies and procedures and the effectiveness of policies and completeness of the policy framework in connection with the safe, health and secure operation of the Group's business and provide assurance of performance to DML and its Board. The Committee also reviews and monitors adherence to the Group's environmental policies and reports to the Board on the outcome of such reviews.

Environmental Policy

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

Environmental Plan

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

Methodology

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

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

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

Annual energy consumption and associated greenhouse gas emissions are reported in kilowatt hours (kWh) and tonnes of carbon dioxide equivalent (CO₂e) respectively. Conversions have, where possible, been carried out using UK Government GHG Conversion Factors for Company Reporting 2024.

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

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

Materiality

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

Emissions and energy use

	2025	2024	2023	2020 Base year
<i>Scope 1: Direct GHG Emissions (tCO₂e)</i>				
Mobile transport (vessels, fleet vehicles)	127,877	121,606	128,109	126,625
Stationary combustion (gas, heating oil, wood chip)	45	134	256	163
CO ₂ from Biofuels (Out of scope)	3	145	92	129
<i>Scope 2: Indirect GHG Emissions from imported energy (tCO₂e)</i>				
Purchase of electricity	632	691	685	907
<i>Total Scope 1 and Scope 2 Emissions (tCO₂e)</i>	128,557	122,431	129,050	127,695
<i>Energy consumption used to calculate Scope 1 and Scope 2 Emissions (kWh)</i>	<i>474,554,630</i>	<i>472,445,822</i>	<i>501,335,011</i>	<i>504,122,609</i>
<i>Scope 3: Indirect GHG Emissions (tCO₂e)</i>				
Business travel (air, land, hotel stay)	1,246	945	827	684
Electricity transmission and distribution	50	60	63	-
EV charging points for public use	19	18	11	2
Waste disposal	364	313	417	-
Water supply and treatment	23	20	13	-
Well-to-Tank (vessels, fleet vehicles, gas, heating oil, wood chip, electricity, business travel)	27,445	28,491	29,602	-
<i>Total Scope 3 Emissions (tCO₂e)</i>	29,147	29,847	30,933	686
<i>Total Scope 1, Scope 2 and Scope 3 Emissions (tCO₂e)</i>	157,704	152,278	159,983	128,381
<i>Intensity Ratio</i>				
Kg CO ₂ e / vessels distance travelled km (vessel emissions only)	0.086	N/a	N/a	N/a
Kg CO ₂ e / vessel distance travelled km (whole organisation emissions)	0.106	N/a	N/a	N/a

The scope of the Group's GHG inventory was broadened in 2023 to encompass emissions related to well-to-tank emissions for electricity and business travel, this is why there is no baseline for these sources in 2020. The inclusion of these Scope 3 emissions sources continues to enhance the comprehensiveness of the Group's annual SECR report.

Measures taken to improve energy efficiency

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

Intensity Ratio

A new intensity ratio has been included this year which is based on vessel distance travelled in km.

Employees

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

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

As a company owned by the Scottish Ministers of the Scottish Government, we fully subscribe to the Government's Race Equality Scheme, Disability Scheme, Gender Equality Scheme and the Modern Slavery Statement. As an organisation, we

continue to develop structures and systems to ensure that equal opportunities become an integral part of our thinking and behaviour. Our Modern Slavery Statement is reviewed annually by the Board and published on our website.

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

We publish our Gender Pay Gap annually and work proactively to encourage increased diversity in what is traditionally a very male dominated workforce. For the fourth consecutive year, we are pleased to report a Gender Pay Gap favourable to women within our shore-based workforce, which includes employees working at ports across our network and within support services functions. Additionally, we are encouraged by the balanced 50:50 male-to-female representation in our Executive Management Team, reflecting our commitment to leadership diversity.

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

Employee Consultation

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

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

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

Policy of employment of people with disabilities

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

Employment recruitment

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

Investing in Developing our People

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

2025 saw the launch of our Centre of Excellence (CoE) – our new central hub that drives operational excellence, sparks innovation, and keeps things consistent across the business. The COE aims to enhance efficiency, streamline processes, and improve both customer and employee experiences, ultimately equipping our staff with a sharper focus on customer-centric service delivery.

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

Performance Management

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

Attendance Management

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

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

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

Whistleblowing Policy

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

Research and Development

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

Financial instruments

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

Disclosure of information to Auditor

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

Auditor

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

On behalf of the Board



Erik Østergaard
Chairman

11 December 2025

B9. Directors' Responsibilities

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

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

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

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

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

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

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

Part C
Financial Statements

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

Opinion

We have audited the financial statements of David MacBrayne Limited ("the Company") for the year ended 31 March 2025 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, Group Statement of Changes in Equity, Group Balance Sheet, Group Cash Flow Statement, Company Balance Sheet, Company Statement in Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and 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 their 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 Group's business model and analysed how those risks might affect the Group and 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; and
- 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 Group or 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 Group or 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 Group's high-level policies and procedures to prevent and detect fraud, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets, our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and Company management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates.

On this audit we do not believe there is a fraud risk related to revenue recognition because, with the exception of CHFS2 revenue, the Group and Company's revenues consist entirely of routine, non-complex transactions which are subject to systematic processing and do not require significant judgements.

We did not identify any additional fraud risks.

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

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management 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 Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 27, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Wilkie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

319 St Vincent Street
Glasgow
G2 5AS

11 December 2025

C2. Group Income Statement for the year ended 31 March 2025

	Note	2025 Total £000	2024 Totals £000
Revenue	2	328,867	295,310
Cost of sales		(289,826)	(257,059)
Gross profit		39,041	38,251
Administrative expenses		(33,289)	(34,828)
Operating Profit		5,752	3,423
Finance Income	3	493	311
Gain on disposal of Non-current Asset		-	64
Profit before tax	4	6,245	3,798
Taxation	6	(771)	(841)
Profit for the year		5,474	2,957

C3. Group Consolidated Statement of Comprehensive Income for the year ended 31 March 2025

		2025 £000	2024 £000
Profit for the year		5,474	2,957
Other comprehensive income, net of tax			
Change in value of cash flow hedge recognised		-	-
Tax relating to cash flow hedge	6	-	-
Total comprehensive income attributable to equity holders of the parent		5,474	2,957

The accompanying notes are an integral part of these financial statements

**C4. Group Balance Sheet
as of 31 March 2025**

	Note	2025 £000	2024 £000
Non-current assets			
Property, plant and equipment	7	11,611	11,163
Deferred tax	8	814	787
		12,425	11,950
Current assets			
Inventories	9	9,230	4,650
Contract assets	2	1,515	-
Trade and other receivables	10	18,212	19,683
Cash and cash equivalents	11	72,821	64,479
Total current assets		101,778	88,812
Total assets		114,203	100,762
Current liabilities			
Contract liabilities	2	(9,473)	(9,876)
Trade and other payables	12	(36,685)	(29,922)
Lease liability	13	(15,923)	(14,106)
Deferred Income		(511)	(554)
Total current liabilities		(62,592)	(54,458)
Non-current liabilities			
Lease liability	13	(611)	(778)
Total liabilities		(63,203)	(55,236)
Net assets		51,000	45,526
Equity			
Share capital	15	5,500	5,500
Retained earnings		40,026	37,069
Profit & Loss for the year		5,474	2,957
Total equity attributable to equity holders of the parent		51,000	45,526

These financial statements were approved by the Board of Directors on 3 December 2025 and signed on 11 December 2025 on its behalf by:



E J Østergaard, Chairman



Duncan Mackison, Chief Executive Officer

The accompanying notes are an integral part of these financial statements

**C5. Group Cash Flow Statement
for the year ended 31 March 2025**

		2025	2024
	Note	£000	£000
Cash flows from operating activities			
Profit for the year		5,474	2,957
Adjustments for:			
Depreciation and impairment		18,585	17,442
(Gain)on disposal of Non-current Assets		-	(64)
Finance income		(1,165)	(960)
Finance expenditure		671	648
Income tax (credit)/expense		-	842
		<hr/>	<hr/>
Operating cash flows before movements in working capital		23,565	20,865
Decrease/(Increase) in trade and other receivables		2,966	(9,175)
(Increase)/Decrease in contract assets		(1,515)	10,948
(Decrease)/Increase in contract liabilities		(404)	2,754
(Increase)/Decrease in inventories		(4,580)	(1,298)
Increase in trade and other payables		6,280	6,098
		<hr/>	<hr/>
Cash generated by operations		26,312	30,192
Tax paid		(1,063)	24
		<hr/>	<hr/>
Net cash inflow from operating activities		25,249	30,216
		<hr/>	<hr/>
Cash flows from investing activities			
Acquisition of property, plant & equipment		(16)	(39)
Interest received		1,164	960
		<hr/>	<hr/>
Net cash inflow from investing activities		1,148	921
		<hr/>	<hr/>
Cash flows from financing activities			
Payment of lease liability		(17,384)	(17,278)
Interest paid & similar charges		(671)	(648)
		<hr/>	<hr/>
Net cash inflow from financing activities		(18,055)	(17,926)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		8,342	13,211
Cash and cash equivalents on 1 April		64,479	51,268
		<hr/>	<hr/>
Cash and cash equivalents on 31 March	11	72,821	64,479
		<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements

C6. Group Statement of changes in equity

	Share Capital £000	Retained Earnings £000	Total Equity £000
At April 2023	5,500	37,069	42,569
Profit for the year	-	2,957	2,957
	<hr/>	<hr/>	<hr/>
On 31 March 2024	5,500	40,026	45,526
	<hr/>	<hr/>	<hr/>
At April 2024	5,500	40,026	45,526
Profit for the year	-	5,474	5,474
	<hr/>	<hr/>	<hr/>
At 31 March 2025	5,500	45,500	51,000
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements

C7. Notes to the Group Accounts

1. Accounting policies

David MacBrayne Limited (the "Company") is a company incorporated and domiciled in the UK, with a registered address of The Ferry terminal, Gourock, PA19 1QP.

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

Change in accounting policy

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

Standards issued but not yet effective

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

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

Basis of preparation

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

Going concern

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

The directors have prepared cash flow forecasts to March 2027 which indicate that, taking account of reasonably possible downsides, the group and company will have sufficient funds to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

Cash flow forecasts reflect current assumptions with respect to passenger demand, cost pressures, new vessels and CHFS3 funding. In preparing their assessment of going concern, the directors have considered severe but plausible downside scenarios which could affect the forecasts. These include, lower than budget fares and retail income, increased vessel maintenance costs, and increased staff absence.

The Board signed the 10-year Clyde & Hebrides Ferry Services contract (CHFS3) on 25 September 2025 (Note 19). This award provides the Group with the certainty of the contract and funding necessary to deliver the service for the foreseeable future. This certainty underpins the basis of the going concern assessment, that the financial statements are prepared on a going concern basis.

Estimates and judgments

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

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

Measurement convention

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

Basis of consolidation

Subsidiaries

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

Joint ventures

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

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

Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

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

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

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

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

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

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

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

Cash and cash equivalents

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

(b) Subsequent measurement and gains and losses

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

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

Financial liabilities and equity

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

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

(i) Impairment

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

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Write-offs

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

Property, plant, and equipment

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

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

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

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

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

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

Leases

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

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

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

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

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

- fixed payments, including in-substance fixed payments.

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

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

Short-term leases and leases of low-value assets

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

Inventories

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

Foreign currency translation

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

Impairment excluding inventories and deferred tax assets

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

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

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

Reversals of impairment

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

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

Dividend policy

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

Employee benefits

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

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

Revenue

Accounting policy for revenue is described in note 2.

Capital grants

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

Expenses

Maintenance and repair costs

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

Finance income and expenses

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

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

Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the

expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

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

2. Revenue

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

Nature of goods and services

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

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

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

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

Disaggregation of revenue

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

Year to 31 March 2025

	Clyde & Hebrides £000	Group Services £000	Total £000
Fares and other associated services transferred at a point in time	87,897	396	88,293
Government contract – transferred over time	240,532	42	240,574
	<hr/>	<hr/>	<hr/>
Total	328,429	438	328,867
	<hr/>	<hr/>	<hr/>

Contract balances

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

	2025 £000	2024 £000
Contract assets	1,515	-
Contract liabilities	(9,473)	(9,876)
Trade receivables	1,866	4,664

The contract assets primarily relate to the Group's rights to consideration for services delivered but not billed on 31 March 2025 on the CHFS2 contract. The contract liabilities relate to the revenue associated with advance tickets purchased by customers for future sailings.

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

	2025	2024	2025	2024
	Contract assets	Contract assets	Contract liabilities	Contract liabilities
	£000	£000	£000	£000
Revenue recognised that was included in the contract liability balance at the beginning of the year	-	-	(7,737)	(7,122)
Increases due to cash received, excluding amounts recognised as revenue during the period	-	-	(9,473)	(7,737)
Changes in the measure of progress	1,515	-	-	(2,139)

Transaction price allocated to the remaining performance obligations

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

3. Finance income and costs

	2025 £000	2024 £000
Bank interest receivable	1,164	959
Finance interest payable	(671)	(648)
Net finance income	493	311

4. Profit before tax

The profit before tax is stated after charging/(crediting):	2025 £000	2024 £000
Auditor's remuneration - audit of these financial statements	63	62
- audit of financial statements of subsidiaries pursuant to legislation	153	173
- other services relating to tax	29	24
- other assurance services	-	7
- all other services	2	4
Depreciation of property, plant, and equipment	18,586	17,442
Net gain on disposal of tangible Non-current assets	-	(64)
Harbour access charges - Caledonian Maritime Assets Limited	17,501	17,096
- other	22,826	21,352
Interest payable	-	(1)

5. Employee information

Staff costs (including Directors)

	2025 £000	2024 £000
Wages and salaries	103,541	94,038
Social security costs	7,205	7,263
Other pension costs	24,368	21,671
	135,114	122,972

Details of Directors' remuneration is given in the Directors' Remuneration Report on page 21.

Employee numbers

The average number of people employed by the Group, including Directors, during the year was 2,109 (2024: 1,954). The year-on-year increase in headcount includes crew associated with Glen Sannox as well as additional resource to support service resilience within our customer and service support teams.

	2025	2024
Head office	411	381
Port	427	383
Vessel	1,271	1,190
	2,109	1,954

6. Taxation**Recognised in the income statement**

	2025 £000	2024 £000
Current tax		
UK corporation tax profit for the period	823	692
Adjustment in respect of prior periods	(23)	-
	800	692
Deferred tax		
Origination and reversal of temporary differences	(32)	122
Adjustment in respect of prior periods	3	27
	(29)	149
Total tax charge	771	841

Reconciliation of effective tax rate

	2025 £000	2024 £000
Profit before tax	6,245	3,798
Tax using the UK corporation tax rate of 25% (2024:25%)	1,561	950
Tax effects of:		
Fixed Asset Difference	33	24
Expenses not deductible for tax purposes	14	6
Non-taxable income	(817)	(189)
Adjustments to brought forward values	-	4
Amounts (Charged) directly to SORIE	-	(11)
Exclusion of joint ventures' profits/losses	-	9
Adjustment in respect of prior years	(20)	27
Movement in deferred tax asset not recognised	-	21
Total tax charge	771	841

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

7. Property, plant, and equipment

	Vessels £000	Buildings £000	Vehicles £000	Leasehold Improvements £000	Total £000
Cost					
At 1 April 2024	92,853	2,852	1,503	1,330	98,538
Additions in the year	-	-	16	-	16
Right of use lease modification during year	18,674	343	-	-	19,017
At 31 March 2025	111,527	3,195	1,519	1,330	117,571
Depreciation and impairment					
At 1 April 2024	83,671	2,057	1,185	462	87,375
Charge for the year	17,579	787	191	28	18,585
At 31 March 2025	101,250	2,844	1,376	490	105,960
Net book value at 31 March 2025	10,277	351	143	840	11,611
Net book value at 31 March 2024	9,182	795	318	868	11,163

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

Right of use assets – IFRS16

	Vessels £000	Buildings £000	Vehicles £000	Total £000
Cost				
At 1 April 2024	89,653	2,852	1,228	93,733
Additions during period	-	-	16	16
Lease modification during year	18,674	343	-	19,017
At 31 March 2025	108,327	3,195	1,244	112,766
Depreciation and impairment				
At 1 April 2024	81,491	2,058	909	84,458
Charge for the year	17,501	787	191	18,479
At 31 March 2025	98,992	2,845	1,100	102,937
Net book value at 31 March 2025	9,335	350	144	9,829
Net book value at 31 March 2024	8,164	792	319	9,275

The lease modification relates to the 12 month extension of the bareboat charter as a consequence of the extension of the CHFS contract.

8. Deferred tax assets and liabilities**Recognised deferred tax assets and liabilities**

	Assets 2025 £000	Liabilities 2025 £000	Assets 2024 £000	Liabilities 2024 £000	Net 2025 £000	Net 2024 £000
Property, plant, and equipment	746	-	724	-	746	724
Other timing differences	68	-	63	-	68	63
	814	-	787	-	814	787

Movements in deferred tax during the year

	1 April 2024 £000	Recognised in income £000	31 March 2025 £000
Property, plant, and equipment	723	23	746
Other timing differences	64	4	68
Net asset	787	27	814

Movements in deferred tax during the previous year

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

9. Inventories

	2025 £000	2024 £000
Fuels and lubricants	781	860
Consumable stores	8,234	3,550
Retail inventories	215	240
	9,230	4,650

Fuels and lubricants, consumable stores and retail inventories recognised in cost of sales £27.3m (2024: £33m).

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

10. Trade and other receivables

	2025 £000	2024 £000
Trade receivables	1,866	4,664
Other receivables	9,912	10,576
Prepayments and accrued income	6,434	4,443
Corporation tax	-	-
	18,212	19,683

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

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

11. Cash and cash equivalents and short-term deposits

	2025 £000	2024 £000
Cash and cash equivalents	72,821	64,479
Bank balances and cash in hand	72,821	64,479

12. Trade and other payables

	2025 £000	2024 £000
Trade payables	12,093	10,449
Other payables and accruals	24,165	18,781
Corporation tax	427	692
	36,685	29,922

13. Leases**Leases as a lessee***Right-of-use assets*

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

Amounts recognised in profit or loss

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

Leases under IFRS 16

	2025 £000	2024 £000
Interest expense on lease liabilities	677	648

Amounts recognised in statement of cash flows

	2025 £000	2024 £000
Total cash outflow for leases	(17,019)	(17,094)

	Vessels £000	Property £000	Vehicles & plant £000	Total £000
IFRS16 – lease liability				
Within 1 year	15,560	285	78	15,923
1 - 2 years	-	123	48	171
2 - 3 years	-	135	21	156
3 - 4 years	-	261	23	284
	15,560	804	170	16,534

14. Financial instruments

Overview

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

- credit risk
- liquidity risk
- market risk

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

The Board has overall responsibility for the establishment and overview of the Group's risk management framework.

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

Credit risk

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

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

Trade receivables

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

Other receivables

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

Liquidity risk

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

Credit risk

Exposure to credit risk

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

	Note	Carrying amount	
		2025	2024
		£000	£000
Trade and other receivables	10	1,866	4,664
Cash and cash equivalents	11	72,821	64,479
		<hr/>	<hr/>
		74,687	69,143
		<hr/>	<hr/>

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

Expected credit loss

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

	Gross £000	2025 Impairment £000	Gross £000	2024 Impairment £000
Not past due	1,767	-	3,216	-
Past due 0-30 days	38	-	527	-
Past due 31-120 days	34	-	241	1
More than 120 days	27	2	828	33
	1,866	2	4,812	34

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

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

	2025 £000	2024 £000
Balance at beginning of year	34	1
Expected credit loss during year	(32)	33
Balance at end of year	2	34

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

Liquidity risk

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

31 March 2025

	Carrying amount £000	Contractual cash flows £000	6 months or less £000
Non derivative financial liabilities			
Trade and other payables	37,536	37,536	37,536

31 March 2024

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

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

Fair Values

Fair values and carrying amounts

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

Estimation of fair values

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

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

15. Share capital

	2025 £000	2024 £000
Allotted issued and fully paid		
5,500,002 Ordinary shares of £1 each	5,500	5,500

The authorised share capital of David MacBrayne Limited is 6,800,000 Ordinary shares of £1 each.

16. Pension arrangements

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

The latest full triennial actuarial valuation of the CalMac Scheme as at 6 April 2024, carried out by an independent actuary, showed that the scheme had assets of £290.8m, liabilities of £265.2m and, consequently, a surplus of £25.6m. Several of the Group's employees participate in one of the Merchant Navy Pension Funds which are industry-wide defined contribution schemes. Contributions to these schemes are therefore accounted for on a defined contribution basis.

Certain of the Company's subsidiary undertakings are participating employers in the Merchant Navy Officers' Pension Fund (MNOFF) which is closed to new members. The Company could still be required to make contributions against any deficit. The actuarial valuation, which was carried out at 31 March 2024, showed a gross deficit of £11m at the valuation date and that the market value of the assets of £1,956m covered 99% of the value of the liabilities.

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

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

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

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

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

	2025 £000	2024 £000
CalMac Pension Fund	23,476	20,974
Ensign	129	129
Other schemes	762	568
	24,367	21,671
Contributions to be paid to pension schemes included in payables	616	616

17. Related party transactions**Identification of related parties**

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

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

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

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

	2025	2024
	£000	£000
Transactions during the year – receivable/(payable):		
Scottish Ministers		
- revenue subsidy	229,780	196,794
- Other subsidy/Grants	10,795	18,703
- consultancy services	393	801
Caledonian Maritime Assets Limited		
- vessel leasing charges	(19,144)	(17,020)
- harbour services	(11,176)	(14,741)
- vessel new build, modification and other costs	10,419	10,897
- ferry travel costs	13	15

Amounts due at end of year – receivable/(payable):

Scottish Ministers		
- revenue subsidy	1,515	(2,139)
- Other Subsidy/Grants	9	6,485
Caledonian Maritime Assets Limited		
- harbour services	(236)	(1,335)
- vessel new build, modification, and other costs	1,406	3,991
- ferry travel costs	-	2

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

Remuneration of key management personnel

Key management personnel are defined as the Executive Directors of the Company and their remuneration is disclosed in the Report on Directors' Remuneration on page 21. There were no other transactions or amounts due at year end relating to key management personnel.

18. Contingent liability

During the Financial Year, David MacBrayne Limited ceased employing any active members of the CalMac Pension Fund, which resulted in a S75 Debt liability being triggered during the year. The scheme actuary confirmed that there was insufficient data held to quantify DML's share of the deficit. The Directors of DML and CFL have approved a Flexible Apportionment Arrangement to be expedited during 2025/26, where CFL will take on all future liability for DML's members. If DML in future is required to employ any contributing staff, then DML would re-enter the Scheme as a new employer for new employees.

19. Post balance sheet event

On 23 September 2025, the Board signed the 10-year Clyde & Hebrides Ferry Services contract (CHFS3) and associated agreements with the Scottish Ministers. The CHFS3 suite of documents includes; Shareholders' Agreement, Grant Agreement, Framework Agreement and Memorandum of Understanding, set out the key services levels, governance and roles and responsibilities. The agreements became effective on 1 October 2025.

At the end of the CHFS2 Contract on 30 September 2025, CFL released a provision held for vessel degradation associated with the requirement for vessel surveys at the end of the CHFS2 Bareboat Charter. It was agreed on 5 May 2025 between CFL, CMAL and Transport Scotland that the vessel surveys were not required.

**C8. Company Balance Sheet
as at 31 March 2025**

	Note	2025 £000	2024 £000
Non-Current Assets			
Property, Plant & Equipment	2	940	1,019
Investments	3	74	74
Deferred tax	4	217	230
		<hr/> 1,231	<hr/> 1,323
Current assets			
Debtors & Prepayments	5	15	-
Cash and cash equivalents		29,826	29,255
		<hr/> 29,841	<hr/> 29,255
Current Liabilities	6	(410)	(519)
Net current assets		<hr/> 29,431	<hr/> 28,736
Non-current liabilities	7	(511)	(554)
Total assets less liabilities		<hr/> 30,151	<hr/> 29,505
Net assets		<hr/> 30,151	<hr/> 29,505
Capital and reserves			
Share capital	9	5,500	5,500
Retained Earnings		24,005	23,495
Profit and Loss		646	510
Shareholder's funds		<hr/> 30,151	<hr/> 29,505

These financial statements were approved by the Board of Directors on 3 December 2025 and signed on 11 December 2025 on its behalf by:



E J Østergaard, Chairman



Duncan Mackison, Chief Executive Officer

The accompanying notes are an integral part of these financial statements

C9. Company Statement of changes in equity

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

	Called Up Share Capital £000	Profit and Loss Account £000	Total Equity £000
Balance at 1 April 2024	5,500	24,005	29,505
Total comprehensive income for the year			
Profit for the year	-	646	646
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2025	5,500	24,651	30,151
	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements

C10. Notes to the FRS 101 parent company financial statements

1. Accounting policies

David MacBrayne Limited is a company incorporated and domiciled in the UK, with a registered address of The Ferry terminal, Gourock, PA19 1QP.

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

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

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

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

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

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

(a) Basis of preparation

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

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

Going concern

The Company has recorded a profit after tax in the current financial year and the Company's balance sheet shows that it has net current assets of £29.4m as at 31 March 2025.

For the purposes of the Directors' assessment of the company's going concern position, and to satisfy them of the company's ability to pay its liabilities as they fall due, the Directors have prepared a cash flow forecasts to March 2027 which indicate that the company will have sufficient funds to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

The principal activity of the group is the delivery of the Clyde and Hebrides Ferry Services (CHFS) Contract by its subsidiary (CalMac Ferries). The Board signed the 10-year Clyde & Hebrides Ferry Services contract (CHFS3) on 25 September 2025 (Note 12). This award provides the Group with the certainty of the contract and funding necessary to deliver the service.

The directors' cash flow forecasts reflect current assumptions with respect to passenger demand and cost pressures, including the increasing cost of vessel maintenance. In preparing their assessment of going concern, the directors have considered severe but plausible downside scenarios which could affect the forecasts. These include changes in delivery dates for new vessels, reduced fare and retail income, increased vessel maintenance costs, increased staff absence and performance penalties.

Taking these factors into consideration the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

(b) Fixed assets

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

(c) Tangible fixed assets

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

Vessels	-	30 years
---------	---	----------

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

(d) Impairment excluding deferred tax assets

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

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

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

Financial instruments

(i) Recognition and initial measurement

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

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at amortised cost.

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

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

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

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

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

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

Cash and cash equivalents

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

(b) Subsequent measurement and gains and losses

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

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

Financial liabilities and equity

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

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

(iii) Impairment

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

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 are always measured at an amount equal to lifetime ECL.

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

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

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Write-offs

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

(e) Operating leases

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

it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

(f) Dividends

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

2. Property, Plant & Equipment

	Vessels £000
Cost	
At 1 April 2024	3,200
	3,200
Depreciation	
At 1 April 2024	2,181
Charge for the year	79
	2,260
At 31 March 2025	2,260
Net book value at 31 March 2025	940
Net book value at 31 March 2024	1,019

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

3. Investments

	2025 £000	2024 £000
Shares in subsidiary undertakings	74	74
	74	74

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

CalMac Ferries Limited operates the Clyde and Hebrides ferry services, Argyll Ferries Limited operated the Gourock - Dunoon ferry service until 20 January 2019 when it was transferred to CalMac Ferries Limited and David MacBrayne HR (UK) Limited provides human resource services to the companies within the Group. Argyll Ferries Limited is no trading and exempt from audit.

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

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

4. Deferred tax

The main components of deferred tax at 25% (2024: 25%) are:

Recognised deferred tax assets

	Assets 2025 £000	Assets 2024 £000	Net 2025 £000	Net 2024 £000
Tangible fixed assets	217	229	217	229
Other	-	1	-	1
Net assets	217	230	217	230

Movement in deferred tax during the year

	1 April 2024 £000	Recognised in income £000	31 March 2025 £000
Tangible fixed assets	231	(14)	217
Other	(1)	1	-
	<hr/>	<hr/>	<hr/>
	230	(13)	217
	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the prior year

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

5. Debtors

	2025 £000	2024 £000
Amounts due from Subsidiaries	15	-
Corporation tax	-	-
	<hr/>	<hr/>
	15	-
	<hr/>	<hr/>

6. Current Liabilities

	2025 £000	2024 £000
Trade creditors	15	18
Other creditors and accruals	287	290
Corporation tax	108	211
	<hr/>	<hr/>
	410	519
	<hr/>	<hr/>

7. Non-Current Liabilities

	2025 £000	2024 £000
Deferred Income	511	554
	<hr/>	<hr/>
	511	554
	<hr/>	<hr/>

8. Leases as lessor

During the year, £323,920 (2024: £314,760) was recognised as rental income by the Company in respect of vessel leases between David MacBrayne Limited and CalMac Ferries Limited.

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

Operating leases under IFRS 16

	2025 £000	2024 £000
Less than 1 year	167	159
Between 1 and 2 years	-	-

9. Share capital

	2025 £000	2024 £000
Allotted issued and fully paid		
5,500,002 Ordinary shares of £1 each	5,500	5,500

The authorised share capital of David MacBrayne Limited is 6,800,000 Ordinary shares of £1 each.

10. Ultimate controlling party

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

11. Contingent liability

During the Financial Year, David MacBrayne Ltd ceased employing any active members of the CalMac Pension Fund, which resulted in a \$75 Debt liability being triggered during the year. The scheme actuary confirmed that there was insufficient data held to quantify DML's share of the deficit. The Directors of DML and CFL have approved a Flexible Apportionment Arrangement to be expedited during 2025/26, where CFL will take on all future liability for DML's members. If DML in future is required to employ any contributing staff, then DML would re-enter the Scheme as a new employer for new employees.

12. Post balance sheet event

On 23 September 2025, the Board signed the 10-year Clyde & Hebrides Ferry Services contract (CHFS3) and associated agreements with the Scottish Ministers. The CHFS3 suite of documents includes; Shareholders' Agreement, Grant Agreement, Framework Agreement and Memorandum of Understanding, set out the key services levels, governance and roles and responsibilities. The agreements became effective on 1 October 2025.

At the end of the CHFS2 Contract on 30 September 2025, CFL released a provision held for vessel degradation associated with the requirement for vessel surveys at the end of the CHFS2 Bareboat Charter. It was agreed on 5 May 2025 between CFL, CMAL and Transport Scotland that the vessel surveys were not required.

C11. Corporate information

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