

Confidential

DAVID MACBRAYNE LIMITED ("DML")
MINUTES of the BOARD MEETING
held on Wednesday 28 October 2020 at 10.30 a.m.
by video/audio conference

[FOISA Status – Exemptions under Section 30 (Prejudice to effective conduct of public affairs) Section 33 (Commercial interests) and Section 36 (Confidentiality)]

Present: D C McGibbon (DMcG) (Chairman)
S M Browell (SMB)
M Comerford (MC)
R Drummond (RD)
S Hagan (SH)
D Mackison (DM)
J Stirling (JS)
A Tait (AT)

In attendance: C Murrie (CM) – Assessor, Transport Scotland
S R Griffin (SRG) - Company Secretary

Item **Action**

2. **ANNUAL REPORT & ACCOUNTS**

2.1 **FINANCE DIRECTOR OVERVIEW**

D McGibbon expressed thanks to J Beckett and the Finance team for all their hard work on the Accounts and also to Audit & Risk Committee (ARC) for their detailed review and input to the improved narrative reporting.

The Board noted the report from J Beckett and D Mackison reported as below.

Financial Performance Overview

DML Group pre-tax profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** with negative impacts from:

- Overhauls costs – increase of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
- IFRS16 impact of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

Other key performance highlights included:

- Farebox revenue in summer 2019 had been ahead of Plan (however this had largely been offset by the impact of storms in February 2020 and Covid-19 in March 2020).
- Fuel consumption efficiencies of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]

[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]

Balance Sheet

The main change on the Balance Sheet was the impact of the fuel hedge due to price changes.

Confidential

Accounting Standard Update

The impact of IFRS16 (discussed above) was noted.

Dividends

The declared dividend of £5m was noted.

A Tait reported that the ARC had reviewed the Accounts over three meetings with considerable work having been carried out to improve the narrative reporting, especially to differentiate between the different roles of DML and CFL.

The Board noted that the results showed the risks and impact of the ageing fleet on the business and that industry practice was to either get rid of vessels at 25 years or carry out a life extension programme.

2.2 GROUP CASHFLOWS

The Board noted the report from J Beckett and D Mackison commended Transport Scotland for their work with the CalMac team to agree the Covid-19 Contract Variations promptly.

The Group Cashflows had been produced as part of the Going Concern review against a background of Covid-19 and showed the position of the business. It was noted that the Group Cashflows (including Covid-19 CVs) had been provided to the External Auditor and demonstrated why the directors were confident that the business was a going concern.

The Group Cashflows included the dividend that had been approved and showed the affordability of the dividend (which had been reflected in the Board discussions prior to approving the dividend).

2.3 [FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

2.4 DML ANNUAL REPORT & ACCOUNTS

The David MacBrayne Limited Annual Report & Consolidated Financial Statements to 31 March 2020, including the Auditor's Report, were noted.

A Tait reported that the Audit & Risk Committee had carried out an in-depth review of the DML Accounts and had recommended approval of the DML Annual Accounts to the Board. Furthermore the Board had previously received the Accounts for review and comment.

C Murrie confirmed that Transport Scotland had reviewed the draft Accounts and had no comments to make. She noted that the narrative reporting was clear and readable.

The Board **APPROVED** the DML Annual Report & Accounts and **AUTHORISED** them to be signed on behalf of the Board.

2.5 LETTER OF REPRESENTATION

The Board noted that the Audit & Risk Committee had reviewed the Letter of Representation and had recommended its approval by the Board.

The Board **APPROVED** the Letter of Representation and **AUTHORISED** it to be signed on behalf of the Board.

3. ANY OTHER BUSINESS

Confidential

3.1 **ANNUAL GENERAL MEETING**

It was noted that the Annual General Meeting would be held on 18 November 2020 at 10.15am immediately before the next Board meeting and arrangements for an online meeting would be made shortly with papers to follow in due course.

4. **DATE OF NEXT MEETING**

Wednesday 18 November 2020 at 10.30 a.m.

Signed:
D C McGibbon, Chairman

Date: