

TAKE OFF FOR NEW RUNWAYS

*95th Annual Report and Financial Statements
31 March 2015*



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COMPANY INFORMATION

Isles of Scilly Steamship Company Limited
Annual Report and
Consolidated Financial Statements
Year Ended 31 March 2015

Company Registration
Number 00165746

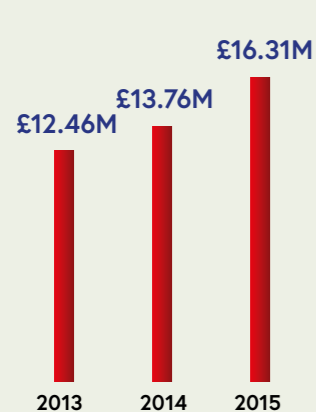
Directors
Mr R Goldsmith
Mr P Hardaker
Mr M Howarth
Mr S Marquis
Mr A May
Mr S Reid
Mr D Rogers
Mrs J Walder
Mr T Ward

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

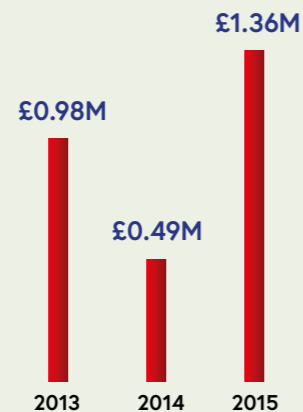
Auditors
Francis Clark LLP
Lowin House
Tregolls Road
Truro
Cornwall TR1 2NA

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TURNOVER
YEAR ENDED 31 MARCH



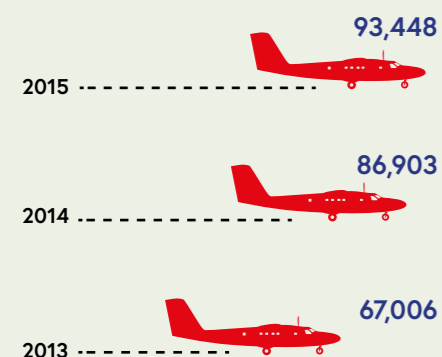
OPERATING PROFIT
YEAR ENDED 31 MARCH



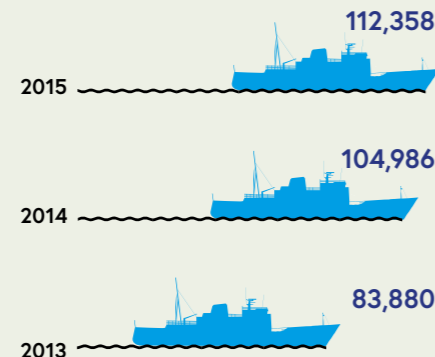
EBITDA
YEAR ENDED 31 MARCH



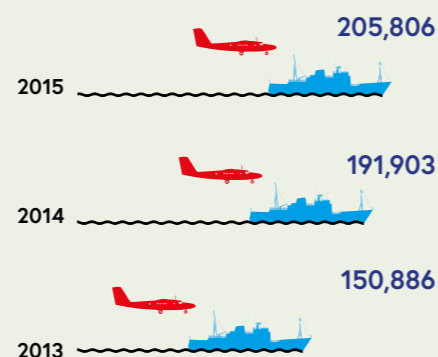
SKYBUS
AIR PASSENGERS



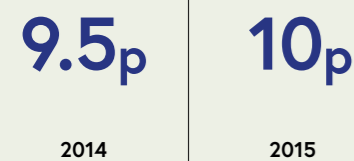
SCILLONIAN
SEA PASSENGERS



COMBINED
AIR AND SEA PASSENGERS

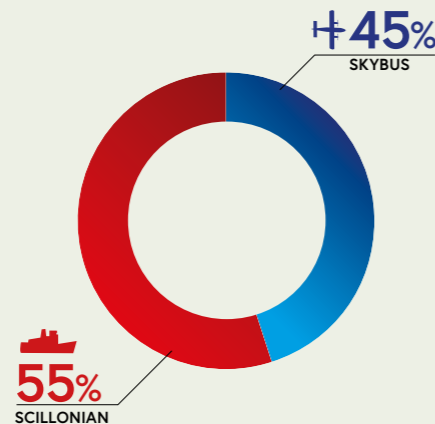


PROPOSED FULL YEAR DIVIDEND
YEAR ENDED 31 MARCH 2015

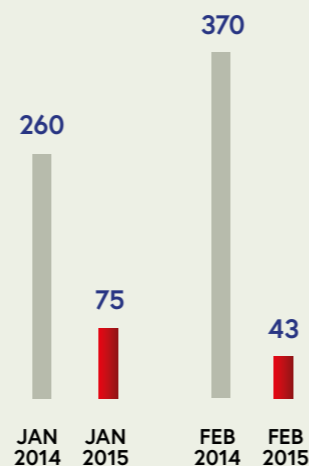


↑5.3%
CHANGE

PASSENGER NUMBERS
YEAR ENDED 31 MARCH 2015



LAND'S END AIRPORT (LEQ)
CANCELLED FLIGHTS



CHAIRMAN'S STATEMENT

A warm welcome to the Isles of Scilly Steamship Company's 95th Annual Report and Consolidated Financial Statements which cover the twelve month period ending 31st March 2015. The Board of Directors hopes that you find this document's format and new layout to be clear and informative.

An overview of the Company's financial performance during the year together with the composition of the Company's Board of Directors and an account of its work and responsibilities can be found over the subsequent 12 pages.

As can be seen from the graphic illustrations on the adjacent pages, the market for scheduled passenger travel between the mainland and the Isles of Scilly expanded during the twelve months from 1st April 2014. 205,806 passengers travelled during the period, an increase of 13,903 passengers, or 7.2% on the prior year. It is likely that a combination of national, regional and local factors lie behind this welcome recovery in passenger numbers; the first such, with the sole exception of 2011, since 2007 since when passenger numbers have fallen. One of the key local factors has been the enhanced quality and quantity of the marketing of the Isles of Scilly that has flowed from the increased collaborative effort of bodies such as the Islands' Tourism and Business Partnership, the Steamship Group and other major businesses. For the Steamship Company's part, we continued to invest in our capital assets, as well as in our staff, with a view to offering our passengers and customers an improved service with greater capacity and enhanced operational resilience.

The Company's programme of capital expenditure during the period saw £3.4 million invested in its assets. Over the last four years the Company has invested in excess of £10.5 million in its asset base. Expenditure during the year under review



was in the Company's marine and aviation assets, as well as in its non transport businesses, but was predominantly in the project to further improve facilities at Land's End Airport. The runway's hardening project, together with improvements to airfield drainage, runway lighting, aircraft apron and taxiway upgrades and parking improvements is now complete. Work continues on enhancements to aircraft and airport navigational aids. These investments allowed Skybus to operate in a way such that 6,513 more passengers travelled by air than did during the preceding year, with many of them choosing to do so through Land's End Airport. The aviation team is looking to continue offering improvements to service levels, resilience and capacity, and is keeping our aircraft fleet, as well as our route network and timetable, under review.

The Board is pleased to report a strong set of financial results which represents a marked improvement on the prior year and returns the Company to the positive trend established in recent times. Operating profit increased by 178% to £1,358,000 (2014 decrease 50% to £488,000). Shareholder funds increased by £1,250,000 (2014, £447,000) or 13.1% (2014, 5.5%)

and now exceed £10 million for the first time in the Company's history. Cash retained during the period amounted to £1.2 million (2014, decrease £640,000). The Board is clear about the asset replacement programme it would like to see the Company enact over the short to medium term and understands that a continuing strong financial performance is required from the Company in order that its plans in this regard can continue to be developed and refined.

The topic of improvements to St Mary's harbour has been a recurring theme for a number of years, and so it is with some pleasure that we welcome the work that is currently underway to lengthen the quay and provide improved facilities for passenger and freight services. Taken together with the dredging works at Penzance harbour, these improvements will, in the short term, enable enhancements to the level of service the Company is able to offer; in the longer term they will assist in the process the Company has identified which will lead, in due course, to a review of the way in which marine services can be delivered and the replacement of our major marine assets, Scillonian III & Gry Maritha. During, and immediately after, the period under review

All figures for year ended 31 March 2015

the Company instigated a number of changes to strengthen the management team and structure. This has included new senior appointments responsible for marine operations, and an island based position to manage all of the Company's freight services, quay operations and business units located on St Mary's. The latter role also includes management of the Group's recent acquisition of Island Carriers, which was a long-standing, family owned transport business on St Mary's.

The Company is an employer of significant size in the Islands and West Cornwall, and one which attaches great importance to the skills and professional development of its staff. The Company continues to recruit highly skilled personnel across a broad range of professions including pilots, aeronautical engineers, marine engineers, marine officers, air traffic controllers and others.

The Company's finance and senior management function has been strengthened with the appointment of its Chief Financial Officer and Company Secretary, Stuart Reid, to the Board of Directors. During the two years that Stuart has been with the Company it has become evident that his skills will be valuable to the Board in its work of guiding the Company through the next stage of its development. It gives me great pleasure to welcome Stuart onto the Board. The Board has benefited from a period of relative stability with just three retirements of non-executive Directors in recent years reflecting changes in personal circumstances. These retirements allow for a review and realignment, from time to time, of the balance of skills and knowledge it is desirable for the Board to hold. This process is continuing with Julia Walder's retirement; she is planning to stand down at this year's AGM. Julia joined the Board in 1998 and has contributed her unique insight, particularly with an island, indeed, off-island's, resident's perspective to the Board's work. We thank her, and will miss her, and we wish her well.

On behalf of my non-executive Director colleagues, I extend our thanks to our CEO, Rob Goldsmith, management, and all of the Company's employees for their commitment and hard work over the last year. Separately, I extend my thanks to my colleagues on the Board for their intellectual input, energy,



enthusiasm and support, and for the work they contribute to the committee structure and Board throughout the year.

The Board is proposing a dividend payment of 10 pence per share (2014, 9.5 pence), £134,100 (2014, 125,453) to be paid to shareholders on the register on 21st May 2015. This 5.3% increase (2014, 5.5%) is consistent with the Board's progressive dividend policy and takes account of the Company's earnings and performance, noting that 12% of its revenue was generated from non-transport activities, and longer term cash retention requirement to fund its asset replacement plans.

The Board is looking to further its understanding of the links between the importance of a successful and prosperous islands' economy and that of the Company. The value of this debate is understood beyond the islands, and informed part of the discussions when the Secretary of State for Transport, the Rt Hon. Patrick McLoughlin MP, visited St Mary's and Land's End Airport, and later Scillonian III, where he, together with representatives of Penzance and Cornwall Councils and others, were entertained to lunch by the Board of Directors.

At the time of this year's AGM there will be just four and a half years until the date the Company marks the 100th anniversary of its incorporation, the 26th March 1920. It is instructive to reflect on the part the Company has played in the life of the islands over the last 95 years. During the year under review, the Company continued many activities to support local communities on the islands and in Cornwall through such initiatives as its Travel Club, sponsorship of another successful World Pilot Gig Championship and support for a myriad of clubs, charities and organisations too many to mention.

Finally, and on behalf of my colleagues on the Board, thanks are extended to all of our customers and shareholders for your continuing interest and support of the Company.

Andrew May

Andrew May,
Chairman July 2015

BOARD OF DIRECTORS



ROBERT GOLDSMITH
CHIEF EXECUTIVE
OFFICER

Robert replaced the longstanding former Chief Executive, Jeff Marston, in February 2014. Previously he undertook the role of Commercial Project Director at Manchester Airports Group for its equity sale and subsequent acquisition of London Stansted Airport. He has worked in the aviation industry for over 24 years holding senior roles at seven airports within the UK and overseas including Managing Director of Bournemouth Airport, Managing Director of Humberside Airport and General Manager Business Development for Adelaide and Gold Coast Airports in Australia. He is also a Director of the Islands' Tourism and Business Partnership and was previously a Director of the Hull and Humber Chamber of Commerce.



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 founder Director of Mainland Marketing Ltd, Chairman of the Cornwall Agri-food Council, Chairman of the Cornwall and Isles of Scilly Rural and Farming Network and Vice Chairman of the Rural Cornwall Partnership. He is the Chairman of the Group's Nominations and Remuneration Committees.



PETER HARDAKER
VICE-CHAIRMAN

Peter joined the Board in 2003. He has worked in the Agricultural and land based industries for all of his working life, the last 34 years of full time employment being in Cornwall and the Isles of Scilly. He is a governor of The Cornwall College Corporation and Vice Chair of Duchy College and a Director of Kernow Grain Ltd. He is Chair of the Group's Audit Committee and sits on the Nominations and Remuneration Committees.



STUART REID
CHIEF FINANCIAL OFFICER
& COMPANY SECRETARY

Stuart joined 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 St Buryan and is also a governor at St Buryan Academy Primary School.

BOARD OF DIRECTORS



MARK HOWARTH

Mark lives near Newquay, Cornwall, 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 nearly 50 years, working in both the UK and overseas. He set up his own bus company, Western Greyhound, in 1997 which grew rapidly and was renowned for its good quality. He sold the business last year. Mark spent many years on the Council of the Confederation of Passenger Transport (CPT), additionally chairing the South West Region of CPT liaising with Government and Ministers. Mark also chairs the Newquay Cornwall Airport Forum.



SIMON MARQUIS

Simon joined the Board in 2014 and lives in Wadebridge. He worked in various advertising agencies and business publishers for over 30 years, latterly as CEO of Zenith Media UK, and has been a non-executive director of a variety of media and marketing businesses since 2003, including St Ives plc, Evolutions TV and the National Readership Survey. He has been a trustee of the RSPB and the Cornwall Bird Watching and Preservation Society.



DICCON ROGERS

Diccon 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.



JULIA WALDER

Julia lives on St. Martins and she joined the Board in 2003. After many years of working and running St. Martins Store and Post Office, she now concentrates on running Carron Farm self catering accommodation, SC Salt and the family farm. She is Chairman of the St. Martins Island Group that oversees all aspects of tourism on the island.



TERRY WARD

Terry was born and lives on St Mary's; he joined The Board in 1989. He founded The Foredeck Clothing Store in 1973 and together with his wife Jane, he has overseen considerable growth and diversification within their business. Alongside The Foredeck, the Wards also own and operate The 49 Degrees Clothing Store which is the home of the popular I.O.S. brand. The Wards, along with their two daughters and sons-in-law, have also created "stand alone" brands and are involved in manufacture, wholesale, and retail consultancy.

STRATEGIC REPORT

For the year ended 31 March 2015

PRINCIPAL ACTIVITIES

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: Land's End Airport, aeronautical engineering, operation of scenic flights, Penzance Dry Dock, marine engineering, inter-island freight, inter-island mail and garage services on St Mary's.

On the 13 February 2015, the Group's subsidiary Nike Engineering Limited purchased the trade and assets of Island Carriers, a freight haulage business located on St Mary's, Isles of Scilly.

BUSINESS REVIEW

The results for the year are shown in the profit and loss account on Page 18.

The Group's turnover increased by 18.5% to £16,306,000 (2014: £13,756,000) and operating profit grew by 178.3% to £1,358,000 (2014: £488,000).

The increase in turnover has primarily been due to an increase in passenger numbers as the Company built on its sole operator status and benefited from an improved marketing initiative which saw a coordinated approach with the Island's Tourism and Business Partnership and other key stakeholders. Passenger numbers across all modes increased by 7.2% to 205,806 passengers (2014: 191,903 passengers). This is the first increase in year-on-year passenger numbers since the year ended 2004. The improvement in visitor numbers is welcome news as the reduction

of visitor numbers represented the most significant risk to the long term profitability of the Group.

Turnover for services by sea increased by 17.0% to £5,983,000 (2014: £5,116,000). Following last year's disappointing decline in freight revenue, we are pleased to report a 16.1% increase in freight revenue due to an increase in commercial freight volumes. Passenger numbers on the Scillonian III increased by 7.0% to 112,358 (2014: 104,986 passengers).

Turnover for services by air rose by 10.1% to £8,373,000 (2014: £7,603,000) as a result of increased passenger volumes which increased by 7.5% to 93,448 passengers (2014: 86,917 passengers).

Group staff costs including directors' remuneration have increased by 6.0% or £288,000 to £5,087,000 (2014: £4,799,000). The increase in staff numbers follows the recruitment of a number of key management positions as well as the integration of staff from the acquisition of Island Carriers. Staff costs as a percentage of turnover fell from 34.9% in 2014 to 31.2% in 2015. This was expected as the Group improved operational resilience by recruiting in 2014 to train staff in anticipation of the increase in transport demand.

The Group has invested heavily in marketing and advertising in the financial year which also saw the appointment of a marketing manager, an improved marketing strategy and successful advertising coordination with the Island Partnership which contributed to growth in turnover. The release of the new website has improved efficiencies in our booking processes but has required significant investment using external advisors to deliver a much improved website. Marketing and advertising costs have increased by 48.3% to £270,000 (2014: £182,000).

As noted in the Chairman's Report, the Group has undertaken extensive capital investment over the past four years. This continued in 2015 as the company invested a total of £3.45m in further improvements to the transport system between the Isles of Scilly and the mainland. This investment has increased our depreciation charge

for the year by 36% to £955,000 (2014: £702,000).

We are pleased to report a strong financial performance with Group Operating Profit recorded at £1,358,000 (2014: £488,000) an increase of 178.3% which represents a significant improvement versus the preceding year. The increase is attributed to a number of factors, in particular 2014 was a difficult year with lower than anticipated demand in air travel combined with the higher cost base incurred in respect of the investment undertaken to increase passenger capacity. The year ended 2014 also saw a second successive winter of extreme weather conditions that resulted in the prolonged closure of Land's End Airport with operations relocated to Newquay Cornwall Airport. In comparison 2015 was a very different year with increased passenger numbers in part as a result of the improvement in resilience at Land's End Airport. These factors coupled with favourable weather and continued cost control has combined to deliver a strong financial performance.

The Group's most significant capital project during the year was improvement in the resilience and reliability of Land's End Airport. As well as the investment in the runway hardening project the Group also invested in new runway edge lighting, apron extensions and back-up power systems. In addition, the Group incurred capital expenditure on aircraft engines and the new purchase of a crane in Penzance Dry Dock which will widen its market opportunities. The Group also saw the acquisition of the trade and assets of Island Carriers. The assets of this business have been included in Plant & Machinery additions with the difference between the consideration payable and the value of the assets included as goodwill.

Shareholder funds ended the year at £10,762,000 (2014: £9,512,000) an increase of 13.1% (2014: 4.9%)

The Group had a net cash inflow from operating activities of £3,665,000 (2014: £925,000) through a combination of improved operating profits and net positive working capital movements. The net cash outflow from Capital expenditure was £2,371,000 (2014: £1,537,000).



The Group also secured £1,300,000 of match funding from the European Regional Development Fund for the Land's End runway project. To date the group has drawn down £1,025,000 of these funds. Despite the significant net cash outflow on Capital Expenditure we are pleased to report that cash increased by £1,227,000 (2014: decrease of £640,000).

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. However, the relatively low stock holding maintained and price monitoring systems enables the Group to effectively manage the risk of gross margin erosion.

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 an aircraft lease commitment which is settled in dollars. The continued 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.

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 influences and approves Group strategy and monitors performance.

The roles of the Chairman and Chief Executive are distinct and separate.

The Chief Executive has responsibility for all operating companies and acts in accordance with the authority delegated to him by the Board.

A minimum of nine 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 seven Non-Executive Directors (including the Chairman) and two Executive Directors. The Directors believe that the Board functions effectively and efficiently and is of an appropriate size. 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 recommendation of the Nominations Committee.

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 and Chief Executive.

	Salary £	Fees	Benefits in kind £	Other £	Total		Pension contributions		
					2015 £	2014 £	2015 £	2014 £	
EXECUTIVE DIRECTORS									
R Goldsmith*	105,697	-	7,607	25,847	139,151	-	15,855	-	-
NON EXECUTIVE DIRECTORS									
P D Hardaker	-	8,555	-	-	8,555	6,250	-	-	-
A J May	-	20,555	-	-	20,555	16,577	-	-	-
J Walder	-	4,905	-	-	4,905	4,895	-	-	-
T B Ward	-	5,405	-	-	5,405	4,877	-	-	-
M Howarth	-	5,405	-	-	5,405	4,940	-	-	-
D S Rogers	-	5,405	-	-	5,405	2,140	-	-	-
S Marquis	-	4,087	-	-	4,087	-	-	-	-
PAST DIRECTORS									
J Marston	-	-	-	-	-	95,044	-	-	34,386
J East	-	-	-	-	-	3,465	-	-	-
H Duncan	-	-	-	-	-	2,502	-	-	-
	105,697	54,317	7,607	25,847	193,468	140,690	15,855	-	34,386

* Mr Goldsmith was appointed to the Board on 16th May 2014. His benefit in kind relates to the provision of a fully expensed car. The Company compensated Mr Goldsmith for relocation expenses and this is shown under other remuneration.

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

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

REMUNERATION COMMITTEE

The Remuneration committee comprises Andrew May (Chairman), Peter Hardaker (Vice-Chairman) and Mark Howarth. The Committee's remit includes the review and recommendation to the Board of 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 Executives.

The Committee was active during the year, meeting formally on four occasions; during July and September 2014 and twice during February 2015. The Committee reviewed its Terms of Reference with its recommendations in this regard being accepted by the Board.

The Committee's responsibilities extend to payments due to departing Executives and so it spent some time looking at the

various components of the contractual terms relating to payments made to the retiring CEO with a view to ensuring that these were fair to the individual and to the Company.

The Committee also began considering the framework under which it would examine and propose changes to the remuneration of the Chief Financial Officer, as an Executive Director of the Company, from April 2016.

The Committee's work was also concerned with changes to the CEO's remuneration from April 2015. The CEO's remuneration on his joining the Company was set in February 2014 and the changes on which the Committee received Board agreement were for implementation 14 months after this date. The CEO's salary and pension was enhanced by 2% which is in line with increases seen elsewhere in the sector and the county over the period. The Board agreed to the Committee's recommendation that the calculation of the CEO's performance related bonus for the period should continue as previously at 1.5% of the increase in shareholder value. The way in which this element of the Executive's remuneration is calculated remains under review by the Committee.

NOMINATIONS COMMITTEE

The Nominations Committee comprises Andrew May (Chairman), Peter Hardaker (Vice-Chairman) and Rob Goldsmith (CEO) who joined the committee at the start 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) to formulate succession plans for executive and non-executive directors and (v) to recommend changes to the membership of the Audit, Nominations and Remuneration committees to the Board.

The Committee met formally twice during the year, during October 2014 and March 2015 and pursued four areas of work.

First, it looked at administrative issues. The committee reviewed its Terms of Reference, a process which involved taking advice on best practice from external advisors. The Board accepted the Committee's recommendations in this regard. The committee has also undertaken a review of the terms under which Non-Executive Directors work for the Company.



Second, it commenced a process designed to better understand the input and time commitment required from Non-Executive Directors; it also identified a performance appraisal framework for them.

Third, it recommended to the Board that the Company's Chief Financial Officer and Company Secretary, Stuart Reid, be appointed a Director of the Company. This recommendation was based on Stuart's performance in his roles, and at Board meetings, as well as on advice on best practice from the Company's advisors. The Board accepted the Committee's recommendation which was implemented early in the current financial year.

Last, it pursued its established process of identifying the skills and attributes it felt would be needed on the Board over the short to medium term. Necessarily this work took account of the non-executive Director retirement of which it had been made aware. The Board accepted the Committee's recommendations regarding the evolving requirements the Board has for new knowledge and skills.

AUDIT COMMITTEE

The Audit Committee members are Terry Ward, Diccon Rogers and Peter Hardaker (Chairman). The Committee

possesses a broad range of experience and diverse commercial knowledge assisting them to fulfil their duties. They will continue, in line with best practice and good governance, to constantly review the capacity required and the membership of the Committee.

Their principal role is to monitor the integrity of the financial statements of the Company and any formal announcement 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. It also considers and recommends to the Board, the appointment of external auditors for approval by shareholders at the AGM. The Chairman and/or the Chief Executive are invited to attend Committee meetings as and when appropriate.

The Audit Committee has formally met on four occasions during the year. On the 20th May and 14th July 2014 the Committee considered and recommended the approval to the Board, the accounts for year ending 31st March 2014. In addition the Committee also reviewed the Audit Management letter, which indicated no material errors and few actions. On the 12th December, the Committee reviewed

and approved for recommendation to the Board, the interim accounts and on 18th March 2015, the Audit timetable, process and priorities were agreed.

Risk Reporting has been a key focus of their deliberations and the Chairman can report significant progress in this area with a robust process now in place. The committee also reviewed the Company Depreciation Policy. Other matters are discussed as appropriate but the Chairman can assure you that the influence of the Audit Committee continues throughout the year.

The Audit Committee Chairman considers the key role of the committee is to provide oversight and reassurance to the Board, specifically with regard to the integrity of the Company's financial reporting, audit arrangements and internal control processes. The committee is committed to this responsibility.

Approved by the Board on the 16th July 2015 and signed on its behalf by:

Mr R Goldsmith
Director

DIRECTORS' REPORT

For the year ended 31 March 2015

The directors present their report and the consolidated financial statements for the year ended 31 March 2015.

DIRECTORS OF THE COMPANY

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

	Committees
Mr D Rogers	A
Mr T Ward	A
Mr M P Howarth	R
Mr P Hardaker (Vice Chairman)	A, R, N
Mr A May (Chairman)	R, N
Mrs J Walder	-
Mr R Goldsmith (appointed 16/5/14)	N
Mr S Marquis (appointed 16/5/14)	-

The following director was appointed after the year end:

Mr S Reid (appointed 1/6/15)	-
------------------------------	---

'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 Executive 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 31st March 2015 are set out below. There have been no changes between these interests between 1st April 2015 and 16th July 2015.

	2015	2014
P D Hardaker	3,312	3,186
A J May	63,443	61,303
Mrs J M Walder	22,992	20,577
T B Ward	17,562	16,816
D S Rogers	411	411

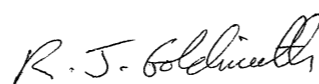
DIVIDENDS

The directors recommend a final dividend payment of £134,100 (2014: £125,453), 10.0p (2014: 9.5p) per share (or a scrip issue of 1 share for every £3.15 of dividend) be made in respect of the financial year ended 31 March 2015. This is based on shareholdings at 21 May 2015 and will be paid on 2 November 2015. This dividend has not been recognised as a liability in the financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

Approved by the Board on the 16th July 2015 and signed on its behalf by:



Mr R Goldsmith
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible 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 group and the company and of the profit or loss of the group 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

We have audited the financial statements of Isles of Scilly Steamship Company Limited for the year ended 31 March 2015, set out on pages 18 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities (set out on page 15), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept 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.

Andrew Greenwood Allen BSc FCA

(Senior Statutory Auditor)

For and on behalf of Francis Clark LLP,
Statutory Auditor

Lowin House
Tregolls Road
Truro
Cornwall TR1 2NA

Date: 29th July 2015



CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year Ended 31 March 2015	Notes	2015 £	2014 £
TURNOVER	2	16,306,209	13,756,320
Cost of sales		(14,990,617)	(13,286,883)
GROSS PROFIT		1,315,592	469,437
Other operating income		42,693	18,293
GROUP OPERATING PROFIT	3	1,358,285	487,730
Other interest receivable and similar income	6	9,735	34,586
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,368,020	522,316
Tax on profit on ordinary activities	7	(41,438)	(13,238)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	18	1,326,582	509,078

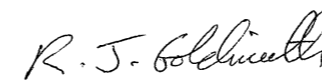
Turnover and operating profit derive wholly from continuing operations.

The group has no recognised gains or losses for the year other than the results above.

CONSOLIDATED BALANCE SHEET

Year Ended 31 March 2015	Notes	2015 £	2014 £
FIXED ASSETS			
Intangible fixed assets	8	54,082	-
Tangible fixed assets	9	11,745,145	9,341,588
CURRENT ASSETS			
Stocks	11	1,134,620	1,280,933
Debtors	12	1,774,324	1,485,471
Cash at bank and in hand		4,208,837	2,981,955
		7,117,781	5,748,359
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(6,853,205)	(5,299,230)
NET CURRENT ASSETS		264,576	449,129
TOTAL ASSETS LESS CURRENT LIABILITIES		12,063,803	9,790,717
PROVISIONS FOR LIABILITIES	14	(320,000)	(279,000)
DEFERRED INCOME	15	(981,930)	-
Net assets		10,761,873	9,511,717
CAPITAL AND RESERVES			
Called up share capital	16	1,340,997	1,320,561
Share premium account	18	55,729	27,139
Profit and loss account	18	9,365,147	8,164,017
SHAREHOLDERS' FUNDS	19	10,761,873	9,511,717

Approved and authorised for issue by the Board on the 16th July 2015.



Mr. R Goldsmith
Director

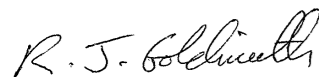
The notes on pages 22 to 30 form an integral part of these financial statements.

The notes on pages 22 to 30 form an integral part of these financial statements.

COMPANY BALANCE SHEET

Year Ended 31 March 2015	Notes	2015 £	2014 £
FIXED ASSETS			
Tangible fixed assets	9	5,342,481	2,978,990
Investments	10	264,788	264,788
		5,607,269	3,243,778
CURRENT ASSETS			
Debtors	12	2,622,040	3,275,694
Cash at bank and in hand		4,130,494	2,866,368
		6,752,534	6,142,062
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(4,701,443)	(3,291,314)
NET CURRENT ASSETS		2,051,091	2,850,748
TOTAL ASSETS LESS CURRENT LIABILITIES		7,658,360	6,094,526
DEFERRED INCOME	15	(981,930)	-
NET ASSETS		6,676,430	6,094,526
CAPITAL AND RESERVES			
Called up share capital	16	1,340,997	1,320,561
Share premium account	18	55,729	27,139
Profit and loss account	18	5,279,704	4,746,826
SHAREHOLDERS' FUNDS	19	6,676,430	6,094,526

Approved and authorised for issue
by the Board on the 16th July 2015.



Mr. R Goldsmith
Director

Company Registration Number 00165746

The notes on pages 22 to 30 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	2015 £	2014 £
RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	1,358,285	487,730
Depreciation, amortisation and impairment charges	956,018	738,276
(Profit)/loss on disposal of fixed assets	(17,996)	75,580
Decrease/(increase) in stocks	146,313	(462,163)
(Increase)/decrease in debtors	(288,853)	661,363
Increase/(decrease) in creditors	1,554,194	(575,807)
Release of government grants	(42,693)	-
Net cash inflow from operating activities	3,665,268	924,979

	2015 £	2014 £
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CASH FLOW STATEMENT

Net cash inflow from operating activities	3,665,268	924,979
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RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

Interest received	9,735	34,586
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Tax paid	(657)	(446)
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CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of intangible fixed assets	(54,999)	-
Purchase of tangible fixed assets	(3,447,090)	(1,656,314)
Sale of tangible fixed assets	106,429	119,668
Receipts of government grants	1,024,623	-

Equity dividends paid	(2,371,037)	(1,536,646)
	(76,427)	(62,130)

Net cash inflow/(outflow) before management of liquid resources and financing	1,226,882	(639,657)
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Increase/(decrease) in cash	1,226,882	(639,657)
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	Notes	2015 £	2014 £
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MOVEMENT IN NET FUNDS

Increase/(decrease) in cash		1,226,882	(639,657)
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Movement in net funds	23	1,226,882	(639,657)
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Net funds at 1 April	23	2,981,955	3,621,612
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Net funds at 31 March	23	4,208,837	2,981,955
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The notes on pages 22 to 30 form an integral part of these financial statements.

NOTES

to the financial statements

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2015.

Subsidiary undertakings are included using the acquisitions method of accounting. Under this method the group profit and loss account and statement of cashflows include the results and cashflows of subsidiaries from the date of acquisition and to the date of sale outside the group in the case of disposals of subsidiaries. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

No profit and loss account is presented for the company as permitted by Section 408 of the Companies Act 2006. Its profit for the financial year was £658,331 (2014 - £491,543).

Turnover

Turnover represents charges for the supply of sea and air passenger and freight services and associated income. Revenue is recognised when the group fulfils its contractual obligations to customers in respect of the goods and services provided and excludes Value Added Tax.

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.

Goodwill

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Amortisation

Acquired goodwill and other intangible assets are written off in equal instalments over their estimated useful economic useful lives

Asset class	Amortisation method and rate
Goodwill	5 years
Intangible assets	5 years

Depreciation

Depreciation is calculated at the following annual rates which are intended to write off the cost or valuation less residual value of assets over their estimated useful lives as follows

Asset class	Depreciation method and rate
Freehold properties	50 years (straight line)
Leasehold properties	Straight line over the term of the lease
Runways	Straight line over 18 years
Aircraft engines and major components	Number of hours flown (straight line)
Plant and equipment	At various rates appropriate to the relevant asset (straight line)

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as required by FRS19.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the group is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Pensions

The group operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

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 account as incurred.

2 TURNOVER

An analysis of turnover by class of business is given below:

	2015 £	2014 £
Sales by sea	5,983,755	5,116,269
Sales by air	8,373,386	7,602,851
Other non-transport activities	1,949,068	1,037,200
	16,306,209	13,756,320

3 OPERATING PROFIT

Operating profit is stated after charging:

	2015 £	2014 £
Operating leases - other assets	497,756	394,856
(Profit)/loss on sale of tangible fixed assets	(17,996)	75,580
Depreciation of owned assets	955,101	702,277
Amortisation	917	35,999
Government grants receivable	(42,693)	-
Auditor's remuneration	11,950	11,950

4 PARTICULARS OF EMPLOYEES

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

	2015 No.	2014 No.
Directors	8	8
Employees	189	182
	197	190

The aggregate payroll costs were as follows:

	2015 £	2014 £
Wages and salaries	4,579,885	4,304,009
Social security costs	369,570	379,647
Employees	137,768	115,071
	5,087,223	4,798,727

5 DIRECTORS' REMUNERATION

The directors' remuneration for the year was as follows:

	2015 No.	2014 No.
Remuneration (including benefits in kind)	193,468	140,690
Company contributions paid to money purchase schemes	15,855	34,386

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

	2015 No.	2014 No.
Accruing benefits under money purchase pension scheme	1	1

6 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £	2014 £
Bank interest receivable	9,735	34,586

7 TAXATION**Tax on profit on ordinary activities**

	2015 £	2014 £
Current tax		
Corporation tax charge	438	438
Deferred tax		
Origination and reversal of timing differences	41,000	12,800
Total tax on profit on ordinary activities	41,438	13,238

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the year is lower than (2014 – lower than) the standard rate of corporation tax in the UK of 20% (2014 – 20%).

The differences are reconciled below:

	2015 £	2014 £
Profit on ordinary activities before taxation	1,368,020	522,316
Corporation tax at standard rate	273,604	104,463
Accelerated capital allowances	30,260	28,787
Profit of business not subject to taxation	(327,348)	(178,980)
Non-deductible expenses	(8,344)	(15,093)
Tax losses arising	93,297	60,823
Tax losses utilised	(61,469)	-
Tonnage tax	438	438
Total current tax	438	438

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.

8 INTANGIBLE FIXED ASSETS – GROUP

	Goodwill £	Other intangible assets £	Total £
Cost			
At 1 April 2014	58,000	1,999	59,999
Additions	54,999	-	54,999
At 31 March 2015	112,999	1,999	114,998
Amortisation			
At 1 April 2014	58,000	1,999	59,999
Additions	917	-	917
At 31 March 2015	58,917	1,999	60,916
Net book value			
At 31 March 2015	54,082	-	54,082
At 31 March 2014	-	-	-

9 TANGIBLE FIXED ASSETS – GROUP

	Freehold land and buildings £	Long leasehold land and buildings £	Short leasehold land and buildings £	Plant and machinery £	Runways £	Total £
Cost or valuation						
At 1 April 2014	2,957,192	-	541,124	16,224,057	-	19,722,373
Additions	8,148	10,900	-	908,272	2,519,770	3,447,090
Disposals	-	-	-	(322,192)	-	(322,192)
At 31 March 2015	2,965,340	10,900	541,124	16,810,137	2,519,770	22,847,271
Depreciation						
At 1 April 2014	225,636	-	318,200	9,836,949	-	10,380,785
Charge for the year	50,784	182	13,010	797,799	93,325	955,100
Eliminated on disposals	-	-	-	(233,759)	-	(233,759)
At 31 March 2015	276,420	182	331,210	10,400,989	93,325	11,102,126
Net book value						
At 31 March 2015	2,688,920	10,718	209,914	6,409,148	2,426,445	11,745,145
At 31 March 2014	2,731,556	-	222,924	6,387,108	-	9,341,588

The group has taken advantage of the transitional provisions of Financial Reporting Standard 15 and prior revaluations have not been updated.

Included in freehold property is land with a cost of £735,123 (2014: £735,123) which has not been depreciated.

Tangible fixed assets include the following revaluations to arrive at an open market value:

	Plant and equipment £	Short leasehold property £	Freehold property £	Total £
31 March 1987	23,886	-	-	23,886
31 March 1991	-	41,225	321,366	362,591
	23,886	41,225	321,366	386,477
Historical cost of revalued assets	20,706	10,588	121,384	166,744
Depreciation on historical cost to date	20,706	10,588	36,415	67,709

Company	Freehold land and buildings £	Short leasehold land and buildings £	Plant and machinery £	Runways £	Total £
Cost or valuation					
At 1 April 2014	2,957,190	364,476	44,646	-	3,366,312
Additions	8,148	-	22,940	2,519,770	2,550,858
Disposals	-	-	(36,775)	-	(36,775)
At 31 March 2015	2,965,338	364,476	30,811	2,519,770	5,880,395
Depreciation					
At 1 April 2014	225,636	141,553	20,133	-	387,322
Charge for year	50,784	13,009	5,735	93,325	162,853
Eliminated on disposals	-	-	(12,261)	-	(12,261)
At 31 March 2015	276,420	154,562	13,607	93,325	537,914
Net book value					
At 31 March 2015	2,688,918	209,914	17,204	2,426,445	5,342,481
At 31 March 2014	2,731,554	222,923	24,513	-	2,978,990

The company has taken advantage of the transitional provisions of Financial Reporting Standard 15 and prior revaluations have not been updated.

Freehold property includes property revalued by £321,366 (2014: £321,366) at 31 March 1991 at open market value. On a historical cost basis the property has an original cost of £121,384 (2014: £121,384) with depreciation charged of £36,415 (2014: £36,415) to date.

Included in freehold property is land with a cost of £735,123 (2014: £735,123) which has not been depreciated.

10 INVESTMENTS HELD AS FIXED ASSETS

Company	2015 £	2014 £
Shares in group undertakings and participating interests	264,788	264,788

Shares in group undertakings and participating interests

	Subsidiary undertakings £	Total £
Cost		
At 1 April 2014	264,788	264,788
At 31 March 2015	264,788	264,788
Net book value		
At 31 March 2015	264,788	264,788
At 31 March 2014	264,788	264,788

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:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings				
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 by sea 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

11 STOCKS

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Stocks	1,134,620	1,280,933	-	-

12 DEBTORS

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade debtors	1,360,498	1,049,393	-	-
Amounts owed by group undertakings	-	-	2,496,218	3,114,841
Other debtors	157,366	253,435	101,534	135,007
Prepayments and accrued income	256,460	182,643	24,288	25,846
	1,774,324	1,485,471	2,622,040	3,275,694

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade creditors	1,289,176	764,890	326,494	56,146
Amounts owed to group undertakings	-	-	4,127,746	3,150,446
Corporation tax	219	438	-	-
Other taxes and social security	115,716	123,303	10,779	16,931
Other creditors	109,034	17,968	29,909	4,470
Accruals and deferred income	5,339,060	4,392,631	206,515	63,321
	6,853,205	5,299,230	4,701,443	3,291,314

Amounts relating to payments made by customers for travel in advance of their scheduled departure date are included in deferred income.

14 PROVISIONS

Group	Deferred tax £	Total £
At 1 April 2014	279,000	279,000
Charged to the profit and loss account	41,000	41,000
At 31 March 2015	320,000	320,000

Analysis of deferred tax	2015 £	2014 £
Accelerated capital allowances	512,000	505,000
Unutilised losses carried forward	(192,000)	(226,000)
	320,000	279,000

15 DEFERRED INCOME

Group	Government Grants £
Received during the year	1,024,623
Released to profit for the year	(42,693)
At 31 March 2015	981,930

Company	Government Grants £
Received during the year	1,024,623
Released to profit for the year	(42,693)
At 31 March 2015	981,930

16 SHARE CAPITAL

Allotted, called up and fully paid shares	Group		Company	
	2015 No.	2014 £	2014 No.	2014 £
Ordinary shares of £1 each	1,340,997	1,340,997	1,320,561	1,320,561

20,436 ordinary shares were issued in the year at £2.40 per share in lieu of dividend.

17 DIVIDENDS

	2015 £	2014 £
Dividends paid		
Prior year final dividend paid	125,453	116,408
Recommended final dividend proposed for approval by shareholders	134,100	125,453

The dividend will be submitted for formal approval at the Annual General Meeting to be held on 9 September 2015.

18 RESERVES

Group	Share premium account £	Profit and loss account £	Total £
At 1 April 2014	27,139	8,164,018	8,191,157
Profit for the year	-	1,326,582	1,326,582
Dividends	-	(125,453)	(125,453)
Premium on issue of shares	28,590	-	28,590
At 31 March 2015	55,729	9,365,147	9,420,876

Company	Share premium account £	Profit and loss account £	Total £
At 1 April 2014	27,139	4,746,826	4,773,965
Profit for the year	-	658,331	658,331
Dividends	-	(125,453)	(125,453)
Premium on issue of shares	28,590	-	28,590
At 31 March 2015	55,729	5,279,704	5,335,433

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2015 £	2014 £
Profit attributable to the members of the group	1,326,582	509,078
Dividends	(125,453)	(116,408)
New share capital subscribed	49,026	54,278
Net addition to shareholders' funds	1,250,155	446,948
Shareholders' funds at 1 April	9,511,718	9,064,769
Shareholders' funds at 31 March	10,761,873	9,511,717

Company	2015 £	2014 £
Profit attributable to the members of the group	658,331	491,543
Dividends	(125,453)	(116,408)
New share capital subscribed	49,026	54,278
Net addition to shareholders' funds	581,904	429,413
Shareholders' funds at 1 April	6,094,526	5,665,113
Shareholders' funds at 31 March	6,676,430	6,094,526

20 PENSION SCHEMES

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 17.

Merchant Navy Officers Pension Fund

The most recent actuarial valuation for the purposes of Regulations 14 and 30 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 for the MNOF was carried out on 31 March 2012. The results of the valuation carried out as at 31 March 2015 are not yet available.

The MNOF Employers Group and MNOF EG Limited are currently investigating arranging the cessation of the benefit accrual under the MNOF.

Merchant Navy Ratings Pension Fund

An actuarial valuation was carried out at 31 March 2014 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 market value of assets was £1,062 million and disclosed a shortfall of £325 million.

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 first deficit contributions to be paid under the New Regime will be based upon the deficit resulting from the 2014 Actuarial Valuation. The Trustee expects to be in a position by 28 August 2015 to notify Participating Employers of their deficit share.

On 31 May 2001 this scheme was closed and replaced by the Merchant Navy Ratings Pension Plan.

During the year the company was charged £Nil (2014: £Nil) towards the deficit.

Other Schemes

The company and group also operated defined contribution pension schemes during the year, being the Merchant Navy Ratings Pension Plan and a group sponsored pension plan.

Pension Cost Charge

The total pension cost charge for the period represents contributions payable by the group to the funds and amounted to £137,768 (2014: £154,384). Contributions amounting to £16,287 (2014: £11,938) were payable to the funds at the year end and are included in creditors.

21 CONTINGENT LIABILITIES

The Group's bankers hold bonds in respect of Air BP for £8,000 (2014: £8,000) and National Express of £2,500 (2014: £2,500).

22 COMMITMENTS**Operating lease commitments****Group**

As at 31 March 2015 the group had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

Group	2015 £	2014 £
Land and buildings		
Within one year	-	110,000
Within two and five years	8,250	-
Over five years	92,600	-
	100,850	110,000
Other		
Within one year	279,089	-
Within two and five years	-	272,386
	279,089	272,386

23 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2014 £	Cash flow £	At 31 March 2015 £
Cash at bank and in hand	2,981,955	1,237,824	4,208,837
Net funds	2,981,955	1,237,824	4,208,837

24 RELATED PARTY TRANSACTIONS

During the year the company made the following related party transactions:

Directors

Dividends paid during the year to directors amounted to £9,621 (2014: £16,034).

During the period services supplied by the group, where directors had an interest, amounted to £118,309 (2014: £51,090). At the balance sheet date the amount due from Directors was £20,106 (2014 - £16,900).

25 CONTROL

There is no particular individual who is the ultimate controlling party.



EU match funding awarded for
Land's End Airport Runway project

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

Company Registration
Number 00165746

