CALMAC FERRIES LIMITED
DIRECTORS' REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2017

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CalMac Ferries Limited/Company Number SC302282/31 March 2017

Strategic Report

The undoubted highlight of 2016/17 was securing the Clyde and Hebrides Ferry Services contract following a closely fought tender process which started in February 2015 and reached its conclusion 18 months later with contract signing in August 2016, just ahead of coming into force on 1 October 2016.

The announcement in May 2016 that we had been successful in our bid to retain the contract was not, however, the end of the process but rather the start of another one as we worked towards putting everything in place to enable us to sign the contract and then delivering the contract from 1 October 2016.

As I said at the time, our winning bid was rooted in ambitious plans to drive improvements which will transform the experience of ferry travellers, exemplify customer focus, and show the company's determination to make a positive difference to the communities.

The new contract marked the start of a new era in ferry services on the west coast, taking our services, and the benefits they offer to our customers and the communities we support, to a new level.

Our bid was based on key themes including the paramount importance of safety, offering greater value for money to customers and taxpayers, raising standards of customer service and partnership working to drive economic growth.
We recognise the importance of ferry services in developing sustainable communities, driving economic growth and enabling island and rural companies to do business with the rest of the world. We also have an enduring commitment to improving environmental sustainability and are a socially responsible employer which values and invests in our staff.

Many of the service improvement commitments we made are already being implemented while others will be phased in over the life of the existing contract.

In last year's report I highlighted the increase in traffic expected as a result of the roll out of the Government's Road Equivalent Tariff (RET) fares across the remainder of the network from October 2015, which meant that 2016 was the first full operational year where RET applied everywhere.

Our predictions proved correct with the company transporting more than five million passengers in a year for the first time since 1997; a total of 5,055,827 passengers and 1,356,396 cars network-wide. This equates to 428,801 more passengers than in 2015 and 186,695 more cars.

Our performance across the network continues to be among the best in the industry with reliability outside weather related cancellations standing at 99.85% and punctuality at 99.72% across more than 136,000 sailings.

The principal risk which the Company faces relates to the eight-yearly cycle of competitive tender processes conducted by the Scottish Government in respect of the ferry service currently operated by the Company.

The safety of our passengers, crew, vessels and port facilities continues to be our number one priority and we consider it essential that there is constant review of all practices impacting on health and safety, environmental and security matters and that there is constant vigilance over all aspects of the safety functions.

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

We were delighted to be part of the Project SEAHORSE consortium, led by the University of Strathclyde, which brought together experts from across the maritime world to research and implement safety considerations pioneered by the aviation industry - the first project of its kind in the world. This work was subsequently recognised with the highly prestigious Maritime Safety Award from the Royal Institution of Naval Architects in association with Lloyd's Register
While we are acutely aware that our core function is lifeline ferry services to remote communities, our responsibilities are much wider.

CalMac has a crucial role to play in driving economic development on the islands that is much more than simply providing ferry services. Working in partnership with local tourism bodies and visitor attractions we are a primary partner in both encouraging people to the islands and getting them there and back. We were therefore pleased this was recognised with our success in the prestigious Scottish Thistle Awards in the "Working Together for Tourism" category.

The communities we support may be remote but they are vibrant and successful. The breadth and scale of the activities we undertake as a company shows that we add much more to the growth and sustainability of these communities above and beyond providing transport links.

Key to understanding how best we can do this is the creation of a new post of Director of Community and Stakeholder Engagement and establishing a Community Board to bring the concerns and aspirations of local communities directly to the main CalMac Board.

It is intended that the Community Board focuses on the high level strategic issues facing ferry services and not so much on day to day operational issues, although clearly there will occasionally be some overlap. We also see it as a great opportunity to create a group of people who are knowledgeable and well-informed about the challenges we face in delivering ferry services.

Following informal discussions with a wide range of external stakeholders a terms of reference has been drafted and recruitment of members and a chair is underway.

On behalf of the Board

M Dorchester
Director
20 November 2017

Directors' Report

Political and charitable donations

The Company made no political or charitable donations during the year. However, the Company supports a range of local organisations through travel-related sponsorship and continues to be the main commercial supporter of the Royal National Mod.

Financial instruments

The Company enters into no complex financial instruments.

Directors and their interests

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

D C McGibbon	
R L Drummond	
M Dorchester	
S Hagan	
S Browell	Appointed 1 December 2016
M Comerford	Appointed 1 December 2016
J Stirling	
A Tait	

None of the Directors had any beneficial interest in the share capital of the Company at any time during the year.

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

Employees

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

The Company is committed to equality of opportunity for all its employees and customers, and to treating every member of staff and every customer with dignity and respect.

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

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

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

Employee consultation

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

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

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

Policy of employment of people with disabilities

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

Directors' Report

Adoption of going concern basis

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

Disclosure of information to Auditor

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

Auditor

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

On behalf of the Board

M Dorchester
Director
20 November 2017

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements of CalMac Ferries Limited for the year ended 31 March 2017 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; 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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
319 St Vincent Street
Glasgow
G2 5AS
24 November 2017

Profit and Loss Account
for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Turnover	2	**192,534**	187,122
Cost of sales		**(165,574)**	(166,491)
Gross profit		**26,960**	20,631
Administrative expenditure		**(21,964)**	(24,439)
Operating Profit/(loss)		**4,996**	(3,808)
Interest receivable	3	**20**	37
Interest payable	3	**(55)**	-
Profit/(Loss) before taxation	3	**4,961**	(3,771)
Tax on Profit/ (loss)	5	**421**	224
Profit/(Loss) for the financial year		**5,382**	(3,547)

All results are derived from continuing operations.

There is no other comprehensive income for the year.

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

Balance Sheet
as at 31 March 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	6	**8**	26
Investments	7	**-**	-
		8	26
Current assets			
Stocks	8	**1,178**	960
Contract assets	2	**15,771**	-
Debtors and prepayments	9	**10,039**	8,134
Cash at bank and in hand		**9,669**	10,041
		36,657	19,135
Creditors			
Contract liabilities	2	**(4,318)**	-
Amounts falling due within one year	10	**(24,177)**	(16,373)
Net current assets		**8,162**	2,762
Total assets less current liabilities			
Net assets		**8,170**	2,788
Capital and reserves			
Called up share capital	11	**-**	-
Profit and loss account		**8,170**	2,788
Shareholder's funds		**8,170**	2,788

These financial statements were approved by the Board of Directors and signed on 20 November 2017 on its behalf by:

D C McGibbon, Chairman

R L Drummond, Director

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

Statement of changes in equity

	Called Up Share Capital £000	Profit and Loss Account £000	Total Equity £000
Balance at 1 April 2015	-	6,335	6,335
Total comprehensive income for the year			
Loss for the year	-	(3,547)	(3,547)
Total comprehensive income for the year	-	(3,547)	(3,547)
Balance at 31 March 2016	**-**	**2,788**	**2,788**

	Called Up Share Capital £000	Profit and Loss Account £000	Total Equity £000
Balance at 1 April 2016	-	2,788	2,788
Total comprehensive income for the year			
Profit for the year	-	5,382	5,382
Total comprehensive income for the year	-	5,382	5,382
Balance at 31 March 2017	**-**	**8,170**	**8,170**

Notes on the financial statements

1. Accounting policies

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*. The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

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

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

- a Cash Flow Statement and related notes
- comparative period reconciliations for tangible fixed assets
- disclosures in respect of transactions with wholly owned subsidiaries
- disclosure in respect of capital management
- the effects of new but not yet effective IFRSs
- an additional balance sheet for the beginning of the earliest comparative period
- 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.

Change in accounting policy

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

The Company has early adopted IFRS 15 "Revenue from Contracts with Customers" in these financial statements with a date of initial application of 1 April 2016. As a result, the Company has changed its accounting policy for revenue recognition as detailed below.

The Company applied IFRS 15 using the cumulative method effect – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 April 2016. [Therefore the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.] The Directors are of the view that there would be no significant change in the equity opening balance at 1 April 2016 as a result of applying the cumulative effect method.

The details of the significant changes and quantitative impact of the changes for the year ended 31 March 2017 are set out below.

Fares

No change in revenue recognition.

Contracts with Government

For contracts with Government, the Company previously recognised revenue in the period in which the associated operating results are recorded. Under IFRS 15, as the service is delivered over time, the Company recognises revenue progressively on the basis of a cost plus method. As a result of the specific circumstances of the contract, the costs are measured net of any ticket revenue for the period.

Impacts on financial statements

The primary contract of the Company (CHFS 2) commenced on 1 October 2016, so has been accounted for under IFRS 15 since its inception. However, the Directors believe there is no significant impact on the profit and loss account or net assets as a result of the implementation of IFRS 15 for CHFS 2.

Notes on the financial statements

1. Accounting policies (continued)

(a) Basis of preparation
These financial statements have been prepared under the historical cost accounting convention and in accordance with applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

The Company has early adopted IFRS15 "Revenue from Contracts with Customers" in these financial statements. Further information is provided in the revenue and change in policies note.

(b) Tangible assets
Gross book values of all tangible assets are stated at cost. No depreciation is charged until the asset comes into use.

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

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

Equipment	4 years
Motor Vehicles	3 years

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

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

(g) Leases
The Company leases ships, shore terminal infrastructure and office accommodation. All of these leases are considered to be operating leases since a significant portion of the risks and rewards of ownership of the leased assets are retained by the lessor. Lease charges incurred under these operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

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

(j) Pensions
The Company is a participating employer in the CalMac Pension Fund, which is a defined benefit scheme operated by Caledonian Maritime Assets Limited. As set out in note 12, for the purposes of FRS 101, pension contributions are accounted for as if the scheme was defined contribution.

2. Revenue

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

Nature of goods and services

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

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

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

Notes on the financial statements

2. Revenue (continued)

Products and Services	Nature, timing of satisfaction of performance obligations and significant payment terms.
Fares	The Company recognises revenue when the sailing associated with the ticket sold occurs. The amount is equal to the value of the ticket price. Receipts for advanced tickets are recognised with reference to the time of travel with the deferred element maintained on the balance sheet within contract liabilities.
Contracts with Government	The CHFS 2 contract is paid on a straight line basis, monthly in arrears over the contract year. The Company recognises revenue as the services under the contract are provided. This is deemed to be over time over the length of each contact year and is based on a cost plus method. If the Company has recognised revenue for which payment has not been received, the entitlement to consideration is recognised as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. Where there is variable consideration, and other constraints to the assessment of the transaction price, the total forecast value is restricted to that amount to which a subsequent reversal is not highly probable. This includes performance deductions and profit sharing arrangements.

Disaggregation of revenue

In the following table, revenue is disaggregated by service line and timing of revenue recognition.

	2017 **£000**
Fares - transferred at a point in time	**63,461**
Government – transferred over time	**128,306**
Inter Group – management fees	**767**
Total	**192,534**

Contract balances

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

	2017 **£000**
Contract assets	**15,771**
Contract liabilities	**(4,318)**

The contract assets primarily relate to the Company's rights to consideration for services delivered but not billed at 31 March on the CHFS 2 contract. The contract liabilities primarily relate to the revenue associated with advance tickets purchased by customers for future sailings.

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

	2017 **Contract** **assets** **£000**	**2017** **Contract** **liabilities** **£000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	-	-
Increases due to cash received, excluding amounts recognised as revenue during the period	-	**(4,318)**
Transfers from contract assets recognised at the beginning of the period to receivables	-	
Increases as a result of changes in the measure of progress	**15,771**	

Transaction price allocated to the remaining performance obligations

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

Notes on the financial statements

3. Profit/(Loss) before tax

The (Loss) is stated after charging/(crediting):			2017 £000	2016 £000
Auditor's remuneration	-	audit of these financial statements	**36**	27
	-	other services relating to taxation	**69**	8
	-	corporate finance – bid support	**-**	484
	-	all other services	**16**	1
Depreciation of tangible fixed assets			**14**	18
Agency staff costs			**63,075**	61,856
Operating lease costs	-	land and buildings	**6,254**	12,231
	-	ships and motor vehicles	**17,177**	17,956
Interest receivable	-	bank	**20**	(37)
Interest payable	-	bank	**(55)**	-

4. Employee information

Staff costs (including Directors)

	2017 £000	2016 £000
Wages and salaries	**16,245**	14,344
Social security costs	**1,573**	1,184
Other pension costs	**2,755**	2,362
	20,573	17,890

Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	**365**	345
Company contributions to a defined benefit pension scheme	**69**	68

The aggregate of remuneration of the highest paid Director was £194,000 (2016: £160,000). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £8,951 (2016: £6,665).

	Number of Directors 2017	2016
Retirement benefits are accruing to the following number of Directors under:		
Defined benefit schemes	**2**	2

Employee numbers

The average number of people employed by the Company, including Directors, during the year was 561 (2016: 519).

Category	2017 £000	2016 £000
Head Office	**227**	212
Port	**326**	301
Vessel	**8**	6
	561	519

Notes on the financial statements

5. Taxation

The tax on profit/(loss) is made up as follows:

	2017 £000	2016 £000
UK corporation tax on profit for the year	**6**	6
Consortium relief	**3**	-
	9	6
Deferred tax:		
Impact of rate change	**29**	30
Adjustments in respect of prior year	**151**	(223)
Origination of temporary differences	**(610)**	(37)
	(430)	(230)
Tax on profit/(loss)	**(421)**	(224)

The tax charge for the year differs from the application of the standard rate of corporation tax in the UK to the profit on ordinary activities before tax. The differences are explained below:

	2017 £000	2016 £000
The profit/(loss) on ordinary activities before tax	**4,961**	(3,771)
UK corporation tax at 20% (2016: 20%)	**993**	(754)
Effects of:		
Tonnage tax	**(777)**	(294)
Items not allowed for tax purposes	**104**	106
Adjustment in respect of prior year	**151**	(37)
Loss carry forward	**(371)**	725
Rate change for deferred tax	**29**	30
Long funded lease legislation	**(653)**	-
Other	**103**	-
Tax credit for the year	**(421)**	(224)

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

As a result of the activities which do not relate to tonnage tax, the Company has gross tax losses to carry forward of £4,905,900 (2016: £5,147,000). No deferred tax asset has been recognised in relation to these losses, as the Directors do not consider that there is certainty that future suitable taxable profits will arise.

The Company has a deferred tax asset of £959,000 (2016: asset of £529,000).

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 £000	2016 £000	Net 2017 £000	2016 £000
Tangible fixed assets	**958**	528	**958**	528
Other	**1**	1	**1**	1
Net tax assets	**959**	529	**959**	529

Notes on the financial statements

5. Taxation (continued)

Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

	1 April 2016 £000	Recognised in income £000	**31 March 2017 £000**
Tangible fixed assets	523	429	**952**
Other	6	1	**7**
	529	430	**959**

Movement in deferred tax during the prior year

	1 April 2015 £000	Recognised in income £000	31 March 2016 £000
Tangible fixed assets	294	229	523
Other	5	1	6
	299	230	529

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset/liability at 31 March 2017 has been calculated based on these rates.

6. Tangible assets

	Equipment and Total £000
Cost	
At 1 April 2016 and 31 March 2017	99
Disposal in year	(4)
At 31 March 2017	**95**
Depreciation	
At 1 April 2016	73
Charge during year	14
At 31 March 2017	**87**
Net book value at 31 March 2017	**8**
Net book value at 31 March 2016	26

Notes on the financial statements

7. Investments

	£000
At beginning and end of year	-

The Company owns the whole of the issued share capital of Caledonian MacBrayne Crewing (Guernsey) Limited, which is registered in Guernsey, and undertakes the Company's offshore crewing arrangements. Registered office address: PO Box 287, 4th Floor, West Wing, Trafalgar Court, Admiral Park, St. Peter Port, Guernsey, GY1 3RL.

8. Stock

	2017 £000	2016 £000
Fuels and lubricants	**537**	338
Consumable inventories	**433**	391
Retail inventories	**208**	231
	1,178	960

9. Debtors and prepayments

	2017 £000	2016 £000
Trade debtors	**2,058**	2,720
Other debtors	**1,328**	2,068
Prepayments and accrued income	**5,278**	2,748
Amounts due by group undertakings	**416**	69
Deferred tax asset (see note 5)	**959**	529
	10,039	8,134

10. Creditors: amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts	**10,000**	-
Trade creditors	**4,068**	4,983
Other creditors and accruals	**9,383**	7,740
Corporation tax	**9**	6
Amounts owed to group undertakings	**717**	672
Deferred income	**-**	2,972
	24,177	16,373

Terms and debt repayment schedule

	Currency	**Nominal Interest Rate**	**Year of Maturity**	**Face Value 2017 £000**	**Carrying Amount 2017 £000**	Face Value 2016 £000	Carrying Amount 2016 £000
Loan from bank	GBP	Libor + 1.5%	31 Oct. 2022	10,000	10,000	-	-

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

The Company has granted a floating charge over its assets to the lender.

Notes on the financial statements

11. Share capital

	2017 £000	2016 £000
Allotted issued and fully paid		
1 Ordinary Share of £1 each	-	-

12. Pension arrangements

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

The latest full triennial actuarial valuation of the CalMac Scheme as at 6 April 2015, carried out by an independent actuary, showed that the scheme had liabilities of £177.9m, assets of £136.0m and, consequently, a deficit of £41.9m.

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

The Merchant Navy Officers' Pension Fund (MNOPF) is closed to new members and the actuarial valuation carried out at 31 March 2015 showed a gross deficit of £329m at the valuation date and that the market value of the assets of £2,898m covered 90% of the value of the liabilities. The Company could still be required to make contributions against any deficit.

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

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

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

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

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

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

	2017 £000	2016 £000
CalMac Pension Fund	**2,359**	2,180
MNOPF	-	10
Ensign	**10**	-
Other schemes	**187**	172
	2,556	2,362
Contributions to be paid to pension schemes included in creditors	**318**	248

Notes on the financial statements

13. Other financial commitments

Future aggregate minimum rentals payable under non-cancellable operating leases are as follows:

	Ships & motor vehicles		Buildings/ Harbour Access		Total	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Within one year	**17,077**	8,899	**336**	6,836	**17,413**	15,735
In the second to fifth years	**72,185**	117	**1,344**	-	**73,529**	117
Plus fifth year	**48,767**	-	**840**	-	**49,607**	-
	138,029	9,016	**2,520**	6,836	**140,549**	15,852

14. Related party transactions

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

Details of transactions with other related parties are as follows:

	2017	2016
	£000	£000
Transactions during the year – receivable/(payable):		
Scottish Ministers		
- subsidy	**128,307**	122,602
Caledonian Maritime Assets Limited		
- vessel leasing charges	**(16,908)**	(17,361)
- harbour services	**(6,821)**	(11,773)
- vessel new build, modification and other costs	**763**	994
- staff costs	**101**	5
- ferry travel costs	**10**	8
Solent Gateway Limited		
- management recharge	**983**	1,076
Other		
- strategic costs	**-**	(317)
Amounts due at end of year – receivable/(payable):		
Scottish Ministers		
- subsidy	**15,771**	218
Caledonian Maritime Assets Limited		
- vessel new build, modification and other costs	**772**	1,652
- harbour services	**(678)**	(100)
- staff costs	**-**	5
- vessel leasing charges payable	**(322)**	(607)
- ferry travel costs	**1**	-
Solent Gateway Limited		
- management recharge	**1,910**	1,076
Other		
- strategic costs	**-**	(20)

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

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

Notes on the financial statements

15. Ultimate parent company and related undertakings

The Company is a wholly owned subsidiary of David MacBrayne Limited, which is wholly owned by the Scottish Ministers, who are regarded as the ultimate controlling party. The Group in which the Company's results are consolidated is that headed by David MacBrayne Limited, which is incorporated in the United Kingdom. No other Group financial statements include the Company's results.

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

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

Corporate information

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