

**Isles of Scilly Steamship Company Limited**  
**Annual Report and Consolidated Financial Statements**  
**Year Ended 31 March 2018**  
Registration number: 00165746

**SATURDAY**



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# **Isles of Scilly Steamship Company Limited**

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# **Isles of Scilly Steamship Company Limited**

## **Company Information**

<b>Directors</b>	Mr D Rogers
	Mr M B Howarth
	Mr P Hardaker
	Mr A May
	Mr S Reid
	Mr S Hicks
	Mr G Randall
<b>Registered office</b>	Hugh Town St. Mary's Isles of Scilly TR21 0LJ
<b>Auditors</b>	PKF Francis Clark Statutory Auditor Lowin House Tregolls Road Truro Cornwall TR1 2NA

# Isles of Scilly Steamship Company Limited

## Chairman's statement

Welcome to the Isles of Scilly Steamship Company's 98th Annual Report and Consolidated Financial statements which covers the twelve-month period ending 31 March 2018.

The Steamship Group today holds true to its founding principles - to foster prosperity and well-being in the communities it serves. This is one of the principles against which the Board tests each strategic decision.

### Financials

Looking back at passenger numbers during the year under review it is pleasing to see growth in total passenger numbers of nearly 3% to 215,624 (2017 £209,835). Island Helicopters has now added capacity, resilience and choice to our existing services provided by our ships and by Skybus.

The Group's profitability, before the exceptional item in connection with the impairment of the Mali Rose, is lower than that of recent years but remains consistent with a longer term moving average.

The key drivers for this change are explored in more detail in the strategic report but can be summarised as being a reduction in Skybus' passenger revenue, primarily from fewer passengers choosing to fly during the winter months, notably from the public sector, and an increase in costs particularly marine costs associated with servicing the strong growth in passenger and freight volumes and the vessel Mali Rose. Pilot costs contributed to an increase on the airside too where numbers were increased to underpin operational resilience.

### Our sea fleet

Scillonian III maintained her excellent record of service and reliability. Improvements to the vessel's lighting and internal finish as well as the provision of Wi-Fi and a new Western Rocks café offer were designed to improve passengers' travel experience. She is due to undertake a scheduled 5 year survey this winter. We believe she has the ability to continue on the route until such time as a replacement vessel comes into service. The quality of her original build, her planned and regular maintenance, much of it undertaken by highly skilled, long-standing permanent professionals on the vessel, means that she is in a service condition which belies her age and as such is able to continue meeting the needs of passengers wishing to travel by sea.

The Gry Maritha is in her 30th year of fulfilling the vast majority of the Islands' freight needs. The vessel and her current crew are deservedly praised for their service efficiency and reliability - which is complimented by the services offered to the off-islands by the Lyonesse Lady, the Swift Lady and their crews. The Island Carriers fulfil this local role for many of our St Mary's based customers.

I wrote here 12 months ago that the Board anticipated the Mali Rose would have entered service well before now. We regret this did not happen. Having reviewed the lessons learnt since the vessel was purchased twenty-six months ago we believe that with the goodwill and support of our entire marine team, that is all vessels' crews together with shore side and freight personnel, the vessel will be retained as a trading asset. We are actively working on solutions to the remaining engineering and regulatory issues which need to be resolved prior to the vessel moving from the recent trials phase to service on the line. We anticipate that on introduction this service will not mirror precisely that provided currently by the Gry Maritha and that it will, as did the Gry Maritha's, evolve over time.

The Board asked for a review of the investment that's been made in this asset. Consequently, a significant piece of work has been undertaken involving our own finance department and audit committee to consider the appropriate balance sheet value for the Mali Rose at 31 March 2018. The results of this work have been reviewed and audited by our external auditors in their annual work in connection with the financial statements.

# **Isles of Scilly Steamship Company Limited**

## **Chairman's statement**

A value in use valuation approach has been used to assess the carrying value of the Mali Rose on the basis that it is the intention of the Group to bring the vessel into service and retain for future trading use.

This valuation approach attributes a value to the vessel based upon the value to the Group of the anticipated future discounted profit stream from the vessel in use rather than a resale value. This is the appropriate valuation method to apply in these circumstances.

In order to reflect a valuation of the vessel which is realistic in respect of the parameters which have been applied to it, and one which is well within the forecasts of the Company's 5 year business and strategic plan, our work concluded that it was appropriate to apply an impairment in the value of the asset as at 21 August 2018. The impaired sum of £633,447 is detailed in the accounts and incorporated in the profit and loss account, and has the effect of turning the pre-exceptional profit after tax figure of £514,736 into a loss reported for the year after tax of £118,711.

### **Our air fleet**

Skybus and Land's End Airport had a successful year despite a slight fall in air passenger numbers. Although outside the current accounting period, it is worth noting that in early June of this year Skybus carried a record number, 857, of passengers in one day to and from the islands and has just enjoyed the best July in the airline's history.

We expect the EGNOS landing system to be fully operational by next season, with CAA-approved pilot training scheduled to take place during the autumn and winter months. This GPS-based system is expected to make a considerable difference to operational resilience.

The Board has long been of the view that the best long-term interests of the Islands, their residents and visitors, are likely to be served through the addition of any new helicopter service operating from Land's End Airport as opposed to anywhere else. To that end, and in response to customer demand, we announced the launch of Island Helicopters on 15 February this year and flights commenced from Land's End Airport on 21 May. We have budgeted for this service to make a loss in the early years but remain committed to its success.

Since the end of the financial year plans to build a new heliport in Penzance have been approved by Cornwall Council. Although we understand there are still considerable operational and regulatory hurdles to overcome, the new service could be operational late next season.

We remain concerned at the ability of the route to sustain another heliport in the locality in addition to existing infrastructure, but accept Cornwall Council's resolution to grant consent for Penzance Heliport. We will of course compete robustly with the new service, but also recognise the need for all providers to work together for the good of the islands and the economy. We therefore look forward to being part of a positive and constructive debate about transport provision as we look to the future.

### **Governance**

For some time the Board has been examining how best to evolve its composition to diversify its skills set and age and gender balance. I am pleased to report that the Nominations Committee is considering a number of excellent non-executive candidates, and expects to make the first of a number of appointments shortly. This follows the appointment of Gary Randall in June.

I have also put the Board on notice that after a period of 16 years I feel the time will soon come when I should step aside as Chairman. A number of factors have precipitated this, including the outcome of the Penzance Heliport debate where we clearly did not get our arguments across with sufficient force to influence the outcome.

# Isles of Scilly Steamship Company Limited

## Chairman's statement

However, the Board accepts that any change of Chairman needs to be managed as part of our wider corporate governance review and non-executive recruitment process to ensure a smooth transition.

### **Group asset replacement and infrastructure strategy**

The Board pays close attention to its asset replacement plans. Recently the focus has been on the Mali Rose and our digital presence, particularly our booking platform. The Board believes that the Group's core trading position together with the strength of its balance sheet and the cash generating potential of the business means it will be appropriate in the foreseeable future to refine the process of examining the options around the replacement of Scillonian III.

Close engagement with island business, customers and wider stakeholders will be important and it was partly with this in mind that the Steamship Advisory Board has been created. This advisory function works under agreed terms of reference and we believe the Steamship Group, as well as the local community has the potential to benefit from it. Membership is by application and there is provision for rotation so please contact us for an application pack should you be interested in taking part.

Work continues with Cornwall Council and other Penzance stakeholders on a bid to the Coastal Communities Fund designed to improve facilities in Penzance for passengers as well as for freight deliveries and handling.

### **Corporate and social responsibility**

The Group continues to subsidise a considerable number of services and initiatives which it, with its local stakeholders, deems worthy of financial support. This is an activity which is close to our founding principles and one which we take seriously.

Last year we've produced a 'Giving back' brochure and an up-dated version can be found on-line at <https://www.islesofscilly-travel.co.uk/community-fund-about/>

We remain strongly in support of, including as its main sponsor, the extraordinarily successful World Pilot Gig Championships.

### **Dividend**

The Board is proposing a dividend payment of 11 pence per share to be paid to shareholders on the register at 21 June 2018. This represents a total dividend of £153,139 (2017 12 pence per share and a total dividend of £164,849).

The 11 pence per share in 2018 reflects a return to the same level paid in 2016. This 7% decrease (2017 10% increase) is consistent with the Board's long-standing dividend policy and takes account of the Company's earnings, financial performance and its asset replacement plans.

Finally, and on behalf of my colleagues on the Board, thanks are extended to all of the Group's staff for their work over the period, as well as to all of you who continue your interest in and support of the Company.

Andrew May  
Chairman

August 2018

# **Isles of Scilly Steamship Company Limited**

## **Board of Directors**

**Stuart Reid (Acting Chief Operating Officer and Company Secretary)**

Stuart joined the Isles of Scilly Steamship Group as Chief Financial Officer in July 2013 and 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 then qualified as a Chartered Accountant in 2007. Stuart has previously worked as Financial Controller at Smart Solutions Recruitment, one of Wales fastest growing companies. Stuart now lives in Marazion.

**Andrew May (Chairman)**

Andrew joined the Board in 1992. He worked in Lincolnshire and London before returning to St Mary's where he now farms and is involved, with his wife Juliet, in a number of diversified businesses. He is also the Chairman and a founding Director of Mainland Marketing Ltd and a Director of the Cornwall Agri-food Council. He was awarded a Fellowship of the Royal Agricultural Societies (FRAgS) in 2017. He is the Chairman of the Group's Nominations Committee.

**Peter Hardaker (Vice-Chairman)**

Peter Hardaker joined the Board in 2003. His working life in Cornwall, has been in the Land Based sector as machinery manager and CEO of Cornwall Farmers before retiring from full time employment fifteen years ago.

He has spent many years working in a number of roles including Cornwall College Corporation, to support the development of Agricultural and Horticultural education within Cornwall. He worked as a founder Director of the Eden Project and has been actively involved and committed to the development of the rural economy and wellbeing of Cornwall and the Isles of Scilly.

He is also a Council Member of the Royal Cornwall Agricultural Association. He serves as Vice-Chairman of the Steamship Company and chairs the Audit and Remuneration Committees and sits on the Nominations Committee.

**Diccon Rogers**

Diccon Rogers joined the Board in 2013. From a St Mary's farming family, he worked in business consultancy in central London in parallel with founding his own marine and construction contracting businesses in Scilly and mainland UK.

Co-founding Keynvor Morlift Ltd in 2008, he continues the company's expansion of marine activity across subsea and surface marine construction, heavy lift, towage, salvage, and project cargo, with a particular focus on marine renewable energy. He has served as a trustee of two Scillonian charities and is currently a Steering Board director of the South West Marine Energy Park. He lives in Scilly and Falmouth.

# **Isles of Scilly Steamship Company Limited**

## **Board of Directors**

### **Mark Howarth**

Mark has lived on the North Cornish coast for many years, joined the Board in 2013 and is a Fellow of the Chartered Institute of Logistics and Transport. He has been in the transport business for 50 years, working in both the UK and overseas. He set up his own bus company, Western Greyhound, in 1997 to revitalise bus operations in Cornwall which grew rapidly and was renowned for its good quality. He sold the business in 2013.

Mark spent many years on the Council of the Confederation of Passenger Transport (CPT), additionally chairing the South West Region liaising with local authorities, the Government and Ministers whilst also chairing the Newquay Cornwall Airport Forum for many years. Mark is currently an International Transport Consultant currently working on various projects overseas, and is also involved in farming in South Africa.

### **Sam Hicks**

Sam Hicks joined the board in 2017. From a longstanding St Agnes family, he was educated on the islands before leaving for Truro School and Bath University where he completed a degree in Business Management. He worked in various commercial organisations across the UK before returning to St Agnes where, with his family, he runs a dairy farm, campsite and self-catering lets. He serves the island as Watch manager of the island fire crew and as a coastguard. He captains the island cricket team and rows in the local gig, the Shah.

### **Gary Randall**

Gary was formally appointed to the Board in July 2018 and is from St. Mellion, in east Cornwall. He has been practising as a Chartered Accountant for the last 25 years, developing an extensive client base across Devon and Cornwall. In 2013, he merged his business with Prydis to broaden the services provided to clients of both companies, and become Managing Director of Prydis Accounts Ltd.

Gary, embraces the challenges of General Practice and particularly enjoys the interaction between the other facets of the business with Financial Planning, Corporate Law and Governance all forming part of the key day to day deliverables at Prydis. In his downtime, Gary is a keen golfer and spends many Saturday afternoons at Liskeard Football Club, where he has worked to attract new players and bridge the gap between youth football and men's football.



# Isles of Scilly Steamship Company Limited

## Strategic Report

Year Ended 31 March 2018

The directors present their strategic report for the year ended 31 March 2018.

### Principal activity

The principal activities of the Company 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 Companies continued the operation of ancillary activities as follows: marine and aeronautical engineering, garage and road haulage services on St Mary's, ship repairs and operation of a dry dock, inter-island freight and mail services and the operation of Land's End Airport.

### Business review

The results for the year are shown in the profit and loss account on Page 20.

The Group's turnover increased by 2.1% to £17,457,000 (2017: £17,094,000) but despite the increase in turnover the Group recorded an operating loss after exceptional items of £167,000.

There was an overall increase in passenger numbers of 2.8% to 215,624 passengers for the financial year (2017: 209,853). Turnover for services by sea increased by 8.2% to £7,073,000 (2016: £6,537,000) which is primarily driven by passenger numbers which increased by 7.8% to 122,381 passengers (2017: 113,513 passengers). Marine passenger revenue increased by 8.8% to £4,258,000 (2017: £3,913,000). Further investment in our passenger reservation systems and management reporting tools is further assisting with the management of the business. Freight service have also shown strong growth increasing by 8.0% to £2,273,000 (2017: £2,110,271).

Turnover for services by air declined by 1.6% to £9,490,000 (2017: £9,641,000). The fall in turnover is attributable to a number of factors including a decrease in air passengers by 3.2% to 93,243 (2017: 96,338). The investment in the new passenger reservation system and management reporting tools has provided greater opportunities for managing schedule efficiencies.

Non related transport activities decreased by 2.4% to £894,000 (2017: £916,000) as a result of a further decline of Nike Engineering sales during the period. Fuel and engineering sales at Nike Engineering decreased by 40% to £203,000 as a result of a loss of engineering skills from the business.

Airport passenger and landing fees increased during the year by 2.0% to £1,609,000 (2017: £1,578,000) despite the 3.2% fall in passenger numbers. Fees payable to St Mary's Airport now amount to £1,263,000 following a 6% increase in all charges.

Group staff costs have increased by 11.4% (2017: 4.2%) to £6,629,000 (2017: £5,949,000). Due to the nature of the Group's activities being largely service based the expectation would be to see staff costs grow alongside sales. The increase in employment costs is a result of a multiple of factors but general pay increases and the introduction of the National Living Wage as well as auto-enrolment obligations have resulted in the average salary per employee increasing. In particular, seasonal staff who form an integral part of our peak season operation have become more expensive as a result of the increases described above. One-off employment costs were incurred as a result of the decision to employ temporary crew for the Mali Rose's sea trials. These trials were undertaken during a period when the Company's permanent crew were operating Scillonian III and Gry Maritha schedules. We have also seen a proactive investment in disruptive management and pilot teams during the year resulting in additional staff costs.

# Isles of Scilly Steamship Company Limited

## Strategic Report

### Year Ended 31 March 2018

There has been a substantial increase in repairing and maintaining our shipping fleet in the year. The Gry Maritha has also gone through its 5 year survey and extensive works were carried out on the Scillonian III in preparation for her 5 year survey next year both resulting in additional costs to ensure the highest of regulatory requirements are met to ensure the vessels are fully operational. Repair and maintenance costs to our shipping fleet increased by £273,000 to £724,000 (2017: £451,000).

As required under FRS 102 the Directors are required to make periodic impairment reviews of Group assets held on the balance sheet. During the year the Directors carried out an impairment review of the Mali Rose which resulted in an impairment charge in the consolidated accounts of £633,000 which is shown as an exceptional item in the accounts.

The Group has continued to make substantial capital investments in upgrading the transport system between the mainland and the Isles of Scilly. The capital programme in the current financial year saw further investment in tangible assets of £2,195,000. The Group incurred further intangible asset expenditure of £136,000 in its passenger reservation and e-commerce website with improved functionality allowing users to make bookings, amendments and cancellations on line. During the year the Group incurred further expenditure on the Mali Rose of £1,248,000 which is disclosed as an asset under the course of construction at the year end where it is still undergoing sea trials and not yet generating income for the Group.

Depreciation and amortisation charges in the year totalled £1,248,000 which is £82,000 higher than in 2017 and is due to the continued capital investment. There has been no depreciation charge on the Mali Rose expenditure during the financial year as the asset was under construction at the year end.

As a result of the impairment of the Mali Rose the Group incurred an operating loss of £167,000 for the year ended 31 March 2018. Profit after tax before exceptional items is reported as £515,000 a decline of 67.1% due to a number of factors, in particular the increase in staff costs and repair and maintenance costs incurred on our shipping fleet to meet regulations and ensure resilience. Costs were partially offset by increase in passenger revenue through further yield management of our passenger services and an overall increase in passenger numbers. The combined effect of all of these factors resulted in a decline in our gross profit margin to 2.1% (2017: 8.2%).

Shareholder funds ended the year at £13,768,000 (2017: £13,977,000) a decrease of 1.5% (2017: 11.8% increase).

The Group had a net cash inflow from operating activities of £2,285,000 (2017: £4,028,000). The decrease is driven by a reduction in net positive working capital movement. The net cash outflow from Capital expenditure was £2,195,000 (2017: £4,201,000). Overall the Group has seen a small decline in cash of £99,000 (2017: £444,000). This is primarily due to the continued investment in capital projects.

# **Isles of Scilly Steamship Company Limited**

## **Strategic Report**

**Year Ended 31 March 2018**

### **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 an increase in costs of aviation parts and consumables due to a fall in manufacturing output. The Group is also a retailer of oil-related products that are subject to changes in world commodity price for crude oil. By the 31 March 2018 the cost of a barrel of crude oil had climbed to \$64 per barrel, a 21% year-on-year increase. In 2017 the Group has successfully negotiated a five year contract and enhanced its fuel stock holding to improve the purchase price of aviation fuel. In addition the Group manages the price risk of fuel through a combination of forward contracts and spot rate buys when favourable.

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 has aircraft lease commitments and aviation consumable suppliers with liabilities which are settled in dollars. The weakening of Sterling has been identified as a business risk and the Group manages this currency risk through a combination of forward contracts and spot rate buys when favourable. There were no forward contracts in operation at the year end.

### **Corporate Governance**

The Group is committed to high standards of corporate governance, business integrity and professionalism, and believes that a strong governance structure is critical to future growth and stability.

The Board of Directors, led by the Chairman, 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.

As was announced at the company's Annual General Meeting on St Mary's on 13 September 2017, Chief Executive Officer (CEO) Mr Rob Goldsmith stepped down from his position after almost four years in post and was replaced on an interim basis by Mr Mark Howarth. This was an interim appointment initially intended to last for 6 months, but which was ultimately in place for 8 months whilst various more long term options were explored and investigated with the aim of placing the company in the best possible position to sustain its success into the long term.

The Group took legal advice on Corporate Governance, and undertook a thorough process which considered a wide range of alternatives before ultimately electing to appoint the existing Chief Financial Officer (CFO) Stuart Reid to become acting Chief Operating Officer (COO) with day-to-day operational responsibilities, and adjusting the existing Non-Executive Chairman Andrew May's role to become 'Chairman with executive responsibilities'. For the avoidance of doubt, the Chairman remains charged with leading the Board and ensuring that it works effectively to achieve the company's aims. The COO holds primary responsibility for the running of the business on a day-to-day basis and putting into effect the decisions made by the Board.

# **Isles of Scilly Steamship Company Limited**

## **Strategic Report**

### **Year Ended 31 March 2018**

Whilst passing certain executive functions to the Chairman is a decision which will be kept under ongoing review, it is considered that Andrew May carrying out such duties (in the absence of a formal Chief Executive Officer position within the structure) is extremely valuable to ensure that the all operational requirements are fulfilled to the highest possible standard taking account in particular:

Andrew's long relationship with the organisation means that he has knowledge of and insight into the business, which provides continuity and ensures that all operational functions are being led by individuals with a clear understanding of the company's culture and values.

Andrew has the key competencies and the necessary experience to provide the organisation with the overall leadership it requires on key operational elements through its next phase of growth and development.

It is acknowledged that the chairman absorbing certain executive responsibilities poses a potential risk with regard to impinging on the actual or perceived independence of the Chairman on certain issues. The company considers that any challenges in this regard can nonetheless be overcome by appointment of an appropriate independent director from within the existing board to provide leadership and advice to the board on areas of potential conflict as appropriate.

At the present time, it is felt that the structure now in place provides the best solution to not only ensure that the board is able to discharge its duties and responsibilities effectively, but also to ensure the most capable and effective leadership is available to the business around key operational areas.

The board has undertaken to keep this structure under review and as a part of that process the chairman has informed the nominations committee of his intention to step down, preferably prior to the company's 2019 AGM.

The board believes the company's best interests will be best served by the precise timing of this being informed by the outcome of new non-executive and executive appointments to the board and the senior management team.

Work has been under way in these areas for many months so to ensure correct and appropriate appointments through the company's established corporate governance process. The objective being to ensure the day to day running of the business and its strategic direction are not exposed to the undesirable and unnecessary risks of sudden and unplanned change.

A minimum of 9 Board Meetings are held each year. These meetings are structured to allow open discussion and all Directors participate in discussing the Group's strategic aims and performance as well as financial and risk management. The Board is supplied with comprehensive and timely information in advance of each meeting, including financial and operational reports covering all the Group's business activities.

As at the date of approval of the Group accounts, the Board comprises 5 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.

All Board appointments are made by the Board on a recommendation of the Nominations Committee.

# **Isles of Scilly Steamship Company Limited**

## **Strategic Report**

### **Year Ended 31 March 2018**

The Chairman ensures that all Directors receive clear, accurate and timely information on all relevant matters. On appointment a Director receives a formal induction including an introductory meeting with the Chairman, Vice Chairman and acting Chief Operating Officer.

The performance of Non Executive Directors is assessed by the Chairman and the Nominations Committee. The performance of the Executive Directors is assessed by the Remuneration Committee.

The Board has established a number of committees with specific responsibilities. The chairmanship and membership of these committees are refreshed at appropriate intervals.

#### **Remuneration Committee**

Remuneration committee members at the start of the year were: Andrew May (Chairman) Peter Hardaker (Vice-Chairman) and Mark Howarth. At the year end membership was Peter Hardaker (chairman) Diccon Rogers and Sam Hicks. The Committee's remit includes the review and recommendation to the Board of any changes to the salary and benefits payable to Executive Directors having regard to a wide range of comparables as well as the performance of the Company and that of the Executive.

The Committee was active throughout the year, meeting formally regularly as well as by email and telephone. Further the committee met the Executive on a number of occasions.

The Committee's work in the main concerned; the ex-Chief Executive Officer's contractual settlement following his decision to leave the business resignation in September 2017 and the remuneration of the interim Managing Director from September 2017. Following an extensive process the interim managing Director's base salary was recommended to the board for approval, with a pension contribution payable at 15% of this figure. No performance related bonus agreement was entered into.

No changes or bonus awards have been made to the salary of the Chief Financial Officer's role since the 1 June 2017 or in his new role as acting Chief Operating Officer. Work is currently ongoing in reviewing the Chairman's remuneration package following the change in Executive Team in May 2018.

The committee sought, variously, the views of, and information from, a number of individuals and organisations, including: the CEO, Non-Executive Directors, the Company's external advisors and a number of external organisation such as the Institute of Directors. The Board endorsed the committee's recommendations in respect of the CEO's settlement and the interim Managing Director's remuneration.

# Isles of Scilly Steamship Company Limited

## Strategic Report

Year Ended 31 March 2018

	Salary & bonus	Fees	Benefits in kind	Total		Pension contributions	
	£	£	£	2018 £	2017 £	2018 £	2017 £
<i>Executive Directors</i>							
S Reid	85,567	-	-	85,567	83,700	-	-
<i>Non-Executive Directors</i>							
P D Hardaker	-	10,654	-	10,654	10,140	-	-
A J May	-	26,972	-	26,972	23,290	-	-
M Howarth*	-	58,452	-	58,452	6,570	7,200	-
D S Rogers	-	6,902	-	6,902	6,570	-	-
S Hicks	-	4,339	-	4,339	-	-	-
<i>Past Directors</i>							
R Goldsmith	179,795	-	5,105	184,900	177,996	9,416	16,983
T B Ward	-	3,984	-	3,984	7,585	-	-
S Marquis	-	2,301	-	2,301	6,568	-	-
	<u>265,362</u>	<u>113,604</u>	<u>5,105</u>	<u>384,070</u>	<u>322,419</u>	<u>16,616</u>	<u>16,983</u>

Mr R Goldsmith's benefits in kind relate to the provision of a fully expensed car and medical insurance. As part of Mr R Goldsmith's resignation a settlement agreement was reached reflected in the salary and bonus figure.

\*Mr M Howarth took on the role of interim Managing Director following Mr R Goldsmith's resignation.

### Nominations Committee

Members of the Nominations Committee were: Andrew May (Chairman), Peter Hardaker (Vice-Chairman), and Sam Hicks.

Rob Goldsmith and Simon Marquis stepped down during the course of the year. 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 and to consider performance evaluation
- (iv) formulating succession plans for executive and non-executive directors
- (v) recommending changes to the membership of the Audit, Nominations and Remuneration committees to the Board.

The committee met on 4 occasions as well as carrying out its work via email and telephone.

# Isles of Scilly Steamship Company Limited

## Strategic Report

### Year Ended 31 March 2018

A number of recommendations were brought to the Board concerning membership of the three Board committees.

The committee continued to be active in its core area of responsibilities. A number of candidates entered the Company's Non-Executive Director selection process. Gary Randall was appointed a Director on 17th May 2018. The criteria by which the committee felt candidates should be assessed together with the specific experience and skills the committee deemed appropriate in candidates were reviewed during the year, reflecting the Company's evolving circumstances. Similarly, the timing imperative of any new appointment was reviewed in the context of retirements and so the changing makeup of the Board.

#### **Audit Committee**

The Audit Committee membership has changed through the year following the retirement of Terry Ward. The committee now comprises of Diccon Rogers; Sam Hicks and Peter Hardaker (Chairman). The Committee possesses a range of experience and commercial knowledge and when appropriate, advice is sought from external professionals. We constantly work to keep up to date with changing audit priorities, risks and changes in line with best practice and good governance.

Our role is first and foremost to monitor the integrity of the financial statements of the Company and any formal communications relating to the Company's performance, review the Company's internal financial controls and monitor and review the effectiveness of the Company'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.

The Audit Committee has formally met on three occasions during the year. On the 29th June 2017 to review last years' draft accounts for year ending 31st March 2017 for recommendation to the board and to review the audit management letter where there were no significant audit issues. On the 14th December 2017, the interim accounts were reviewed and approved for recommendation to the board. At a meeting on the 16th February 2018, the audit planning memorandum was discussed, agreeing tendering and audit strategy and priorities.

Risk and Compliance is a constant focus at all our meetings, we monitor the risk reporting process and compliance process including recording. 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 Company's financial reporting, audit arrangements and internal control processes. We are committed to this responsibility.

Approved by the Board on 19/7/18 and signed on its behalf by:



Mr A May  
Director

# Isles of Scilly Steamship Company Limited

## Directors' Report

### Year Ended 31 March 2018

The directors present their report and the for the year ended 31 March 2018.

#### Directors of the company

The directors who held office during the year were as follows:

	<b>Committees</b>
Mr D Rogers	A,R
Mr T Ward (resigned 13 September 2017)	A
Mr M P Howarth	R
Mr P Hardaker (Vice Chairman)	A,R,N
Mr A May (Chairman)	N
Mr S Hicks (appointed 20 July 2017)	A,R
Mr R Goldsmith (resigned 24 November 2017)	N
Mr S Marquis (resigned 4 June 2017)	N
Mr S Reid	N
Mr G Randall (appointed 26 June 2018)	-

'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.

The Chairman and Chief Operating 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 2018 are set out below. There have been no changes between these interests between 1 April 2018 and 19 July 2018.

	<b>2018</b>	<b>2017</b>
P D Hardaker	3,624	3,517
A J May	70,484	68,406
T B Ward	19,853	19,270
D S Rogers	423	411
S Marquis	600	600
M Howarth	2,121	2,058

#### Dividends

The directors recommend a final dividend payment of £153,199 (2017 - £164,849), 11p (2017 - 12.0p) per share (or a scrip issue of 1 share for every £4.05 of dividend). This is based on shareholdings at 21st June and will be paid on 5th November. This dividend has not been recognised as a liability in the financial statements.



# Isles of Scilly Steamship Company Limited


## Directors' Report

Year Ended 31 March 2018

### Disclosure of information to the auditor

Each director has taken all the 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 19/7/18 and signed on its behalf by:



Mr A May  
Director

# **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 2018, which comprise the Consolidated Profit and Loss Account and Statement of Retained Earnings, 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 2018 and of the group's loss 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's 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The directors are responsible for the 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.

## **Isles of Scilly Steamship Company Limited**

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

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 group and the parent 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 [set out on page 16], 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 intend 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **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.

*PKF Francis Clark*

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

Lowin House  
Tregolls Road  
Truro  
Cornwall  
TR1 2NA

Date: *26 July 2018*

# Isles of Scilly Steamship Company Limited

## Consolidated Statement of Income and Retained Earnings

Year Ended 31 March 2018

	Note	2018 £	2017 £
Turnover	3	17,456,853	17,094,386
Cost of sales		<u>(17,084,189)</u>	<u>(15,689,474)</u>
Gross profit		372,664	1,404,912
Other operating income	4	93,583	114,401
Exceptional item	9	<u>(633,447)</u>	<u>-</u>
Operating (loss)/profit	5	(167,200)	1,519,313
Other interest receivable and similar income	10	<u>16,029</u>	<u>20,678</u>
(Loss)/profit before tax		(151,171)	1,539,991
Taxation	11	<u>32,460</u>	<u>25,562</u>
(Loss)/profit for the financial year		<u>(118,711)</u>	<u>1,565,553</u>
<b>Profit/(loss) attributable to:</b>			
Owners of the company		<u>(118,711)</u>	<u>1,565,553</u>
Retained earnings brought forward		12,468,080	11,051,974
Dividends paid		<u>(164,849)</u>	<u>(149,447)</u>
Retained earnings carried forward		<u>12,184,520</u>	<u>12,468,080</u>

## Isles of Scilly Steamship Company Limited

### Consolidated Statement of Comprehensive Income

Year Ended 31 March 2018

	2018 £	2017 £
(Loss)/profit for the year	<u>(118,711)</u>	<u>1,565,553</u>
Total comprehensive income for the year	<u>(118,711)</u>	<u>1,565,553</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the company	<u>(118,711)</u>	<u>1,565,553</u>


# Isles of Scilly Steamship Company Limited

## Consolidated Balance Sheet

31 March 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	12	375,709	319,838
Tangible assets	13	15,526,895	15,167,810
		<u>15,902,604</u>	<u>15,487,648</u>
<b>Current assets</b>			
Stocks	15	1,057,625	1,192,296
Debtors	16	2,257,661	2,152,369
Cash at bank and in hand		4,951,647	5,050,409
		<u>8,266,933</u>	<u>8,395,074</u>
<b>Creditors: Amounts falling due within one year</b>	18	<u>(9,150,752)</u>	<u>(8,555,534)</u>
<b>Net current liabilities</b>		<u>(883,819)</u>	<u>(160,460)</u>
<b>Total assets less current liabilities</b>		15,018,785	15,327,188
<b>Creditors: Amounts falling due after more than one year</b>	18	(953,262)	(1,020,157)
<b>Provisions for liabilities</b>	20	<u>(297,124)</u>	<u>(330,000)</u>
<b>Net assets</b>		<u>13,768,399</u>	<u>13,977,031</u>
<b>Capital and reserves</b>			
Called up share capital	22	1,392,714	1,373,745
Share premium reserve		191,165	135,206
Profit and loss account		<u>12,184,520</u>	<u>12,468,080</u>
Equity attributable to owners of the company		<u>13,768,399</u>	<u>13,977,031</u>
Total equity		<u>13,768,399</u>	<u>13,977,031</u>

Approved and authorised by the Board on 19/7/18 and signed on its behalf by:

  
 .....  
 Mr A May  
 Director

Company Registration Number: 00165746



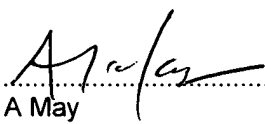
# Isles of Scilly Steamship Company Limited

## Balance Sheet

31 March 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	12	375,709	287,756
Tangible assets	13	4,984,803	5,168,598
Investments	14	264,793	264,793
		<u>5,625,305</u>	<u>5,721,147</u>
<b>Current assets</b>			
Debtors	16	252,426	581,223
Cash at bank and in hand		4,892,793	5,026,941
		<u>5,145,219</u>	<u>5,608,164</u>
<b>Creditors:</b> Amounts falling due within one year	18	<u>(938,233)</u>	<u>(1,981,564)</u>
<b>Net current assets</b>		<u>4,206,986</u>	<u>3,626,600</u>
<b>Total assets less current liabilities</b>		<u>9,832,291</u>	<u>9,347,747</u>
<b>Creditors:</b> Amounts falling due after more than one year	18	<u>(953,262)</u>	<u>(1,020,157)</u>
<b>Provisions for liabilities</b>	20	<u>(60,930)</u>	<u>-</u>
<b>Net assets</b>		<u>8,818,099</u>	<u>8,327,590</u>
<b>Capital and reserves</b>			
Called up share capital		1,392,714	1,373,745
Share premium reserve		191,165	135,206
Profit and loss account		<u>7,234,220</u>	<u>6,818,639</u>
<b>Total equity</b>		<u>8,818,099</u>	<u>8,327,590</u>

Approved and authorised by the Board on 19/7/18 and signed on its behalf by:

  
 .....  
 Mr A May  
 Director

Company Registration Number: 00165746

# Isles of Scilly Steamship Company Limited

## Consolidated Statement of Changes in Equity Year Ended 31 March 2018

	Share capital £	Share premium £	Profit and loss account £	Total equity £
At 1 April 2017	1,373,745	135,206	12,468,080	13,977,031
Loss for the year	-	-	(118,711)	(118,711)
Total comprehensive income	-	-	(118,711)	(118,711)
Dividends	-	-	(164,849)	(164,849)
New share capital subscribed	18,969	55,959	-	74,928
At 31 March 2018	1,392,714	191,165	12,184,520	13,768,399

	Share capital £	Share premium £	Profit and loss account £	Total equity £
At 1 April 2016	1,358,631	93,642	11,051,974	12,504,247
Profit for the year	-	-	1,565,553	1,565,553
Total comprehensive income	-	-	1,565,553	1,565,553
Dividends	-	-	(149,447)	(149,447)
New share capital subscribed	15,114	41,564	-	56,678
At 31 March 2017	1,373,745	135,206	12,468,080	13,977,031

The notes on pages 27 to 50 form an integral part of these financial statements.  
Page 24

## Isles of Scilly Steamship Company Limited

### Statement of Changes in Equity

Year Ended 31 March 2018

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 April 2017	1,373,745	135,206	6,818,639	8,327,590
Profit for the year	-	-	580,430	580,430
Total comprehensive income	-	-	580,430	580,430
Dividends	-	-	(164,849)	(164,849)
New share capital subscribed	18,969	55,959	-	74,928
At 31 March 2018	1,392,714	191,165	7,234,220	8,818,099

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 April 2016	1,358,631	93,642	6,187,029	7,639,302
Profit for the year	-	-	781,057	781,057
Total comprehensive income	-	-	781,057	781,057
Dividends	-	-	(149,447)	(149,447)
New share capital subscribed	15,114	41,564	-	56,678
At 31 March 2017	1,373,745	135,206	6,818,639	8,327,590

The notes on pages 27 to 50 form an integral part of these financial statements.  
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# Isles of Scilly Steamship Company Limited

## Consolidated Statement of Cash Flows

Year Ended 31 March 2018

	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		(118,711)	1,565,553
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	1,248,440	1,165,891
Loss/(profit) on disposal of tangible assets		13,424	(32,182)
Exceptional item	9	633,447	-
Finance income	10	(16,029)	(20,678)
Corporation tax expense	11	(32,460)	(25,562)
		<u>1,728,111</u>	<u>2,653,022</u>
Working capital adjustments			
Decrease in stocks	15	134,671	99,068
Increase in trade debtors	16	(105,292)	(263,574)
Increase in trade creditors	18	595,240	1,581,645
Decrease in deferred income, including government grants		<u>(66,895)</u>	<u>(42,016)</u>
Cash generated from operations		2,285,835	4,028,145
Income taxes paid	11	<u>(438)</u>	<u>(438)</u>
Net cash flow from operating activities		<u>2,285,397</u>	<u>4,027,707</u>
<b>Cash flows from investing activities</b>			
Interest received		16,029	20,678
Acquisitions of tangible assets		(2,194,988)	(4,201,033)
Proceeds from sale of tangible assets		20,553	98,621
Acquisition of intangible assets	12	<u>(135,832)</u>	<u>(297,679)</u>
Net cash flows from investing activities		(2,294,238)	(4,379,413)
<b>Cash flows from financing activities</b>			
Dividends paid	22, 23	<u>(89,921)</u>	<u>(92,769)</u>
Net decrease in cash and cash equivalents		(98,762)	(444,475)
Cash and cash equivalents at 1 April		<u>5,050,409</u>	<u>5,494,884</u>
Cash and cash equivalents at 31 March		<u>4,951,647</u>	<u>5,050,409</u>

# **Isles of Scilly Steamship Company Limited**

## **Notes to the Financial Statements**

**Year Ended 31 March 2018**

### **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 2018.

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 for the financial year of £580,430 (2017 - £781,057).

# **Isles of Scilly Steamship Company Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2018**

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.

# **Isles of Scilly Steamship Company Limited**

## **Notes to the Financial Statements**

**Year Ended 31 March 2018**

### **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.

### **Going concern**

The financial statements have been prepared on a going concern basis.

The group consolidated statement of financial position is currently showing net current liabilities of £883,819 (2017 - £160,460). This is due to the group continuing to use available cash to fund the continued investment in fixed assets.

The group also has deferred income totalling £6,177,442 (2017 - £6,174,171) relating to advanced bookings that are not expected to crystallise as a cash outflow, but instead be released to the profit and loss account as revenue when the passengers travel.

The strategic report makes references to the group's future plans and intentions.

### **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 rates prevailing on the initial transaction dates.

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

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 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.

### 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 statement of financial position 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



# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

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.

### Inventories

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.

### 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.

### 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.

### Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

# **Isles of Scilly Steamship Company Limited**

## **Notes to the Financial Statements**

**Year Ended 31 March 2018**

### **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 2018

### 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 2018**

### **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:

### **Valuation of assets under construction**

Management considers whether assets under construction are impaired on an annual basis. Where an indication of impairment is identified an estimation of the recoverable value is established by calculating the predicted value in use of the asset. This is considered an appropriate method to support its carrying value given the group's intended purpose for the asset.

The value in use calculations require the estimation of the future cash flows of the asset when it is complete and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Following the preparation and agreement by the directors of such calculations, during the year assets under construction have been impaired by £633,447 (2017 - £nil).

### **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 the grant, and on the basis that the grant is attached to the construction of runways it is being recognised through the profit and loss in conjunction with any depreciation, or impairment losses of runways.

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 3 Revenue

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

	2018	2017
	£	£
Sales by sea	7,073,611	6,537,025
Sales by air	9,489,485	9,641,220
Other non-transport activities	893,757	916,141
	<u>17,456,853</u>	<u>17,094,386</u>

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

### 4 Other operating income

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

	2018	2017
	£	£
Government grants	66,895	86,638
Rental income	11,700	10,270
Other operating income	14,988	17,493
	<u>93,583</u>	<u>114,401</u>

### 5 Operating profit

Arrived at after charging/(crediting)

	2018	2017
	£	£
Depreciation expense	1,168,479	1,144,968
Amortisation expense	79,961	20,923
Loss/(profit) on disposal of property, plant and equipment	13,424	(32,182)
Operating lease expense - other	553,153	544,364
Auditors fees	13,500	13,190
Foreign exchange gains/(losses)	22,903	(14,765)
Government grants receivable	<u>(66,895)</u>	<u>(86,638)</u>

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 6 Staff costs

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

	2018	2017
	£	£
Wages and salaries	6,020,000	5,394,369
Social security costs	464,378	420,201
Pension costs, defined contribution scheme	144,192	135,191
	<u>6,628,570</u>	<u>5,949,761</u>

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

	2018	2017
	No.	No.
Employees	236	220
Directors	6	8
	<u>242</u>	<u>228</u>

### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2018	2017
	£	£
Remuneration	384,070	322,419
Contributions paid to money purchase schemes	16,616	16,983
	<u>400,686</u>	<u>339,402</u>

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

	2018	2017
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>1</u>

Reference to the highest paid director for the year to 31 March 2017 and 2018 can be found within the strategic report.

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 8 Auditor's remuneration

	2018 £	2017 £
Audit of these financial statements and subsidiaries	13,500	13,190
<b>Other fees to auditors</b>		
All other non-audit services	15,900	15,440

### 9 Exceptional item

Items which are material either because of their size or their nature, or which are non-recurring, are presented within their relevant income statement category. The separate reporting of exceptional items helps provide a clear picture of the group's underlying performance.

An analysis of the amount presented as an exceptional item in these financial statements is given below and is in respect of the impairment of an asset under construction down to its anticipated recoverable value.

	2018 £	2017 £
Impairment of asset under construction	633,447	-

### 10 Other interest receivable and similar income

	2018 £	2017 £
Interest income on bank deposits	16,029	14,915
Other finance income	-	5,763
	16,029	20,678

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 11 Taxation

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

	2018 £	2017 £
<b>Current taxation</b>		
UK corporation tax	416	438
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	(32,876)	(26,000)
Tax receipt in the income statement	<u>(32,460)</u>	<u>(25,562)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 20%).

The differences are reconciled below:

	2018 £	2017 £
(Loss)/profit before tax	<u>(151,171)</u>	<u>1,539,991</u>
Corporation tax at standard rate	(28,723)	307,998
Profit of business not subject to taxation	(85,683)	(380,101)
Non-deductible expenses	4,292	(18,737)
Tax losses arising	113,903	34,746
Tax losses utilised	-	(18,285)
Tax increase (decrease) from effect of capital allowances and depreciation	63,572	74,379
Tax increase (decrease) from other short-term timing differences	(2,368)	(38,000)
Tax increase (decrease) from effect of unrelieved tax losses carried forward	(97,891)	12,000
Tonnage tax	<u>438</u>	<u>438</u>
Total tax credit	<u>(32,460)</u>	<u>(25,562)</u>

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 2018

### Deferred tax

#### Group

Deferred tax assets and liabilities

2018

Accelerated capital allowances  
Unrelieved losses carried forward  
Other

Liability  
£

548,546  
(248,119)  
(3,303)  
297,124

2017

Accelerated capital allowances  
Unrelieved losses carried forward  
Other

Liability  
£

529,000  
(199,000)  
-  
330,000

#### Company

Deferred tax assets and liabilities

2018

Accelerated capital allowances  
Unrelieved losses carried forward  
Other

Liability  
£

81,401  
(19,535)  
(936)  
60,930

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 12 Intangible assets

#### Group

	Goodwill £	Software development costs £	Other intangible assets £	Total £
<b>Cost or valuation</b>				
At 1 April 2017	112,999	297,679	1,999	412,677
Additions acquired separately	-	135,832	-	135,832
At 31 March 2018	112,999	433,511	1,999	548,509
<b>Amortisation</b>				
At 1 April 2017	80,917	9,923	1,999	92,839
Amortisation charge	32,082	47,879	-	79,961
At 31 March 2018	112,999	57,802	1,999	172,800
<b>Carrying amount</b>				
At 31 March 2018	-	375,709	-	375,709
At 31 March 2017	32,082	287,756	-	319,838

#### Company

	Software development costs £	Total £
<b>Cost or valuation</b>		
At 1 April 2017	297,679	297,679
Additions acquired separately	135,832	135,832
At 31 March 2018	433,511	433,511
<b>Amortisation</b>		
At 1 April 2017	9,923	9,923
Amortisation charge	47,879	47,879
At 31 March 2018	57,802	57,802
<b>Carrying amount</b>		
At 31 March 2018	375,709	375,709
At 31 March 2017	287,756	287,756

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 13 Tangible assets

#### Group

	Freehold land and buildings £	Leasehold land and buildings £	Runways £	Plant and machinery £	Assets under construction £	Total £
<b>Cost or valuation</b>						
At 1 April 2017	2,965,340	560,128	2,761,031	18,543,505	2,585,105	27,415,109
Additions	26,335	-	-	920,311	1,248,342	2,194,988
Disposals	-	-	-	(177,454)	-	(177,454)
At 31 March 2018	<u>2,991,675</u>	<u>560,128</u>	<u>2,761,031</u>	<u>19,286,362</u>	<u>3,833,447</u>	<u>29,432,643</u>
<b>Depreciation</b>						
At 1 April 2017	351,973	361,766	395,430	11,138,130	-	12,247,299
Charge for the year	37,995	16,809	480,100	633,575	-	1,168,479
Eliminated on disposal	-	-	-	(143,477)	-	(143,477)
Impairment	-	-	-	-	633,447	633,447
At 31 March 2018	<u>389,968</u>	<u>378,575</u>	<u>875,530</u>	<u>11,628,228</u>	<u>633,447</u>	<u>13,905,748</u>
<b>Carrying amount</b>						
At 31 March 2018	<u>2,601,707</u>	<u>181,553</u>	<u>1,885,501</u>	<u>7,658,134</u>	<u>3,200,000</u>	<u>15,526,895</u>
At 31 March 2017	<u>2,613,367</u>	<u>198,362</u>	<u>2,365,601</u>	<u>7,405,375</u>	<u>2,585,105</u>	<u>15,167,810</u>

## Isles of Scilly Steamship Company Limited

### Notes to the Financial Statements

#### Year Ended 31 March 2018

Included within the net book value of leasehold land and buildings above is £4,180 (2017 - £6,360) in respect of long leasehold land and buildings and £177,373 (2017 - £192,002) in respect of short leasehold land and buildings.

#### Company

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Runways £	Total £
<b>Cost or valuation</b>					
At 1 April 2017	2,965,338	364,476	30,811	2,761,031	6,121,656
Additions	26,335	-	-	-	26,335
Disposals	-	-	(22,939)	-	(22,939)
At 31 March 2018	<u>2,991,673</u>	<u>364,476</u>	<u>7,872</u>	<u>2,761,031</u>	<u>6,125,052</u>
<b>Depreciation</b>					
At 1 April 2017	351,973	180,578	25,077	395,430	953,058
Charge for the year	37,995	13,008	3,824	153,393	208,220
Eliminated on disposal	-	-	(21,029)	-	(21,029)
At 31 March 2018	<u>389,968</u>	<u>193,586</u>	<u>7,872</u>	<u>548,823</u>	<u>1,140,249</u>
<b>Carrying amount</b>					
At 31 March 2018	<u>2,601,705</u>	<u>170,890</u>	<u>-</u>	<u>2,212,208</u>	<u>4,984,803</u>
At 31 March 2017	<u>2,613,365</u>	<u>183,898</u>	<u>5,734</u>	<u>2,365,601</u>	<u>5,168,598</u>

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 2018

### 14 Investments

#### Company

	2018 £	2017 £
Investments in subsidiaries	<u>264,793</u>	<u>264,793</u>

#### Subsidiaries

£

#### Cost or valuation

At 1 April 2017 and 31 March 2017

264,793

#### Carrying amount

At 31 March 2018

264,793

At 31 March 2017

264,793

#### 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 2018

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
Penzance Dry Dock (2009) Limited	England & Wales	Ordinary share capital	100%	Operation of a dry dock
Nike Engineering Limited	England & Wales	Ordinary share capital	100%	Mechanical and marine engineering
Isles of Scilly Shipping (Guernsey) Limited	Guernsey	Ordinary share capital	100%	Offshore crew management
Island Carriers Limited	England & Wales	Ordinary share capital	100%	Dormant
Isles of Scilly Airways Limited	England & Wales	Ordinary share capital	100%	Dormant
Isles of Scilly Transport Limited	England & Wales	Ordinary share capital	100%	Dormant
Isles of Scilly Freight Company Limited	England & Wales	Ordinary share capital	100%	Dormant
The Isles of Scilly Helicopter Company Limited	England & Wales	Ordinary share capital	100%	Dormant

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 15 Stocks

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Other inventories	<u>1,057,625</u>	<u>1,192,296</u>	<u>-</u>	<u>-</u>

#### Group

The cost of stocks recognised as an expense in the year amounted to £3,133,246 (2017 - £2,849,736).

#### Impairment of inventories

The amount of impairment loss included in profit or loss is £38,579 (2017 - £34,266).

### 16 Debtors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	1,010,455	1,164,859	2,573	2,573
Amounts owed by related parties	-	-	-	140,487
Other debtors	292,305	414,515	180,263	412,793
Prepayments	<u>954,901</u>	<u>572,995</u>	<u>69,590</u>	<u>25,370</u>
	<u>2,257,661</u>	<u>2,152,369</u>	<u>252,426</u>	<u>581,223</u>

### 17 Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Cash on hand	3,389	2,572	-	-
Cash at bank	<u>4,948,258</u>	<u>5,047,837</u>	<u>4,892,793</u>	<u>5,026,941</u>
	<u>4,951,647</u>	<u>5,050,409</u>	<u>4,892,793</u>	<u>5,026,941</u>

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 18 Creditors

		Group		Company	
	Note	2018 £	2017 £	2018 £	2017 £
<b>Due within one year</b>					
Trade creditors		1,860,986	1,761,638	157,783	143,792
Amounts due to group undertakings	27	-	-	610,221	1,584,109
Social security and other taxes		155,141	134,572	24,949	15,541
Outstanding defined contribution pension costs		25,857	18,423	5,506	649
Other creditors		52,239	68,044	22,901	39,992
Accruals and deferred income		7,056,113	6,572,419	116,873	197,481
Corporation tax	11	416	438	-	-
		<u>9,150,752</u>	<u>8,555,534</u>	<u>938,233</u>	<u>1,981,564</u>
<b>Due after one year</b>					
Government grants		<u>953,262</u>	<u>1,020,157</u>	<u>953,262</u>	<u>1,020,157</u>

The company has no outstanding bank borrowings at 31 March 2017 and 2018. In the event of the company utilising any bank borrowings there is a historic debenture in place incorporating a fixed and floating charge.

### 19 Obligations under leases and hire purchase contracts

#### Group

#### Operating leases

The total of future minimum lease payments is as follows:

	2018 £	2017 £
Not later than one year	443,355	469,028
Later than one year and not later than five years	417,900	370,400
Later than five years	<u>424,633</u>	<u>564,733</u>
	<u>1,285,888</u>	<u>1,404,161</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £552,272 (2017 - £561,183).



# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 20 Deferred tax and other provisions

#### Group

	Deferred tax £
At 1 April 2017	330,000
Increase (decrease) in existing provisions	<u>(32,876)</u>
At 31 March 2018	<u>297,124</u>

#### Company

	Deferred tax £
Increase (decrease) in existing provisions	<u>60,930</u>
At 31 March 2018	<u>60,930</u>

### 21 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 £144,192 (2017 - £135,191).

Contributions totalling £25,857 (2017 - £18,423) 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 2018

During the year the group operated two defined benefit pension schemes - the Merchant Navy Officers Pension Fund (New Section) (MNOF) 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 MNOF 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.

Following a consultation period with Members and Employers the Trustee decided to close the MNOF to future defined benefit accrual with effect from 31 March 2016. All actively contributing members were provided with an option to enrol into a new defined contribution scheme.

The most recent triennial valuation was carried out at 31 March 2015. The 31 March 2015 valuation showed that the market value of the assets was £2,898 million and disclosed a shortfall of £329 million. Allowing for the present value of deficit contributions due after this date from the Recovery Plans agreed at the 2009 and 2012 valuations, and for the closure of the MNOF fund to future accrual from 31 March 2016, leads to a new net deficit at the 31 March 2015 of £5 million. The Trustee has confirmed that no additional deficit contributions will be collected in respect of this new net deficit.

The next valuation will be as of the 31 March 2018 which is anticipated being received later this year.

#### *Merchant Navy Ratings Pension Fund*

An actuarial valuation was carried out at 31 March 2017 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 valuation reported that an additional deficit has arisen since 31 March 2014 of £89 million. The new deficit had arisen primarily due to the material reductions in expected future asset returns since 2014, driven by falls in government bond yields.

In early 2015 the High Court made a formal Order which confirmed that the Trustee has the authorisation of the Court to introduce the Fund's new deficit contribution regime (the "New Regime"). The additional "net" deficit arising under the 31 March 2017 actuarial valuation is to be removed by additional contributions from participating employers.

During the year the company was charged £nil (2017: £Nil) towards the deficit.

#### *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 2018

### 22 Share capital

#### Allotted, called up and fully paid shares

	No.	2018 £	No.	2017 £
Ordinary shares of £1 each	<u>1,392,714</u>	<u>1,392,714</u>	<u>1,373,745</u>	<u>1,373,745</u>

18,969 (2017 - 15,114) ordinary shares were issued in the year at £3.95 (2017 - £3.75) per share in lieu of dividends.

### 23 Dividends

	2018 £	2017 £
<b>Dividend paid</b>		
Final dividends paid on ordinary share capital	<u>164,849</u>	<u>149,447</u>

The directors propose a final ordinary dividend of £153,199 (2017 - £164,849) for the year ended 31 March 2018. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 12 September 2018.

### 24 Contingent liabilities

#### Group

The group's bankers hold bonds in respect of Air BP for £8,000 (2017 - £8,000) and National Express of £2,500 (2017 - £2,500).

### 25 Non adjusting events after the financial period

On 27 April 2018 Isles of Scilly Skybus Limited entered into a contract to deliver a helicopter service which was launched in May 2018. The contract is for a period of 3 years and has a potential maximum commitment of £4,561,000 over its duration.

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2018

### 26 Financial instruments

#### Group

	2018	2017
	£	£
<b>Financial instruments that are debt instruments measured at amortised cost:</b>		
Trade debtors	1,010,455	1,164,859
Cash at bank and in hand	4,951,647	5,050,409
<b>Financial liabilities measured at amortised cost:</b>		
Trade creditors	1,860,986	1,761,638
Deferred income	6,177,442	6,174,171

### 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 2017 and 2018 can be found within the strategic report.

### 28 Parent and ultimate parent undertaking

There is no ultimate controlling parent.