

Isles of Scilly Steamship Company Limited

Annual Report and Consolidated Financial Statements Year Ended 31 March 2023

Registration number: 00165746

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Isles of Scilly Steamship Company Limited

Contents

Company Information	1
Chairman's statement	2 to 3
Board of Directors	4 to 5
Strategic Report	6 to 15
Committee Reports	16 to 20
Directors' Report	21
Statement of Directors' Responsibilities	22
Independent Auditor's Report	23 to 27
Consolidated Profit and Loss Account	28
Consolidated Statement of Comprehensive Income	29
Consolidated Balance Sheet	30
Balance Sheet	31
Consolidated Statement of Changes in Equity	32
Statement of Changes in Equity	33
Consolidated Statement of Cash Flows	34
Notes to the Financial Statements	35 to 56

Isles of Scilly Steamship Company Limited

Company Information

Chairman Mr I Howard MBE

Directors Mr S Reid
Mr S Hicks
Mr G Randall
Mr S M Hicks
Mrs J E Piper
Mr K A George
Ms S Bassett

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Isles of Scilly Steamship Company Limited

Chairman's statement

I am pleased to report that the financial year ended 31 March 2023 was the most successful in the company's 103 year history.

Building on the solid platform of the previous year, when we emerged out of Covid leaner and more competitive than before, your company produced a record profit before tax of £2.49m (2022: £2.47m) on a turnover of £19.42m (2022: £17.18m). It should be noted that this year there was no Covid funding (2022: £0.9m).

Enormous credit is due to the executive management team of Stuart Reid and Judith Piper and to the wider senior management team for picking up the challenge and delivering against a demanding budget.

Whilst we can look back with satisfaction at what has been achieved financially over the last year, it is not by any means all rosy in the garden.

The most challenging issue continues to be vessel replacement.

We concluded early this year that despite our best endeavours to find a solution, the application from Council of the Isles of Scilly (CIOS) for levelling up funding from Government was unlikely to be successful within any reasonable time scales. The Board was also concerned about the real cost of a levelling up award and the risks to the Company around the need to tender for operator status.

Taking some encouragement from the support expressed by shareholders at our last Annual General Meeting in October 2022, we therefore renewed our own efforts to secure private financing for the replacement of our ageing fleet, and finally agreed a loan facility with Lombard NatWest for £33.6m to supplement the cash reserves of £13m that we have accumulated in recent years. We announced these arrangements in April 2023.

We received final offers from the short listed shipyards at the end of June and, following a thorough review, we will then announce our preferred shipyard. In line with our plan, we aim to sign the build contracts by October and are on track to have all 3 new vessels in the water by March 2026.

We continue to wrestle with the lack of profitability of Skybus which was marginally above breakeven this year (2022: £0.16m profit). The combined aviation operation (Skybus and Land's End Airport) tied up around £10m of assets and produced a profit before tax of only £0.28m. (2022: £0.49m). Despite 9.5% more passengers, this was £0.21m below last year as a result of rising costs. This also came against a backcloth of high staff vacancies and unsustainable pressure on those staff we do have. Had we had full recruitment, Skybus would have made a significant loss. As I write our pilots are threatening industrial action because they would like a higher pay award than the 5% granted to all company employees with effect from April 2023. We will continue to focus on Skybus and work towards a better position.

Island Carriers is now producing consistent profits of around £0.1m each year which is a good result relative to its small asset base. Island Carriers continues to expand its activities, such as improving storage facilities and waste removal processes, which will provide further benefits to the island community.

In terms of ancillary activities, our drone project has been put on the back burner in the short-term due to our current focus on new vessels. Cranfield Aerospace continues to work on converting the Islander we sold to them to hydrogen and we look forward to trialling that aircraft in due course.

Isles of Scilly Steamship Company Limited

Chairman's statement

After the last AGM, and having taken soundings from those shareholders physically present, we announced an interim dividend of 15p per share. In deference to popular opinion, which was concerned rightly about the need to retain cash, we also announced an alternative scrip offer and that was made the default position on the communication to shareholders. I am pleased to say that the majority of shareholders took the scrip offer to the extent that only £15,000 cash was paid out to a relatively small number of shareholders.

Building on this sense that we really need to husband our cash resources very carefully indeed, the Board has decided not to recommend a dividend in respect of the last financial year. This should not be interpreted as a negative indication of share value. On the contrary, the Board thinks that our trading figures and net asset position would support a much higher share valuation than that currently enjoyed and will continue to review what can be done to realise that higher value for shareholders.

I would like to take this opportunity to thank shareholders for their ongoing confidence and support in these interesting times.

Ian Howard MBE

Isles of Scilly Steamship Company Limited

Board of Directors

Stuart Reid (Chief Executive Officer)

Stuart joined Isles of Scilly Steamship Group as Chief Financial Officer in July 2013 and was appointed as a Board director in June 2015. Originally from Mullion, Stuart graduated from Cardiff University with a BSc (Hons) degree in Pharmacology & Toxicology and qualified as a Chartered Accountant in 2007.

Stuart previously worked at Smart Solutions Recruitment, one of Wales fastest growing companies. Stuart is a member of the Isles of Scilly Transport Board, Island Futures Board and Smart Islands Project. In his spare time, Stuart is a keen cyclist and triathlete competing over multiple distances.

Ian Howard MBE (Chairman)

Ian joined the board on 1 February 2019 becoming Chairman two months later.

Having qualified as a solicitor in 1980, Ian spent most of his working life with Siemens the global electronic concern undertaking a wide range of roles, the last of which, working out of Munich, was Senior Vice President, Mergers and Acquisitions.

Having left Siemens, Ian chaired the board of one of Europe's leading copper fabricators, MKM, until its sale in 2019. He currently serves on the boards of a number of other companies and pension funds.

In parallel Ian has served on the boards of the British Triathlon Federation, and the British Olympic Association. Currently he is a Vice President on World Triathlon's Executive Board.

Judith Piper (Chief Financial Officer and Company Secretary)

Judith Piper joined the Isles of Scilly Steamship Group as Chief Financial Officer in October 2018 and was appointed as a Board director in May 2019. Before joining the Group, Judith worked for W. Stevenson & Sons Ltd as Finance Director, Company Secretary and Acting Managing Director.

Her earlier career included Finance Manager at Unipart Group Ltd and Financial and Management Accountant at Westcountry Ambulance Services NHS Trust. Originally from Cornwall, Judith graduated from Plymouth University with a BSc (Hons) degree in Psychology. She qualified as an ACCA accountant in 2001 and was awarded Fellowship (FCCA) status in 2006. Judith now lives in St. Levan with her husband and three children enjoying many sports activities and the local beaches.

Sam Hicks (Senior Independent Director)

Sam Hicks is from a longstanding St Agnes family. He was educated in Scilly, then at Truro School and graduated from the University of Bath in 2001 with a BSc Hons in Business Administration. He worked in various commercial management roles on the mainland before returning home to help grow the family business.

Together with his wife and parents he manages Troytown Farm dairy, self-catering cottages and campsite. Fully engaged in the local community, Sam is Watch Manager of the island fire service, captain of the cricket team and a member of the Shah gig crew. He has three children at the Five Islands School.

Isles of Scilly Steamship Company Limited

Board of Directors

Stephen Hicks

Born on St Mary's, Steve Hicks was educated on the island and at Truro School before becoming a cadet in the Merchant Navy with P&O. He spent over twenty years at sea predominantly in sea going tugs and in the offshore oil industry in the North Sea.

In 1995 Steve spent his first full year in the family passenger launch business. In February 2018, after twenty years, he sold the vessel built on St Mary's to his design in 1997. He is one of the three pilots licensed for the waters of Scilly and a former lifeboat crew member, He is now the Lifeboat Operations Manager for the St Mary's Station.

In the summer Steve can still occasionally be seen on the passenger launches when acting as a relief skipper or crew. He spends time out in the Swordfish angling and on family leisure time. He is also finding time for doing watercolours of vessels and the islands and working on maintenance and projects in his boatshed.

Gary Randall

Gary is a Chartered Accountant heading up a large practice that has offices in Devon and Cornwall. He has been a non-Executive Director for the company since 2018 and reflects on the varying challenges that have been faced during that period.

The company has reported strong financial performance in recent years, and this provides a base from which to develop; the replacement vessel project is an exciting one, but navigating through the development and construction phase will require financial skill and judgment.

Gary hopes that his financial mind and commercial awareness will bring much needed support to the executive Team.

Kevin George

Kevin's early career was with British Airways as an avionics engineer, progressing through to senior management roles in marketing and operations. In 2007 Kevin joined Monarch Airlines initially as their operations director before taking the position as CEO in 2011. After 30 years in aviation he moved to the marine industry and joined the Red Funnel Group as CEO in 2014 and then became Chair in 2018 until 2021.

Kevin is currently the Chair of Aurigny Air Services in Guernsey.

Sonya Bassett

With over 20 years' experience in law and business, Sonya spent 10 years in corporate and commercial roles in a number of leading international law firms, Eversheds and Osborne Clarke (for whom she also worked in San Francisco), as well as five years in-house in the private sector as Legal Director for a leading renewable energy company running projects for both Tesco and Marks and Spencer and working closely with the government Department of Energy and Climate Change in respect of the Green Deal project.

Sonya is currently a corporate and commercial solicitor working as a consultant for Spencer West LLP and Paddle and Cocks LLP. Sonya is particularly experienced in working with regional SMEs and has notable expertise in the tourism and renewables businesses sectors. In her spare time Sonya enjoys adventures with her son in their campervan and being in or on the water.

Isles of Scilly Steamship Company Limited

Strategic Report

Year Ended 31 March 2023

The directors present their strategic report for the year ended 31 March 2023.

PRINCIPAL ACTIVITY

The principal activities of the Group and its subsidiaries are the provision of regular sea and air services for passengers and cargo between the mainland and the Isles of Scilly. During the year under review, the Group continued the operation of ancillary activities as follows; marine and aeronautical engineering, fuel supplies and road haulage services on St Mary's, inter-island freight and mail services and the operation of Land's End Airport.

REVIEW OF THE BUSINESS

The results for the year are shown in the profit and loss account on page 29. This review covers the performance of the Group for the period 1 April 2022 to 31 March 2023. The financial year ended 31 March 2023 was the Group's fourth year of operation under the new Board leadership and management team.

PROFIT BEFORE TAX

The Group reported a profit before tax for the year ended 31 March 2023 of £2.49m (2022: £2.47m).

FINANCIAL PERFORMANCE

The Group can report an EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of £3.95m (2022: £3.81m), an increase of 3.8%.

The further improvement in financial performance is being delivered through a customer-focused approach to winning market share against the new competing helicopter service. For the year under review passenger numbers increased by 5.9% to 191,529 passengers (2022: 180,846).

LOOKING FORWARD

Our Group's vision "Delivering for Scilly" is at the core of everything we do but in order to keep improving and delivering a service for the next generation we must look to invest in the route. The Board have set a challenging target for the Executive in delivering a £4 million EBITDA for the year ending 31 March 2024. At this level of financial performance the Group continues to generate cash on a trajectory needed to invest in the service and infrastructure requirements. The investment will deliver a step-change in service to the Islands to a greener, customer-focused approach to transport and attract a new audience to the Islands as well as delivering a service which will grow the season into the autumn and potentially into the winter months.

Although the Group has seen improved financial performance since its new beginnings era through its focus on core activities, the Group will need to explore new opportunities to grow revenue, especially in light of recent competition. The Group has commenced looking at horizontal and vertical integration opportunities to deliver further revenue growth. This will not signal a move away from the focus on our core activities but an expansion whilst always ensuring that customer experience levels remain high and efficiencies continue to be generated.

INVESTMENT

The Executive Team are exploring further investment opportunities to realise some of the financial performance potential of the Group and to provide funding for future projects. The Board have set up an Equity Investment Committee which will oversee a series of important workstreams to identify routes to investor markets. This work will also include consultation with our existing shareholders.

Isles of Scilly Steamship Company Limited

Strategic Report

Year Ended 31 March 2023

VESSEL REPLACEMENT PROJECT

Levelling Up Funding

Although there was much to celebrate with the announcement of the award of Levelling Up Funding towards new vessels, on reflection it has been a distraction to our objective and resulted in increasing costs of the project. The ongoing delays to the process and the lack of clarity from the Department for Transport (DfT) have been very disappointing.

To recap the position, in April 2021 the UK Government announced the Levelling Up Fund, a £4.6bn fund to level up those areas of the UK most in need. The Isles of Scilly was designated a Category 1 area and so, in collaboration, the partners of the Isles of Scilly Transport Board, including the Isles of Scilly Steamship Group, delivered an application which consisted of funding support for our new vessels as well as infrastructure improvements to St Mary's Harbour and New Grimsby Quay on Tresco. The bid, totalling £48m, was submitted on 18 June 2021 by the Council of the Isles of Scilly as the lead applicant.

The strength of the application was bolstered, as the Steamship Group approved, under a non-disclosure agreement, the inclusion of our vessel design work which it commenced in 2019. The application also set out the ownership structure of the new vessels and how the vessels would be procured by the Steamship Group using its experience and knowledge of the route.

On 27 October 2021, the UK Government announced that the application for three new vessels and infrastructure improvements had been successful. The funding was subject to final approval of a full business case by the DfT. Following the announcement, the Isles of Scilly Steamship Group, together with the Council of the Isles of Scilly, delivered the full business case.

The full business case mirrored the original application submitted on 18 June 2021 and continued to highlight the ownership structure and procurement routes. We were therefore surprised by the DfT's decision to reject the full business case in August 2022. The DfT, having approved the initial application which clearly defined the delivery structure, required a very different methodology of ownership structure and procurement process. Urgent meetings took place over the following weeks between DfT officials and the Steamship Group to gain clarity on the situation.

At our AGM on 12 October 2022 we presented the current situation on Levelling Up Funding. We highlighted that the new process required by the DfT would result in a delay to the delivery of the new vessels by at least two years. Given the urgent situation to replace our vessels and to ensure continuity of the route and resilience we announced that we would, in parallel, return to our original plan of seeking private financing for new vessels.

Private Financing

Having identified the increasing risk and complexity of the delivery of Levelling Up Funding, the Board of Directors approved for the Executive to identify a private financing solution. This work would take place alongside our ongoing discussions with the DfT.

After six months of intense discussions with several financing houses, the Executive proposed to the Board a private financing solution backed by Lombard NatWest. The agreement would secure a £33.6m debt package equating to 80% of the investment needed to build three new vessels.

Isles of Scilly Steamship Company Limited

Strategic Report

Year Ended 31 March 2023

In accordance with our Company values, we have reflected on our Community values and ensured we maintain a positive interaction with those we serve. The Executive Team strived to achieve a financing package which would allow us to progress with this important project, securing resilience of the lifeline link, but also minimise the impact on ticket prices and freight costs.

Financing Decisions

18 months after the announcement of Levelling Up funding, the Board of Directors held a series of meetings to consider the risks of proceeding with the funding compared to private financing. The challenge the Company experienced was lack of clarity around the Levelling Up Funding terms and conditions. A letter from Robert Courts MP (the then shipping Minister) identified that there would be a requirement to tender for the operation of the new vessels periodically, that a leasing charge would be payable for operation of the vessels which would cover "depreciation and liabilities" and that a public procurement exercise for selection of the shipyard and operator would be required. These were all major risks. In particular, we estimated that the leasing charge to operate the vessels could be in excess of £2m per year and that the public procurement requirement could add 2 to 3 years onto the build programme which adds significant risk to the operation of the lifeline link.

After much challenge and deliberation, the Board of Directors identified that the risks of proceeding with Levelling Up Funding were too high. In contrast, the private financing solution would deliver certainty of ship delivery timescales and without the risk to the future of the Company.

The Board of Directors is fully aware of the challenges of servicing £33.6m of debt. Since 2019, the Company has strengthened its financial position and is generating cash in excess of £3m annually. This cash generation is already at a level which allows us to service the majority of the annual repayment under the terms of the debt financing deal. As we have stated, we are committed to keeping fares and freight charges low and our current modelling shows that an annual increase of circa 5% (pre-inflation) will be required each year over the next three years. This will be dependent on many variables, particularly volumes of passengers and freight.

The announcement of our private finance solution on 18 April 2023 has been well received. For the first time in the Company's history it has put itself in a position where it can provide a vessel replacement solution for its fleet of vessels. The new vessels will bring a significant improvement to the sea links service to the Isles of Scilly but will also provide assurances to the community of protecting the lifeline link at the earliest opportunity.

There is a significant amount of work required to deliver this project on time and on budget but I am confident that we have the team, the experience and the support of our stakeholders to "Deliver for Scilly".

Isles of Scilly Steamship Company Limited

Strategic Report

Year Ended 31 March 2023

Shipyards

In 2021 we approached 30 shipyards with an invitation to tender for the replacement of Scillonian III and the Gry Maritha. Of the 30 shipyards we approached, we received 13 responses from shipyards across Europe and the far East. This process was aided by Blair Reid who specialise in shipyard procurement. The 13 shipyards who submitted bids were evaluated by the project team and it was concluded that four shipyards would be taken forward for further consideration.

The four shipyards under consideration were Piriou (France), Harland & Wolff (Appledore, UK), Damen (Holland) and Cammell Laird (Birkenhead, UK). On 5 May 2023 the shipyards were invited to submit their Best and Final Offer (BAFO). As of the date of this report the project team are evaluating submitted bids with a target of announcing our preferred shipyard by the end of July 2023. The delivery of Scillonian IV and the New Cargo Vessel remains on target for an entry into service by March 2026.

The third vessel in our fleet replacement plans, Lyonesse Lady II, is also progressing well. We are in discussions with shipyards and further work is being carried out by naval architects on its design structure. The delivery of Lyonesse Lady II remains on track with a target delivery date of 31 December 2024.

Isles of Scilly Steamship Company Limited

Strategic Report

Year Ended 31 March 2023

AVIATION

The aviation division, consisting of Isles of Scilly Skybus and Land's End Airport, is an important part of the Steamship Group but still has many challenges to overcome.

The introduction of the competing helicopter service post Covid-19 resulted in a reduction in the Skybus air market to 72% but we have worked hard to deliver a customer-focused air transport service. The combination of a welcoming experience from arrival at the airport to a customer-focused approach on Skybus has, at the time of this report, recovered market share to 80%. We continue to engage with, and look after, passengers and are confident in further air market recovery.

The significant and increasing costs of fuel, landing fees and insurance all add to the high cost base which puts pressure on our ticket prices. However, the Group continues to strive to keep air fares as low as possible and prices remain competitive in comparison to competition.

The aviation industry has still to recover fully post-Covid-19 with a global shortage of aviation parts and aviation employees. Recruitment of aviation-skilled personnel is particularly challenging and this, coupled with the lack of local accommodation, is presenting further challenges. Our priority is to deliver a safe and resilient operation. Whilst the aviation sector continues its recovery we will have to adapt by amending the schedule to allow greater flexibility in ensuring aircraft remain available for deployment to carry passengers.

The challenges encountered over the past 12 months required a review of our aviation business plan. This is still under review but what is clear is that further investment will be required to maintain the operation. We have commenced enquiries with aircraft suppliers which included visits to Land's End Airport of new aircraft types for further consideration. Investment will also be required in associated infrastructure including new hangars at Land's End Airport. The existing hangars were constructed in the 1970s and are in need of repair. Our initial plans to build a new structure at the Southern end of the airfield were exceptional in design but as steel costs increased post Covid-19 the cost of the new engineering facility exceeded budget. We are now considering revised plans of replacing the existing Eastern Hangar with a larger facility which will hold two Twin Otters and three BN2 Islanders. The designs also include new engineering offices and stock holding stores in an improved compound which will enhance operational working. Costs for this replacement plan have been drafted but the Executive consider it prudent to proceed with the commencement of the new vessel replacement project first before further capital commitments are considered. As an interim, the Board have approved the urgent need of the replacement of the Western Hangar door structure.

There is further opportunity within the aviation business to improve its financial performance. Our business review will consider all options and we will look to implement these over the second half of the financial year ending 31 March 2024.

Isles of Scilly Steamship Company Limited

Strategic Report

Year Ended 31 March 2023

KEY CHALLENGES

Our vessel replacement programme is progressing well and remains as per our project timeline. There is contingency built into the programme but management of supply chains and vessel build programmes will be critical to deliver vessels on time and on budget. We are currently recruiting for two new positions to manage the project build, a project manager and a site engineer. Both roles will require experience and an understanding of the unique characteristics of the route. These new roles will both be supported by the project team who collectively have many years of experience and knowledge.

Of more immediate concern is the increased risk to the ongoing resilience of our vessels. Despite the extreme care and attention given to our vessels by our crews and the heavy cost of our annual planned maintenance programmes, all our vessels are showing signs of their age and their condition is deteriorating. Over the past 12 months we have seen an increase in the number of reported defects on board which have been corrected at significant cost and in some cases delays to the operational service. The Gry Maritha is of particular concern with an increased number of missed sailings this year due to mechanical issues with the starboard shaft. We continue to monitor this closely. Delivery of new vessels is therefore essential if we are to continue to provide a high-quality, resilient passenger and freight supply service. To overcome the more immediate challenge, we are acquiring additional spare machinery parts and will need to continue investing in the existing fleet to maintain resilience.

We continue to face challenges with the recruitment of skilled professionals in the aviation business. The Covid-19 pandemic resulted in the collapse of many aviation businesses and widespread redundancies in that sector. As a result, aviation training programmes ceased to operate with many workers moving to alternative sectors. We currently have vacancies for aviation engineers and air traffic controllers. We continue to manage this with the support of existing employees to prevent operational disruption.

Inflation and other cost pressures will present a further challenge for the Executive team over the forthcoming year. The increase in operational costs to deliver services continues to present a key challenge and with forecast inflation expected to remain relatively high over the next year, the Executive have actively mitigated this risk by placing a number of fuel hedging contracts and, where possible, negotiated price increases with suppliers.

Isles of Scilly Steamship Company Limited

Strategic Report

Year Ended 31 March 2023

PASSENGER NUMBERS

There was an overall increase in passenger numbers of 10,683 to 191,529 (2022: 180,846), an increase of 5.9% for the financial year.

Skybus passenger numbers increased by 6,697 to 77,129 (2022: 70,432), an increase of 9.5%, with day trippers increasing by 522 to 9,333 (2022: 8,811), an increase of 5.9%. Day trippers accounted for 12.1% of air passengers (2022: 12.5%).

Scillonian passenger numbers increased by 3,986 to 114,400 (2022: 110,414), an increase of 3.6%. We experienced a decrease in day trippers for the period under review with day trippers decreasing by 5,887 to 30,287 (2022: 36,174). Scillonian day trippers accounted for 26.5% of sea passengers (2022: 32.8%). The fall in Scillonian day trip numbers was disappointing and this is addressed further below.

PASSENGER BOOKINGS

At the time of writing, passenger bookings for the year ended 31 March 2024 are 2.6% lower than for the same period last year.

We have seen a change in the pattern of bookings for the forthcoming year with passenger bookings being made closer to the departure date than had previously been expected. We believe that this pattern is being caused by the cost of living crisis and current economic uncertainty.

The fall in Scillonian day trip numbers last year by 16.3% was very disappointing. This year we are focusing on a new day trip marketing campaign with more traditional advertising techniques. This is delivering results with an increase in forward day trip bookings of 18.6%.

Isles of Scilly Steamship Company Limited

Strategic Report

Year Ended 31 March 2023

TURNOVER ANALYSIS

The Group's turnover increased by 13.1% to £19.42m (2022: £17.18m). Group turnover is primarily driven by passenger numbers and the average ticket price.

Turnover for services by air, which includes Skybus and Land's End Airport, increased by 14.4% to £10.11m (2022: £8.83m) as a result of an increase in air passenger numbers and an increase in average ticket prices. The reason for the increase in average ticket prices is due to inflationary price increases. Land's End Airport's revenue is predominately generated through internal sales to Skybus but also provides car parking revenue and café sales, both of which increased as a result of higher passenger numbers.

Turnover for services by sea increased by 8.9% to £8.28m (2022: £7.60m) as a result of an increase in sea passenger numbers. Much of the focus of marketing during the year was on the promotion of day trips knowing that accommodation on the Islands was full for most of the season. Other shipping revenue, which includes car parking revenue and Scillonian III café sales, improved as a result of the higher passenger numbers.

Freight sales traditionally fluctuate year on year depending upon any projects that are being undertaken on the Isles of Scilly. Freight sales were slightly down for the year by £19,000 or 0.8% to £2.37m (2022: £2.39m). We are pleased to report the recruitment of a new freight commercial manager who will be targeting an increase in freight volumes for the Group.

Revenue from other transport activities totalled £1.04m (2022: £0.74m). The increase of £0.30m is mostly in relation to Land's End Airport and is due to the high fuel price for the year which increased fuel sales revenue. Island Carriers continues to perform well by targeting additional revenue streams of stock holding facilities and the winning of transportation contracts.

OTHER OPERATING INCOME

Last year, Covid-19 funding of £0.94m was received. However, this year there was no Covid-19 funding. Other operating income therefore reduced by £0.89m to £0.16m (2022: £1.05m) and is predominantly in relation to property rental income.

COST ANALYSIS

The Group's cost of sales increased by 8.8% to £17.07m (2022: £15.69m). The main reason for the increase was the high cost of fuel which, together with higher levels of activity, resulted in significantly higher costs of fuel, landing fees and port dues.

Employment costs are our largest cost to the business accounting for 39.7% (2022: 40.8%) of our cost base. Employment costs increased by 5.7% to £6.78m (2022: £6.41m) as a result of the Group's pay award and higher levels of activity.

Repairs and maintenance costs continue to escalate as the shipping and aviation assets age. Such costs totalled £2.00m (2022: £1.99m) which represents approximately 11.7% (2022: 12.6%) of our cost base.

INVESTMENT IN ASSETS

In addition to repairs and maintenance on our assets, during the year the Group spent £0.83m on capital expenditure (2022: £0.91m) in order to continue replenishing the Group's assets. There were no proceeds from the sale of assets (2022: £0.36m).

Isles of Scilly Steamship Company Limited

Strategic Report

Year Ended 31 March 2023

SUMMARY OF KEY MOVEMENTS IN CASH AND BANK BALANCES

Below there is a summary of the cash flow which uses EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) to indicate how cash has been utilised during the year. The cash flow summary shows that the Group has been cash generative during the year, increasing cash balances by £3.60m (2022: £3.84m) to £13.22m (2022: £9.62m). Cash increased as a result of the following key movements:

- Improved profitability (EBITDA increased by 3.8% to £3.95m (2022: £3.81m))
- A higher level of advance bookings (deferred income) relative to last year (£0.63m increase).
- The above was offset in part by capital expenditure net of sale proceeds of £0.83m (2022: £0.55m)

Cash flow summary	2023	2022
	£	£
Bank and cash balances brought forward	9,621,000	5,781,000
EBITDA	3,951,000	3,808,000
Capital expenditure (net of sale proceeds)	(832,000)	(548,000)
Payment of interest and capital against finance lease	(241,000)	(288,000)
Increase in stock	(97,000)	(90,000)
Increase in deferred income	634,000	961,000
Other working capital movements	187,000	(3,000)
Bank and cash balances carried forward	13,223,000	9,621,000
Net cash increase	3,602,000	3,840,000

SAFETY AND SECURITY

Our principle Group value is the safety of our employees and passengers which is managed through our robust Safety Management Systems. Safety is a weekly agenda item at both Marine and Aviation Management meetings with attendance by the Group's safety managers. We strive for continuous improvement and continue to encourage a positive health and safety culture.

The Group continues to take a proactive approach to safety and encourages the submission of both proactive and reactive safety-related incident reports. The Group has a strong and proactive incident and near miss reporting culture, which enables any weakness identified in our safety systems to be targeted and improved and mitigations implemented.

The Group's Risk Management Team, consisting of managers from both the aviation and marine businesses, meet regularly throughout the year to review and update business continuity risks and risk assessments are updated regularly by managers and mitigations implemented.

Isles of Scilly Steamship Company Limited

Strategic Report

Year Ended 31 March 2023

FUTURE DEVELOPMENTS

The Group generates profits in the first six months of trading which support the loss-making winter lifeline link operation. For the 2023/2024 financial year, the Board have set another challenging budget to continue the Group's objective of generating cash to fund future asset and infrastructure improvements to enhance services. The Executive have set targets for the Group's management team to deliver on this challenging budget, targeting a mix of cost efficiencies and revenue opportunities.

The Group continues to review alternative fuel technologies for both our marine and aviation operations. On the marine side, the new vessel project will ensure ships are built with the ability to swap propulsion systems to greener technology when proven and readily available. On the aviation side, the Group continues its collaboration with Cranfield Aerospace Solutions with the aim of retrofitting hydrogen propulsion technology to the BN2 Islander aircraft the Group sold to Cranfield in 2021. Recent focus has been on the infrastructure required to store and dispense the hydrogen to our aircraft.

Approved by the Board on 19 July 2023 and signed on its behalf by:



Mr S Reid
Chief Executive Officer

Isles of Scilly Steamship Company Limited

FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks which include price risk, credit risk and foreign exchange risk.

The Group continues to face price risks through significant increases in operating costs as a result of high levels of inflation. Fuel costs in particular have substantially increased during the year. The Group manages the price risk of fuel through a combination of forward contracts, spot rate buys when favourable and appropriate management of stock holdings. The Group is also a retailer of oil-related products that are subject to changes in world commodity price for crude oil.

The Group has limited suppliers of both shipping and aviation parts. The Group mitigates this risk by holding appropriate levels of stock.

The Group has aviation consumable suppliers with liabilities which are settled in dollars. The Group manages currency risk on such goods through spot rate buys when favourable.

In May 2020, the Group signed an aircraft finance lease commitment repayable over 8 years, with the option to extend the final payment over another 2 years. In July 2021, the Group signed a forward contract to reduce the level of exchange rate risk exposure over the term of the lease.

Credit checks are performed on potential and established customers. The amount of credit risk exposure to any individual customer is controlled by means of a credit limit that is set and monitored by the business.

The Group operates solely in the UK and is therefore susceptible to changes in the economic environment and consumer confidence in the UK.

Brexit does give rise to certain operational and financial impacts on the Group, although to date the impact of Brexit has been minimal and managed through the decisions of senior management.

Isles of Scilly Steamship Company Limited

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to high standards of corporate governance and believes that a strong governance structure is critical to future growth and stability. The Group strives to maintain integrity and professionalism at all times. Our values of safety, people, excellence, transparency, respect, trust, collaboration and community form a framework for our decision-making.

The Board of Directors, led by the Chairman, Ian Howard, is the principal decision-making forum for the Group. It has overall responsibility for leading and controlling the Group and is accountable to the shareholders for financial and operational performance. The Board approves Group strategy and monitors performance.

Building on this existing platform of sound governance, we are pleased to provide our Environmental, Social and Governance (ESG) report. Every one of our trading companies can play its part in addressing ESG issues, including those in our local stakeholder communities. Our ESG Report aims to capture our approach to the environment, to people and to governance.

ENVIRONMENTAL

The membership of the Environmental Committee is made up of a representative from each area of the Group with Sonya Bassett (a non-executive director) as Chair. The Committee meets on a quarterly basis.

The Committee's remit is to review and develop the Group's environmental strategy and support the CEO, CFO and senior management team by making recommendations to assist them in achieving the Group's environmental aspirations.

The Committee has developed an environmental strategy and has set achievable targets in every area of the business. These include working with other community environmental initiatives in order to protect and improve our environment and the Group's contribution to it.

Environmental issues are an important factor when we look to the future of our transport activities, and they feature heavily in the design of the new vessels. The Group will ensure that its future ships and aircraft are designed such that they may be adapted to more environmentally friendly propulsion systems in the coming years. In the meantime, the Committee is focusing on reducing electricity consumption throughout the Group.

The Committee is also involved in a variety of smaller initiatives such as the installation of EV charging points at Land's End Airport.

SOCIAL

The social part of ESG is about being a socially responsible employer and we aim to make this part of our internal culture. We strive to ensure that there is no gender, ethnic or disability discrimination in the organisation. We have a more gender-balanced Board with two female members. We have improved employee communications and we have introduced a performance management process throughout the Group.

Our social conscience extends to the support of local communities, both on the islands and on the mainland. We are pleased to continue supporting local charities such as the Isles of Scilly Wildlife Trust and St Mary's Haven through having a donation facility on our website's booking pages. We are sensitive to domestic and global human rights issues and will not knowingly source from suppliers guilty of human rights abuses such as the employment of under-age children.

Isles of Scilly Steamship Company Limited

GOVERNANCE

The Board is sensitive to, and driven by, good Corporate Governance.

Stuart Reid, Chief Executive Officer, holds primary responsibility for the running of the business on a day-to-day basis. Judith Piper, Chief Financial Officer, supports Stuart in his role and together the two Executive Directors provide regular reports to the Board to enable Board members to make informed, effective and timely decisions.

The Board is supplied with comprehensive and timely reports in advance of each meeting, covering all the Group's business activities. Financial and operational reports are reviewed and discussed along with the Group's strategic aims together with performance, financial and risk management. Board meetings are structured to allow open discussion by all Directors.

As at the date of approval of the Group accounts, the Board comprises six Non-Executive Directors and two Executive Directors. The Directors believe that the Board functions effectively and efficiently. The Directors provide a mix of skills, experience and expertise appropriate to the size of the business and its activities.

Our committee structure ensures that other areas of governance are vouchsafed. Directors are appointed in accordance with a fair and transparent process through the Nominations Committee. Executive director pay is addressed by the Remuneration Committee. Our Audit Committee, in conjunction with external auditors, tests the robustness of financial controls to reduce the risk of fraud and other forms of financial corruption.

On the Information Technology side, we ensure the privacy of customer data through compliance with the relevant regulations. We are ever vigilant to the risk of cyber security and take all reasonable measures to mitigate risks.

Isles of Scilly Steamship Company Limited

REMUNERATION COMMITTEE

The Members of the Remuneration Committee are Sam Hicks, Gary Randall and Sonya Bassett (Chair).

The Committee's remit is to determine and agree with the Board the financial and non-financial targets, salary and benefits for the Executive Directors and Chairman, as well as to work with the Executive Directors to assist in the design of any performance related pay schemes operated by the group by reviewing the workforce remuneration and related policies and methodology.

Recommendations are made after obtaining information from a variety of sources to benchmark the quantum of salary and benefits of the contracts. Legal and employment advice is taken when required and new contracts are checked by consultants to ensure compliance with employment law and best practice.

The Committee has been active throughout the year, holding quarterly formal meetings as well as consulting by video, email and telephone conferencing. The focus of the Committee has been the setting of targets aligned with the group's mission and values. A Group pay award was approved at the start of the financial year for all employees which took into account both the level of inflation and the financial targets for the Group.

Director's Remuneration

	Salary *	Fees	Benefits in kind	Total		Pension contributions	
	£	£	£	2023 £	2022 £	2023 £	2022 £
<i>Executive Directors</i>							
S Reid	110,000	-	4,269	114,269	105,169	49,500	50,500
J Piper	106,866	-	-	106,866	100,543	1,316	1,321
<i>Non-Executive Directors</i>							
I Howard MBE	-	27,475	-	27,475	25,000	-	-
S Hicks	-	11,288	-	11,288	10,750	-	-
S M Hicks	-	9,188	-	9,188	8,750	-	-
G Randall	-	9,188	-	9,188	8,750	-	-
K George	-	9,438	-	9,438	8,750	-	-
S Bassett	-	9,188	-	9,188	8,750	-	-
	<u>216,866</u>	<u>75,765</u>	<u>4,269</u>	<u>296,900</u>	<u>276,462</u>	<u>50,816</u>	<u>51,821</u>

* Includes bonus based on performance-related targets

S Reid's benefits in kind relate to the provision of a fully expensed motor vehicle.

Isles of Scilly Steamship Company Limited

NOMINATIONS COMMITTEE

Members of the Nominations Committee at the end of the year were Ian Howard (Chairman), Steve Hicks and Sonya Bassett.

The Committee has a wide remit which includes:

- i) reviewing the Board's structure, size and composition
- ii) identifying and nominating candidates to fill Board vacancies
- iii) reviewing the time commitment required from non-executive directors to fulfil their responsibilities
- iv) formulating succession plans for executive and non-executive directors
- v) recommending changes to the membership of all Board Committees as and when required.

The Committee met on a number of occasions throughout the year.

AUDIT COMMITTEE

The members of the Audit Committee are Sam Hicks, Steve Hicks and Gary Randall (Chairman).

The Committee possesses a range of experience and commercial knowledge with the current Chairman being a Registered Auditor. When appropriate, advice is sought from external professionals and we constantly strive to keep up to date with changing audit priorities, risks, best practice and good governance.

The regulatory environment in which the Group operates is challenging and the Executive Team work hard to ensure a high level of corporate governance. The Audit Committee seek to challenge and assist in delivering high level compliant standards.

Our role is first and foremost to monitor the integrity of the financial statements of the Group and any formal communications relating to the Group's performance, review the Group's internal financial controls, and monitor the effectiveness of the Group's internal audit function. The committee also considers and recommends to the Board, the appointment of external auditors for approval by shareholders at the AGM.

The Chairman is invited to attend audit meetings as and when appropriate. Risk and compliance is a constant focus at all our meetings, we monitor the risk reporting and compliance process and provide critical challenge as appropriate. The risk management committee report to the Audit Committee and Board on continuity risks and actions identified to mitigate these risks. As Audit Committee Chairman, I consider the key role of our committee is to provide oversight and reassurance, specifically with regard to the integrity of the Group's financial reporting, audit arrangements and internal control processes. We are committed to this responsibility.

Isles of Scilly Steamship Company Limited

Directors' Report

Year Ended 31 March 2023

The directors present their report and the for the year ended 31 March 2023.

Committees

Current directors:

Stuart Reid	M
Judith Piper	M
Ian Howard MBE	N
Gary Randall	A, R, M
Steve Hicks	A, M, N
Sam Hicks	A, R
Kevin George	M
Sonya Bassett	R, N, E

'A' signifies that the director is a member of the Audit Committee.

'R' signifies that the director is a member of the Remuneration Committee.

'N' signifies that the director is a member of the Nominations Committee.

'M' signifies that the director is a member of the Marine Asset Replacement Committee.

'E' signifies that the Director is a member of the environmental committee.

The Chairman, Chief Executive Office and Chief Financial Officer may be invited to attend meetings of the Audit and Remuneration Committees when appropriate.

The interests of the directors in the ordinary shares of the Company as at 31 March 2023 are set out below. There have been no changes to these interests between 1 April 2023 and 19 July 2023.

	2023	2022
Stephen Hicks	999	999
Ian Howard	95,394	80,172

Dividends

The directors do not propose the payment of a dividend for the year ended 31 March 2023 (2022 - £nil). An interim dividend was declared in December 2022 of 15p per share.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 19 July 2023 and signed on its behalf by:



Mr I Howard MBE
Chairman

Isles of Scilly Steamship Company Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 apply them consistently;
- make judgements and accounting 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Isles of Scilly Steamship Company Limited

Independent Auditor's Report to the Members of Isles of Scilly Steamship Company Limited

Opinion

We have audited the financial statements of Isles of Scilly Steamship Company Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Isles of Scilly Steamship Company Limited

Independent Auditor's Report to the Members of Isles of Scilly Steamship Company Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Isles of Scilly Steamship Company Limited

Independent Auditor's Report to the Members of Isles of Scilly Steamship Company Limited

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group at the planning stage of the audit. Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related company 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 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 the loss of the company's licence to operate. In making this assessment we determined that the most significant elements of legislation include licencing laws, employment laws and regulations, and health and safety legislation.

Isles of Scilly Steamship Company Limited

Independent Auditor's Report to the Members of Isles of Scilly Steamship Company Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Enquiries of management regarding their knowledge of any non compliance with laws and regulations that could affect the financial statements. As part of these enquiries we also discussed with management whether there have been any known instances, allegations or suspicions of fraud, of which there were none.
- Considering the filings made at Companies House, and any omissions thereon of which there were none identified.
- Reviewing the most recent Civil Aviation Authority, and Maritime and Coastguard Agency reports, and where there had been visits discussing with management their findings.
- Discussing with management compliance with licencing legislation and health and safety legislation.
- Undertaking transactional testing on grant claims made in the year.
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale for significant transactions outside the normal course of business, of which there were none.
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.

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 (irregularities) 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 irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Isles of Scilly Steamship Company Limited

Independent Auditor's Report to the Members of Isles of Scilly Steamship Company Limited

Use of our report

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.



Andrew Allen BSc FCA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Lowin House
Tregolls Road
Truro
Cornwall
TR1 2NA

31 August 2023

Isles of Scilly Steamship Company Limited

Consolidated Profit and Loss Account

Year Ended 31 March 2023

	Note	2023 £ 000	2022 £ 000
Turnover	3	19,422	17,176
Cost of sales		<u>(17,065)</u>	<u>(15,691)</u>
Gross profit		2,357	1,485
Other operating income	4	<u>159</u>	<u>1,049</u>
Operating profit	5	2,516	2,534
Other interest receivable and similar income	9	37	1
Interest payable and similar charges	10	<u>(62)</u>	<u>(70)</u>
Profit before tax		2,491	2,465
Taxation	11	<u>3</u>	<u>(108)</u>
Profit for the financial year		<u>2,494</u>	<u>2,357</u>
Profit/(loss) attributable to:			
Owners of the company		<u>2,494</u>	<u>2,357</u>

Isles of Scilly Steamship Company Limited

Consolidated Statement of Comprehensive Income

Year Ended 31 March 2023

	2023 £ 000	2022 £ 000
Profit for the year	<u>2,494</u>	<u>2,357</u>
Total comprehensive income for the year	<u>2,494</u>	<u>2,357</u>
Total comprehensive income attributable to:		
Owners of the company	<u>2,494</u>	<u>2,357</u>

Isles of Scilly Steamship Company Limited

Consolidated Balance Sheet

31 March 2023

	Note	2023 £ 000	2022 £ 000
Fixed assets			
Intangible assets	12	371	418
Tangible assets	13	<u>11,901</u>	<u>12,457</u>
		<u>12,272</u>	<u>12,875</u>
Current assets			
Stocks	15	1,618	1,521
Debtors	16	1,878	2,205
Cash at bank and in hand		<u>13,223</u>	<u>9,621</u>
		16,719	13,347
Creditors: Amounts falling due within one year	18	<u>(10,713)</u>	<u>(10,119)</u>
Net current assets		<u>6,006</u>	<u>3,228</u>
Total assets less current liabilities		<u>18,278</u>	<u>16,103</u>
Creditors: Amounts falling due after more than one year	18	<u>(2,105)</u>	<u>(2,390)</u>
Provisions		(68)	(68)
Deferred tax liabilities		<u>(174)</u>	<u>(178)</u>
Provisions for liabilities	21	<u>(242)</u>	<u>(246)</u>
Net assets		<u>15,931</u>	<u>13,467</u>
Capital and reserves			
Called up share capital	23	1,455	1,411
Share premium reserve		384	247
Profit and loss account		<u>14,092</u>	<u>11,809</u>
Equity attributable to owners of the company		<u>15,931</u>	<u>13,467</u>
Shareholders' funds		<u>15,931</u>	<u>13,467</u>

Approved and authorised by the Board on 19 July 2023 and signed on its behalf by:



Mr S Reid
Director

Company Registration Number: 00165746

Isles of Scilly Steamship Company Limited

Balance Sheet

31 March 2023

	Note	2023 £ 000	2022 £ 000
Fixed assets			
Intangible assets	12	371	418
Tangible assets	13	3,940	4,150
Investments	14	4,165	4,165
		<u>8,476</u>	<u>8,733</u>
Current assets			
Debtors	16	202	385
Cash at bank and in hand		13,200	9,599
		<u>13,402</u>	<u>9,984</u>
Creditors: Amounts falling due within one year	18	<u>(13,182)</u>	<u>(9,985)</u>
Net current assets/(liabilities)		<u>220</u>	<u>(1)</u>
Total assets less current liabilities		8,696	8,732
Creditors: Amounts falling due after more than one year	18	(619)	(686)
Provisions for liabilities	21	<u>(140)</u>	<u>(149)</u>
Net assets		<u>7,937</u>	<u>7,897</u>
Capital and reserves			
Called up share capital	23	1,455	1,411
Share premium reserve		384	247
Profit and loss account		<u>6,098</u>	<u>6,239</u>
Shareholders' funds		<u>7,937</u>	<u>7,897</u>

No Profit and Loss Account is presented for the Company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax of £70,000 (2022 - loss after tax of £55,000).

Approved and authorised by the Board on 19 July 2023 and signed on its behalf by:



Mr S Reid
Director

Company Registration Number: 00165746

Isles of Scilly Steamship Company Limited

Consolidated Statement of Changes in Equity

Year Ended 31 March 2023

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2022	1,411	247	11,809	13,467
Profit for the year	-	-	2,494	2,494
Total comprehensive income	-	-	2,494	2,494
Dividends	-	-	(211)	(211)
New share capital subscribed	44	137	-	181
At 31 March 2023	1,455	384	14,092	15,931

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 April 2021	1,411	247	9,452	11,110
Profit for the year	-	-	2,357	2,357
Total comprehensive income	-	-	2,357	2,357
At 31 March 2022	1,411	247	11,809	13,467

The notes on pages 35 to 56 form an integral part of these financial statements.

Isles of Scilly Steamship Company Limited

Statement of Changes in Equity

Year Ended 31 March 2023

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2022	1,411	247	6,239	7,897
Profit for the year	-	-	70	70
Total comprehensive income	-	-	70	70
Dividends	-	-	(211)	(211)
New share capital subscribed	44	137	-	181
At 31 March 2023	1,455	384	6,098	7,937

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 April 2021	1,411	247	6,294	7,952
Loss for the year	-	-	(55)	(55)
Total comprehensive income	-	-	(55)	(55)
At 31 March 2022	1,411	247	6,239	7,897

Isles of Scilly Steamship Company Limited

Consolidated Statement of Cash Flows

Year Ended 31 March 2023

	Note	2023 £ 000	2022 £ 000
Cash flows from operating activities			
Profit for the year		2,494	2,357
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	1,328	1,282
Impairment loss		108	-
Profit on disposal of tangible assets		(1)	(7)
Finance income	9	(37)	(1)
Finance costs	10	62	70
Corporation tax expense	11	(3)	108
		<u>3,951</u>	<u>3,809</u>
Working capital adjustments			
Increase in stocks	15	(97)	(90)
Decrease/(increase) in debtors	16	327	(571)
Increase in creditors	18	594	1,718
Decrease in provisions	21	-	(120)
Decrease in government grants		(45)	(67)
		<u>4,730</u>	<u>4,679</u>
Net cash flow from operating activities			
Cash flows from investing activities			
Interest received		37	1
Acquisitions of tangible assets		(808)	(847)
Proceeds from sale of tangible assets		1	363
Acquisition of intangible assets	12	(25)	(65)
		<u>(795)</u>	<u>(548)</u>
Net cash flows from investing activities			
Cash flows from financing activities			
Interest paid	10	(62)	(70)
Payments to finance lease creditors		(241)	(221)
Dividends paid	23	(30)	-
		<u>(333)</u>	<u>(291)</u>
Net cash flows from financing activities			
Net increase in cash and cash equivalents		3,602	3,840
Cash and cash equivalents at 1 April		<u>9,621</u>	<u>5,781</u>
Cash and cash equivalents at 31 March		<u>13,223</u>	<u>9,621</u>

The notes on pages 35 to 56 form an integral part of these financial statements.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Hugh Town
St. Mary's
Isles of Scilly
TR21 0LJ

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The functional currency of the group is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2023.

No Profit and Loss Account is presented for the Company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax of £70,000 (2022 - loss after tax of £55,000).

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Summary of disclosure exemptions

FRS102 allows a qualifying entity certain disclosure exemptions subject to certain conditions which the company has complied with. This includes the notification of, and no objection to, the use of such exemptions by the company's shareholders.

On this basis the company has taken advantage of the following exemptions:

- i) From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows included in these financial statements includes the company's cash flows;
- ii) From the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A as the information is provided in the consolidated financial statement disclosures.

The group and company have also taken advantage of the exemption under FRS102 paragraph 33.1A in respect of transactions between members of the group, on the basis that the group companies are 100% owned.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Revenue recognition

Turnover represents charges for the supply of sea and air passenger and freight services and associated income. Turnover is recognised when the group fulfils its contractual obligations to customers in respect of the goods and services provided. Turnover is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the consolidated profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Intangible assets

Intangible assets are stated in the statement of financial position at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

The cost of intangible assets includes directly attributable incremental costs incurred in their acquisition and development.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	Straight line over 5 years
Software development costs	Straight line over 10 years
Other intangibles	Straight line over 5 years

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold land and buildings	Straight line over 20 or 50 years
Leasehold land and buildings	Straight line over the term of the lease
Runways	Straight line over 18 years
Aircraft engines and major components (included within plant and machinery)	Straight line over the number of flight hours remaining
Ships (included within plant and machinery)	Straight line over the life of the ship
Other plant and machinery	At various rates appropriate to the relevant asset (straight line)

Ship maintenance

When the ships are dry-docked for overhaul, the costs of these overhauls are charged against the profit and loss account as incurred. Other repair or service costs are also charged against the profit and loss accounts as incurred.

Investments

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the profit and loss account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Financial instruments

Classification

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

All financial instruments are classified as basic, with the exception of fuel hedging contracts.

Recognition and measurement

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets, which include trade and other receivables, cash and bank balances, and loans to related parties, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Basic financial liabilities, including trade and other payables, loans and borrowings, and loans from related parties are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

The group uses fuel hedging contracts to reduce its exposure to movements in fuel prices. Fuel hedging contracts are initially recognised at fair value at the date of inception and are subsequently remeasured to fair value at each reporting date. The resulting gain or loss is recognised immediately through the profit and loss account.

Impairment

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Critical accounting judgements and estimation uncertainty

Management evaluate estimates and judgements on an annual basis, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates applied by management are as outlined below:

Depreciation and useful economic lives of intangible and tangible assets

Management have carefully considered the depreciation estimates applied on the intangible and tangible assets held by the group. This assessment is performed on an annual basis, and would be amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of each asset.

Recognition of government grants

Management have considered the recognition basis for grants as follows:

i) Capital grants associated with the construction of the runways are being recognised through the profit and loss in conjunction with any depreciation, or impairment losses of the runways.

ii) Revenue grants, such as the Department for Transport grants, are credited to other operating income so as to match the corresponding expenditure, or operating losses to which they relate.

3 Turnover

The analysis of the group's turnover for the year by class of business is as follows:

	2023 £ 000	2022 £ 000
Sales by sea	8,457	7,603
Sales by air	10,217	8,831
Other transport activities and services	748	742
	<u>19,422</u>	<u>17,176</u>

All of the group's revenue is generated within the UK.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2023	2022
	£ 000	£ 000
ERDF grants	92	67
CJRS grants and other Covid-19 support	-	33
Department for Transport grants	-	905
Rental income	33	3
Other operating income	34	41
	<u>159</u>	<u>1,049</u>

5 Operating profit

Arrived at after charging/(crediting)

	2023	2022
	£ 000	£ 000
Depreciation expense	1,255	1,215
Amortisation expense	73	67
Profit on disposal of property, plant and equipment	(1)	(7)
Impairment loss	108	-
Operating lease expense - other	93	102
Auditors fees	13	13
Foreign exchange (losses)/gains	(6)	12
Government grants	(92)	(1,005)
(Profit)/loss on disposal of subsidiary	-	(7)

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2023	2022
	£ 000	£ 000
Wages and salaries	6,055	5,748
Social security costs	495	443
Pension costs, defined contribution scheme	226	216
	<u>6,776</u>	<u>6,407</u>

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2023	2022
	No.	No.
Employees	198	202
Directors	8	8
	<u>206</u>	<u>210</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2023	(As restated)
	£ 000	2022
		£ 000
Remuneration	297	273
Contributions paid to money purchase schemes	50	51
	<u>347</u>	<u>324</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2023	2022
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

Reference to the highest paid director for the year to 31 March 2023 and 2022 can be found within the strategic report.

8 Auditor's remuneration

	2023	2022
	£ 000	£ 000
Audit of these financial statements and subsidiaries	<u>13</u>	<u>13</u>
Other fees to auditors		
All other non-audit services	<u>16</u>	<u>15</u>

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

9 Other interest receivable and similar income

	2023 £ 000	2022 £ 000
Interest income on bank deposits	37	1

10 Interest payable and similar expenses

	2023 £ 000	2022 £ 000
Interest on obligations under finance leases and hire purchase contracts	62	70

11 Taxation

Tax charged/(credited) in the profit and loss account

	2023 £ 000	2022 £ 000
Deferred taxation		
Arising from origination and reversal of timing differences	(3)	108

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2022 - lower than the standard rate of corporation tax in the UK) of 19% (2022 - 19%).

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Profit before tax	2,491	2,465
Corporation tax at standard rate	473	468
Profit of business not subject to taxation	(392)	(374)
Non-deductible expenses	3	18
Tax losses (utilised) / arising	(32)	9
Deferred tax expense (credit) relating to changes in tax rates or laws	(1)	84
Tax increase (decrease) from effect of capital allowances and depreciation	(54)	(83)
Tax increase (decrease) from other short-term timing differences	-	(14)
Total tax (credit)/charge	(3)	108

The group's shipping business operates under the UK tonnage tax regime. For the current year the tax charge arising is calculated by reference to the net tonnage of the ships operated by the business rather than the tax adjusted results.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Deferred tax

Group

Deferred tax assets and liabilities

2023

Accelerated capital allowances

Other

Liability
£ 000

175

(1)

174

2022

Accelerated capital allowances

Unrelieved losses carried forward

Other

Liability
£ 000

1,153

(972)

(3)

178

Company

Deferred tax assets and liabilities

2023

Accelerated capital allowances

Liability
£ 000

140

140

2022

Accelerated capital allowances

Liability
£ 000

149

149

An increase in the long-term UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. Deferred tax balances have been remeasured to reflect this higher long-term rate, with differences recognised in the prior year tax charge.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

12 Intangible assets

Group

	Software development costs £ 000	Total £ 000
Cost or valuation		
At 1 April 2022	709	709
Additions acquired separately	25	25
At 31 March 2023	734	734
Amortisation		
At 1 April 2022	291	291
Amortisation charge	72	72
At 31 March 2023	363	363
Carrying amount		
At 31 March 2023	371	371
At 31 March 2022	418	418

Company

	Software development costs £ 000	Total £ 000
Cost or valuation		
At 1 April 2022	709	709
Additions acquired separately	25	25
At 31 March 2023	734	734
Amortisation		
At 1 April 2022	291	291
Amortisation charge	72	72
At 31 March 2023	363	363
Carrying amount		
At 31 March 2023	371	371
At 31 March 2022	418	418

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

13 Tangible assets

Group

	Freehold land and buildings £ 000	Leasehold land and buildings £ 000	Runways £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation					
At 1 April 2022	2,992	581	2,761	22,739	29,073
Additions	-	17	-	791	808
Disposals	-	-	-	(27)	(27)
At 31 March 2023	<u>2,992</u>	<u>598</u>	<u>2,761</u>	<u>23,503</u>	<u>29,854</u>
Depreciation					
At 1 April 2022	568	435	1,162	14,451	16,616
Impairment	-	-	-	108	108
Charge for the year	46	16	153	1,041	1,256
Eliminated on disposal	-	-	-	(27)	(27)
At 31 March 2023	<u>614</u>	<u>451</u>	<u>1,315</u>	<u>15,573</u>	<u>17,953</u>
Carrying amount					
At 31 March 2023	<u>2,378</u>	<u>147</u>	<u>1,446</u>	<u>7,930</u>	<u>11,901</u>
At 31 March 2022	<u>2,424</u>	<u>146</u>	<u>1,599</u>	<u>8,288</u>	<u>12,457</u>

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Included within the net book value of leasehold land and buildings above is £nil (2022 - £nil) in respect of long leasehold land and buildings and £147,000 (2022 - £145,000) in respect of short leasehold land and buildings.

Company

	Freehold land and buildings £ 000	Leasehold land and buildings £ 000	Plant and machinery £ 000	Runways £ 000	Total £ 000
Cost or valuation					
At 1 April 2022	2,992	365	9	2,761	6,126
At 31 March 2023	2,992	365	9	2,761	6,126
Depreciation					
At 1 April 2022	568	238	8	1,162	1,976
Charge for the year	46	10		153	210
At 31 March 2023	614	248	9	1,316	2,186
Carrying amount					
At 31 March 2023	2,378	116		1,445	3,940
At 31 March 2022	2,424	127	1	1,599	4,150

The net book value of leasehold land and buildings above relates solely to short leasehold land and buildings.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

14 Investments

Company

	2023 £ 000	2022 £ 000
Investments in subsidiaries	4,165	4,165

Subsidiaries

Cost or valuation

At 1 April 2022 4,165

Disposals -

At 31 March 2023 4,165

Carrying amount

At 31 March 2023 4,165

At 31 March 2022 4,165

Details of undertakings

Details of the investments in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Isles of Scilly Skybus Limited	England & Wales	Ordinary share capital	100%	Provision of freight and passenger air services between the mainland and the Isles of Scilly
Land's End Airport Limited	England & Wales	Ordinary share capital	100%	Operation of Land's End Aerodrome
Isles of Scilly Shipping Company Limited	England & Wales	Ordinary share capital	100%	Provision of passenger and cargo services between the mainland and the Isles of Scilly
Lyonesse Shipping Company Limited	England & Wales	Ordinary share capital	100%	Leasing of ships
Lyonesse Air Transport Limited	England & Wales	Ordinary share capital	100%	Dormant
Island Carriers Limited	England & Wales	Ordinary share capital	100%	Island Carriers trade and fuel sales
Isles of Scilly Shipping (Guernsey) Limited	Guernsey	Ordinary share capital	100%	Offshore crew management
Dormant Company 09887016 (formerly known as Island Carriers Limited)	England & Wales	Ordinary share capital	100%	Dormant

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

15 Stocks

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Other inventories	<u>1,618</u>	<u>1,521</u>	<u>-</u>	<u>-</u>

16 Debtors

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Trade debtors	772	972	-	-
Other debtors	54	212	38	205
Prepayments	<u>1,052</u>	<u>1,021</u>	<u>164</u>	<u>180</u>
	1,878	2,205	202	385
Less non-current portion	<u>-</u>	<u>(94)</u>	<u>-</u>	<u>(94)</u>
	<u>1,878</u>	<u>2,111</u>	<u>202</u>	<u>291</u>

Details of non-current trade and other debtors

Group and Company

£Nil (2022 - £94,000) of other debtors is classified as non current. The Group and Company has issued a loan which was recoverable over the course of the next two to three years, however has been fully repaid in the year.

Company

£Nil (2022 - £94,000) of other debtors is classified as non current. The Group and Company has issued a loan which was recoverable over the course of the next two to three years, however has been fully repaid in the year.

17 Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	£ 000	£ 000	£ 000	£ 000
Cash on hand	2	3	-	-
Cash at bank	<u>13,221</u>	<u>9,618</u>	<u>13,200</u>	<u>9,599</u>
	<u>13,223</u>	<u>9,621</u>	<u>13,200</u>	<u>9,599</u>

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

18 Creditors

		Group		Company	
	Note	2023 £ 000	2022 £ 000	2023 £ 000	2022 £ 000
Due within one year					
Loans and borrowings	19	241	241	-	-
Trade creditors		1,178	1,070	196	35
Amounts due to group undertakings		-	-	12,768	9,678
Social security and other taxes		147	126	23	11
Outstanding defined contribution pension costs		29	30	1	1
Other creditors		34	27	25	25
Accruals and deferred income		9,084	8,625	169	235
		<u>10,713</u>	<u>10,119</u>	<u>13,182</u>	<u>9,985</u>
Due after one year					
Loans and borrowings	19	1,464	1,704	-	-
Government grants		641	686	619	686
		<u>2,105</u>	<u>2,390</u>	<u>619</u>	<u>686</u>

The company has no outstanding bank borrowings at 31 March 2023 and 2022. In the event of the company utilising any bank borrowings there is a historic debenture in place incorporating a fixed and floating charge.

The obligations under finance lease agreements are secured on the assets to which they relate.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

19 Loans and borrowings

	2023 £ 000	Group 2022 £ 000	2023 £ 000	Company 2022 £ 000
Current loans and borrowings				
Finance lease liabilities	<u>241</u>	<u>241</u>	<u>-</u>	<u>-</u>

	2023 £ 000	Group 2022 £ 000	2023 £ 000	Company 2022 £ 000
Non-current loans and borrowings				
Finance lease liabilities	<u>1,464</u>	<u>1,704</u>	<u>-</u>	<u>-</u>

20 Obligations under leases and hire purchase contracts

Group

Finance leases

The total of future minimum lease payments is as follows:

	2023 £ 000	2022 £ 000
Not later than one year	241	241
Later than one year and not later than five years	963	963
Later than five years	<u>501</u>	<u>742</u>
	<u>1,705</u>	<u>1,946</u>

Operating leases

The total of future minimum lease payments is as follows:

	2023 £ 000	2022 £ 000
Not later than one year	23	41
Later than one year and not later than five years	76	87
Later than five years	<u>218</u>	<u>220</u>
	<u>317</u>	<u>348</u>

The amount of operating lease payments recognised as an expense during the year was £41,400 (2022 - £121,400).

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

21 Deferred tax and other provisions

Group

	Deferred tax £ 000	Lease dilapidation provision £ 000	Total £ 000
At 1 April 2022	178	68	246
Increase (decrease) in existing provisions	(4)	-	(4)
At 31 March 2023	174	68	242

Company

	Deferred tax £ 000
At 1 April 2022	149
Increase (decrease) in existing provisions	(9)
At 31 March 2023	140

Lease dilapidation provision

Lease dilapidation provisions of £68,000 (2022 - £68,000) have been maintained at the year end. This provision is based on industry averages to form an estimate for the lease dilapidation costs that would be applicable to certain leasehold properties.

22 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £226,000 (2022-£166,000).

Contributions totalling £30,000 (2022 - £30,000) were payable to the scheme at the end of the year and are included in creditors.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

During the year the group operated two defined benefit pension schemes - the Merchant Navy Officers Pension Fund (New Section) (MNOFF) and The Merchant Navy Ratings Pension Fund (MNRPF). These schemes are multi-employer schemes. The group has been unable to identify its share of the underlying assets or liabilities of these schemes and therefore has accounted for these schemes as defined contribution schemes in accordance with FRS 102.

Merchant Navy Officers Pension Fund

The main purpose of the actuarial valuation is to review the financial position of the MNOFF fund relative to its statutory funding objectives and to assist the Trustee to determine the appropriate level of future contributions. The actuarial valuation is required under the terms of Clause 26.0 of the Trust Deed & Rules and Part 3 of the Pensions Act 2004.

The most recent valuation was carried out on 31 March 2021 which showed that the market value of the assets was £3,250m (2018: £3,278m) and the scheme had a surplus of £58m (2018: £73m shortfall). The Trustee confirmed that no additional deficit contributions would be collected as a result of the improved position.

The financial position of the Fund and the level of Participating Employers' contributions to be paid will be reviewed at the next actuarial valuation, which will be carried out at 31 March 2024.

Merchant Navy Ratings Pension Fund

An actuarial valuation was carried out at 31 March 2020 under the terms of Clause 25 of the Trust Deed & Rules and Part 3 of the Pensions Act 2004. The main purposes of the actuarial valuation are to review the financial position of the Fund relative to its statutory funding objective and to determine the appropriate level of future contributions. The 31 March 2020 valuation has concluded that there is no net deficit and therefore no contributions are currently required from employers.

Other Schemes

The company and group also operated defined contribution pension schemes during the year.

Isles of Scilly Steamship Company Limited

Notes to the Financial Statements

Year Ended 31 March 2023

23 Share capital

Allotted, called up and fully paid shares

	No. 000	2023 £ 000	No. 000	2022 £ 000
Ordinary shares of £1 each	<u>1,455</u>	<u>1,455</u>	<u>1,411</u>	<u>1,411</u>

During the prior year 44,132 ordinary shares were issued at £4.10 per share in lieu of dividends.

Dividends declared in the year totalled £211,000 of which £30,000 was paid in cash with the remainder paid as a share issue.

24 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2022 - £401,821).

25 Contingent liabilities

Group

The group's bankers hold bonds in respect of Air BP for £8,000 (2022 - £8,000) and National Express of £2,500 (2022 - £2,500).

26 Non adjusting events after the financial period

On 18 April 2023, the company announced they will be acquiring a new passenger ferry and two new freight vessels which will be ready for use by March 2026. This will be financed by a secured bank loan of £33.6m with Lombard NatWest, the terms of which were agreed in April 2023.

27 Related party transactions

Key management personnel

There are deemed to be no key management personnel outside of the directors. Details of directors remuneration is provided in note 7 to the financial statements and within the strategic report.

Transactions with directors

Reference to transactions with directors for the year to 31 March 2023 and 2022 can be found within the Directors report.