MOVING FORWARD TOGETHER

102nd Annual Report and Consolidated Financial Statements
Year Ended 31 March 2022

ISLES OF SCILLY
Steamship
GROUP

COMPANY INFORMATION

Isles of Scilly Steamship Company Limited
Annual Report and
Consolidated Financial Statements
Year Ended 31 March 2022

Company Registration Number 00165746

Chairman
Mr I Howard TD

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

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

Auditors
PKF Francis Clark
Statutory Auditor
Lowin House
Tregolls Road
Truro
Cornwall TR1 2NA

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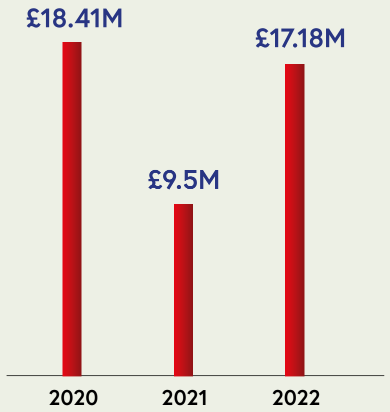
TURNOVER
YEAR ENDED 31 MARCH



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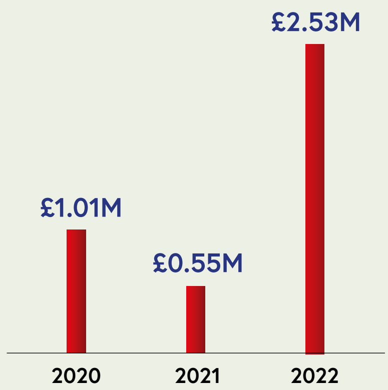

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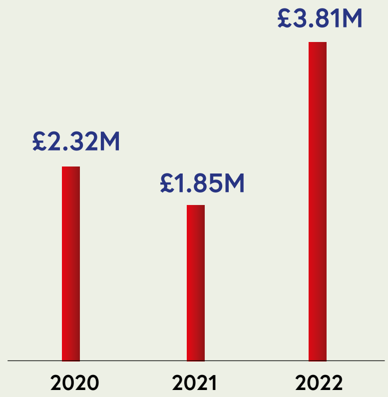
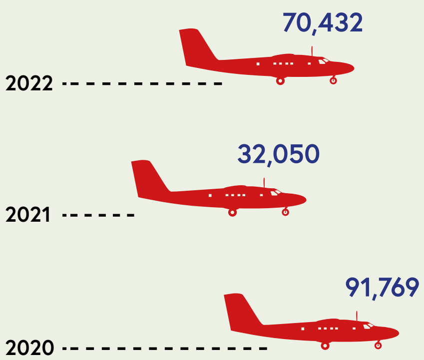


SKYBUS
AIR PASSENGERS
YEAR ENDED 31 MARCH



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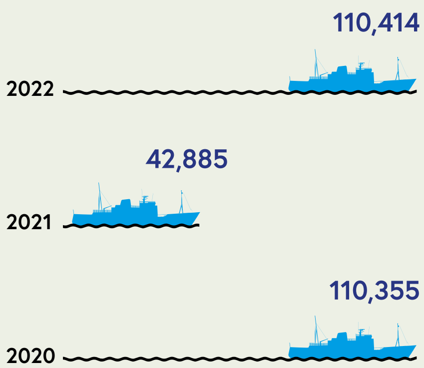

COMBINED AIR AND
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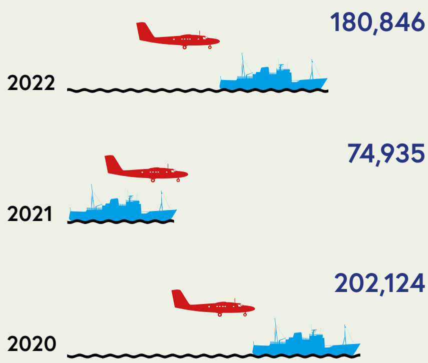
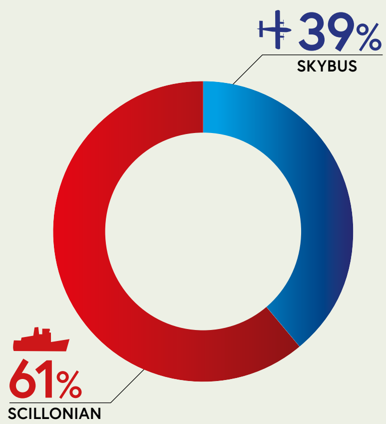


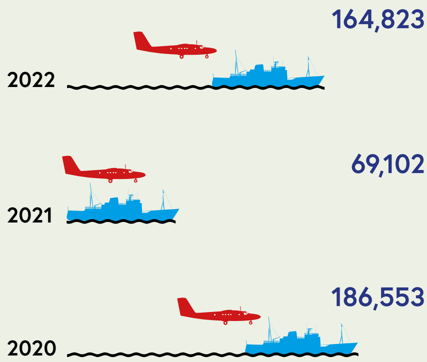
CASH BALANCE
YEAR ENDED 31 MARCH

£9.62m	£5.78m
2022	2021

PASSENGER NUMBERS
YEAR ENDED 31 MARCH 2022



PASSENGER NUMBERS
SUMMER MARKET (APR-OCT)



CHAIRMAN'S STATEMENT

On 27 October 2021 the government announced that funding in the region of £48m would potentially be made available to the Group through the Council of the Isles of Scilly for the purpose of buying new vessels. The funding would also support infrastructure improvements to St Mary's Quay and New Grimsby Quay, Tresco.

We were delighted to receive this news. Once the ship builds are complete, we are set up for a new generation of services to the Isles of Scilly and with that comes an improvement in the quality of life for many residents.

It has taken longer than expected to meet the government's conditions around this grant support. A full business case has been submitted and a number of conditions have been accepted in principle, but we are still not quite there. As I write this report we do not know when the funding will be forthcoming or the exact funding structure.

In the meantime, our vessels become older and, despite our best endeavours, more prone to breakdown and more expensive to maintain. It is imperative that decisions are made quickly now so that we can move forward once a shipyard has been chosen.

I started my report on this subject because it has rightly overshadowed all our other activities during the last year. Enormous credit is due to Stuart, Judith and the senior management team for the perseverance and tenacity they have shown, driving through this project in the face of much adversity.

Whilst vessel replacement was an understandable distraction both before and after the decision was announced, the financial results demonstrate that the management team certainly did not take their collective eyes off the ball. Excluding the residual operational Covid-19 grant support that we received in April and May of 2021, the Group produced a profit before tax of £1.56m – very close to the Group's best ever result.

Cash of course is king and given that the funding in prospect from government requires a 10% match from the Group, it is particularly important that we are generating cash. In the year in question we saw a positive cash flow of no less than £3.8m which was a pleasing result.

As we go to press, the Group's cash balance stands at a record high of £10m and whilst some of this represents pre payments for tickets, even the net number means that we can look forward with confidence to the start of the ship building process.

The aviation business (Skybus and Land's End Airport) generated a pre-tax breakeven position (excluding grants) of £0.04m. For a division which ties up so much capital our results have never represented a really adequate return. We will have to continue to work on this division which the islanders have come to rely on and which is an important part of the lifeline link.

The marine business is the Group's profit generator, achieving a pre-tax profit (excluding grants) of £1.48m for the year, and it is largely tourism which provides that profit, given the relative proportions of ticket purchases. It is important that the islands recognise the symbiotic relationship of tourist and islander – they really need each other. We support important initiatives such as that of extending the visitor season. Without tourism the service to the islands would suffer significantly.

The inter-island freight part of our marine business does not benefit from the patronage of tourists and is not profitable. We will be looking at it with a view to improving the results without prejudicing service quality.

One way to sell more tickets is to market the islands and the Group better. We are currently working on a new marketing and branding strategy which should ultimately result in more revenue. Our support of the Islands Partnership is also representative of our conviction that it is absolutely possible to increase visitor numbers.

During the year we completed the sale of Penzance Dry Dock which had been a lead weight on our results for a number of years. We were pleased to be able to sell the business as a going concern, i.e., with employees, to Linked Solutions and to date they have made good progress in turning the business around. Clearly, we would like to have the option to continue to give the Dry Dock our custom and so we wish them well in their endeavours.

Island Carriers was another ailing business. In this instance, under the supervision of Jeanette Ware, the business is now a reliable contributor to the bottom line. There are business risks however, and here the generic Scilly staff accommodation problem is prominent amongst them. We are liaising with the Council of the Isles of Scilly to see what joint initiatives might be possible to address this very critical issue.

We have to look for new revenue streams and continue to work on the drone project. Additionally, with Cranfield Aerospace, we are researching the opportunity of operating hydrogen-powered aircraft in the not too distant future. In fact, we are always on the look-out for innovative opportunities for the Group to investigate.

Shareholders have endured three financial years without dividends. Whilst last year's numbers represent a marked improvement, they were supported by government funding for the first two months of the year and with that came a restriction on dividend payments. Whilst the board does not therefore wish to recommend a dividend for the last financial year, it will review the half year numbers to the end of September in advance of the Annual General Meeting and may decide to recommend an interim payment at that meeting.

Ian Howard TD


SCILLONIAN III


GRY MARITHA

BOARD OF DIRECTORS

STUART REID
CHIEF EXECUTIVE OFFICER

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

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

IAN HOWARD TD
CHAIRMAN

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

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

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

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

JUDITH PIPER
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

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

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

BOARD OF DIRECTORS

SAM HICKS
SENIOR INDEPENDENT DIRECTOR

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

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

STEPHEN HICKS

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

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

Steve now intends to pursue more fully his lifelong hobby of painting and drawing. He is married with three children and has four grandchildren to date.

GARY RANDALL

Gary was appointed to the Board in August 2018 and is from St. Mellion, in East Cornwall. He has been practising as a Chartered Accountant for the last 30 years and is the Managing Director of Prydis Accounts Ltd. Prydis provide support that reaches beyond the boundaries imposed by traditional professional firms, bringing different requirements together in one place.

Gary embraces the challenges of General Practice and particularly enjoys the interaction between the other elements of the business with Financial Planning and Corporate Law experience that is of great benefit to his non-Executive role within the Steamship Group.

BOARD OF DIRECTORS

KEVIN GEORGE

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

Kevin is currently the Chair of Aurigny Air Services in Guernsey and is the Chair of Trustees at the UK Sailing Academy (UKSA) charity in Cowes, Isle of Wight.

SONYA BASSETT

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

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

STRATEGIC REPORT

For the year ended 31 March 2022

The directors present their strategic report for the year ended 31 March 2022.

PRINCIPAL ACTIVITY

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

REVIEW OF THE BUSINESS

The results for the year are shown in the profit and loss account on page 24. This review covers the performance of the Group for the period 1 April 2021 to 31 March 2022. The financial year ended 31 March 2022 was the Group's third year of operation under the new Board leadership and management team.

PROFIT BEFORE TAX

The Group reported a profit before tax for the year ended 31 March 2022 of £2.47m (2021: £0.71m).

RECOVERY

Last year was dominated by the outbreak of Covid-19. The Board and management team's objective was to focus immediately on preserving lifeline services to the Isles of Scilly, and with a heavy lobbying of Government by the Executive along with its partners, the Department of Transport recognised the important role that the Group provides to the Isles of Scilly community. On behalf of the Board, I would like to take this opportunity to gratefully thank all employees of the Group along with the community on the Isles of Scilly for their support during what was one of the Group's greatest challenges but also one of its greatest achievements in maintaining the link.

The year under review was about recovery from the Covid-19 pandemic. Thanks to the collective efforts of our employees and stakeholders through the pandemic, the Group was well placed to prosper as high demand for scheduled passenger services, caused by a staycation boom, returned the Group to an impressive financial performance.

There were still distinct phases through the year with negative and positive impacts caused by political, economical and social factors.

The first quarter trading period was marked by Covid-19 tourism restrictions. Hotels and other accommodation providers with shared facilities were prevented from opening until the 21 June 2021. Only self-catering accommodation was available, limiting the number of passengers travelling to the Islands. Passenger numbers for the first quarter were therefore 37% down when compared to 2019 (pre-Covid-19). As a result of the restrictions placed by Government, the Executive returned to Government in March 2021 to seek funding support for April and May 2021 to compensate for the expected reduced passenger numbers. Following a number of meetings and further discussions Government approved Covid-19 funding for April and May 2021 .

Following the relaxation of Covid-19 restrictions on the 21 June by the UK Government, passenger numbers returned to pre-Covid-19 levels during the summer season.

NEW BEGINNINGS

Our "new beginnings" approach continues to deliver both operational and financial change. The Covid-19 funding from the UK Government was of critical importance, not just to maintain the lifeline link for freight deliveries and essential travel but it also prevented the need to restructure and undo all the good that our new beginnings era has delivered over the past two years by our amazing family of employees. The focus remains on our core activities of the transport of passengers and freight by sea and air to the Isles of Scilly, but also to build on this solid foundation with additional revenue streams to improve financial performance over the coming years.

FINANCIAL PERFORMANCE

The Group can report an EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of £3.81m (2021: £1.85m), an increase of 106%.

The further improvement in financial performance is being delivered through a customer-focused approach to winning market share against the new competing helicopter service. This, together with the disposal of loss-making sections of the Group and a continuous delivery of operational efficiencies, has produced a significant increase in financial performance.

LOOKING FORWARD

Our Group's vision "Delivering for Scilly" is at the core of everything we do but in order to keep improving and delivering a service for the next generation we must look to invest in the route. The Board have set a challenging target for the Executive in delivering a £4 million EBITDA for the year ending 31 March 2026. At this level of financial performance the Group continues to generate cash on a trajectory needed to invest in the service and infrastructure requirements. The investment will deliver a step-change in service to the Islands to a greener, customer-focused approach to transport and attract a new audience to the Islands as well as delivering a service which will grow the season into the autumn and potentially into the winter months.

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

WEBSITE

Covid-19 has brought its challenges to the Group but Covid-19 has also delivered a change in the way consumers now book transport and holidays. As a result of Covid-19, we made the decision to close our booking offices in Penzance and St Mary's to protect staff who were performing both booking and operational roles to ensure services could be delivered. This decision resulted in an increase in the number of passengers booking online and an increase in call volumes. We are now investing to improve the booking experience which includes an online digital chat function to facilitate bookings and amendments.

VESSEL REPLACEMENT PROJECT

The Group continues with its vessel replacement project and the financial year under review made further excellent progress.

Vessel Replacement Fund

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

On the 27 October 2021, the UK Government announced that the application for three new vessels and infrastructure improvements had been successful, subject to Full Business Case. The funding would only be delivered to the Council subject to final approval of a full business case by the Department for Transport. Following the announcement, the Isles of Scilly Steamship Group, together with the Council of the Isles of Scilly, have delivered the full business case and worked with the Department for Transport to demonstrate the need for three new vessels which will deliver a step-change in service for the benefit of the Isles of Scilly Community and the UK visitor market. The Isles of Scilly Steamship Group and the Council of the Isles of Scilly are expecting an imminent announcement by the Department for Transport which will allow the vessel build programme to commence.

Vessel Designs

Following the release of the initial designs to the community in June 2021 the Group have continued to develop the designs focusing on seven key areas. Our vessel project team, together with our naval architects BMT, have continued working on these key areas including propulsion, electrical load, stabilisation, cargo capacity, access for passengers with restricted mobility and catering facilities. The areas have been developed at the Group's cost and will benefit the Group by allowing informed and prompt decisions by the project team to the shipyard and reduces the risk of variation orders which could ultimately cost the Group significant sums.

AVIATION

In 2019, the Group set out its view that the Islander aircraft would no longer be used to carry passengers and would look to dispose of the aircraft with a view to operating a single fleet. During the year, the Group sold one of its four BN2 Islanders to Cranfield Aerospace Solutions, reducing the number of the Islander fleet from four to three. Despite an initial interest in the Islander fleet, interest subsided once the pandemic hit in March 2020.

Over the pandemic, the Skybus management team have worked to develop opportunities for the remaining Islanders. We are currently carrying out a number of aviation operations using the Islanders which are developing an additional source of income and has resulted in a change in the management's view of the disposal strategy.

To improve utilisation of our aviation assets over the quieter winter months, the Skybus management team have worked to provide contractual support services to Aurigny Aviation by operating a standby service between Guernsey, Alderney and Southampton. Crews from Skybus have covered two fixed periods and then remained on standby at Land's End Airport to provide support in the event of disruption to the Aurigny service.

KEY CHALLENGES

Our vessel replacement programme is progressing well. As explained above, we await the imminent decision on the Levelling Up Funding by the Department for Transport following the submission of the full business case. If the Department for Transport decide not to proceed with the funding then we have to continue with alternative financing options. Given the cost of the build programme, securing and managing this finance through the life of the vessel will have to be delivered whilst ensuring no resounding impact on the tourism economy of Scilly. However, we have to recognise that servicing of alternative financing, such as secured debt, would result in increased fares and freight prices.

Of more immediate concern is the increased risk of the resilience of our vessels. Despite the extreme care and attention given to our vessels by our crews and the heavy cost of our annual planned maintenance programmes, all our vessels are showing signs of their age and condition. Over the past 12 months we have seen an increase in the number of reported defects on board which have been corrected at significant cost and in some cases delays to the operational service.

Delivery of new vessels is therefore essential if we are to continue to provide a high-quality, resilient passenger experience and freight supply service. To overcome the more immediate challenge, we are acquiring additional spare machinery parts and will need to continue investing in the existing fleet to maintain the resilience.

Inflation and other cost pressures will present a further challenge for the Executive team over the forthcoming year. The increase in fuel and other operational costs to deliver services presents a key challenge and with forecast inflation expected to increase further the Executive have actively mitigated this risk by putting a number of fuel hedging contracts in place earlier in 2022.

PASSENGER NUMBERS

As expected, following Covid-19 restrictions easing in June 2021, there was an overall increase in passenger numbers of 105,911 to 180,846, an increase of 141.3% for the financial year (2021: total passenger numbers of 74,935).

Skybus passenger numbers increased by 38,382 to 70,432, an increase of 119.8%, with day trippers increasing by 5,246 to 8,811 (2021: 3,565), an increase of 147.2%. Day trippers accounted for 12.5% of air passengers (2021: 11.1%).

Scillonian passenger numbers increased by 67,529 to 110,414 (2021: 42,885), an increase of 157.5%, with day trippers increasing by 27,970 to 36,174 (2021: 8,204), an increase of 340.9%. Scillonian day trippers accounted for 32.8% of sea passengers (2021: 19.1%).

PASSENGER BOOKINGS

At the time of writing we are seeing a continued increase in demand for transport services to Scilly. The rising cost of international travel and holidays, and travel disruption caused by a shortage of airport personnel at other UK airports, has seen a rapid uptake in accommodation on Scilly with many accommodation providers stating that they are full through to the end of October. This is also reflective of our forward bookings for the forthcoming financial year.

Overall for the year ending 31 March 2023 (including passengers travelled between April and the date of this report) we are 12.6% favourable compared to the same period last year. Despite the introduction of the helicopter service we have only seen a small 5.1% overall reduction in forward bookings. Our focus is to continue to deliver a high quality customer-focused service to gain further market share from the helicopter operation.

TURNOVER ANALYSIS

The Group's turnover increased by 81.6%

to £17.18m (2021: £9.46m). Group turnover is primarily driven by passenger numbers and the average ticket price.

Turnover for services by air, which includes Skybus and Land's End Airport, increased by 117.5% to £8.83m (2021: £4.06m) as a result of an increase in air passenger numbers and an increase in average ticket prices, the latter increasing by 9.0% to £98.68 (2021: £90.43). The reason for the increase in average ticket prices is due to flights from Newquay resuming this year (no flights in 2021) and also inflationary price increases. Land's End Airport's revenue is predominately generated through internal sales to Skybus but also provides car parking revenue and café sales, both of which increased as a result of higher passenger numbers.

Turnover for services by sea increased by 85.7% to £7.6m (2021: £4.1m). as a result of an increase in sea passenger numbers. Average ticket prices for services by sea reduced to £44.23 (2021: £47.78) as a result of significantly more day trip passengers. Much of the focus of marketing during the year was on the promotion of day trips knowing that accommodation on the Islands was full for most of the season. Other shipping revenue, which includes car parking revenue and Scillonian III café sales, improved as a result of the higher passenger numbers.

Mail and freight sales traditionally fluctuate year on year depending upon any projects that are being undertaken on the Isles of Scilly. In addition, Covid-19 resulted in many people buying online and has subsequently increased our revenue from such sales. Overall, across the Group, freight and mail revenue increased by £0.55m to £2.91m (2021: £2.36m).

Revenue from other transport activities decreased by £0.56m to £0.74m (2021: £1.31m) mainly as a result of Penzance Dry Dock being sold on 8 July 2021. The £0.74m of revenue relates to Island Carriers (formerly known as Nike Engineering) which performed well during the year and increased sales by £0.24m to £0.74m (2021: £0.50m).

OTHER OPERATING INCOME

Last year, Skybus, Shipping and Land's End Airport received critical Department for Transport Covid-19 funding totalling £4.15m which offset the losses incurred from the operation of the lifeline services. The Group also received £0.70m from the Job Retention Scheme (furlough). This year, total Covid-19 funding reduced to £0.94m, which predominately related to £0.91m of Department for Transport funding received in April and May. Overall, other operating income reduced to £1.05m (2021: £4.94m).

COST ANALYSIS

The Group's cost of sales increased by 13.3% to £15.7m (2021: £13.85m). The main reason for the increase was the higher levels of activity which resulted in significantly higher costs of fuel, landing fees and port dues.

Employment costs are our largest cost to the business accounting for 40.8% (2021: 44.5%) of our cost base. Employment costs increased by 3.9% to £6.4m (2021: £6.2m) as a result of the higher levels of activity.

Repairs and maintenance costs continue to escalate as the shipping and aviation assets age. Such costs totalled £1.99m (2021: £1.74m) which represents approximately 13% of our cost base.

INVESTMENT IN ASSETS

In addition to repairs and maintenance on our assets, during the year the Group spent £0.91m on capital expenditure (2021: £0.78m (excluding finance lease assets) in order to continue replenishing the Group's assets. Proceeds from the sale of assets totalled £0.36m in relation to the sale of one Islander aircraft.

SUMMARY OF KEY MOVEMENTS IN CASH AND BANK BALANCES

Below is a summary of the cash flow which uses EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) to indicate how cash has been utilised during the year. The cash flow summary shows that the Group has been cash generative during the year, increasing cash balances by £3.84m to £9.62m (2021: £5.78m). Cash increased as a result of the following key movements:

- Improved profitability (EBITDA increased by 105% to £3.81m (2021: £1.85m)

CASH FLOW SUMMARY

	2022 £	2021 £
Bank and cash balance brought forward	5,781,000	3,650,000
EBITDA	3,808,000	1,854,000
Capital expenditure (net of sales proceeds)	(548,000)	(762,000)
Payment of interest and capital against finance lease	(288,000)	(302,000)
Increase in stock	(90,000)	(220,000)
Increase in deferred income	961,000	1,879,000
Other working capital movements	(3,000)	(318,000)
Bank and cash balances carried forward	**9,621,000**	**5,781,000**
Net cash increase	**3,840,000**	**2,131,000**

- A higher level of advance bookings (deferred income) relative to last year (£0.96m increase).

SAFETY AND SECURITY

As is common throughout the transport industry, our principle Group value is the safety of our employees and passengers which is managed through a robust Safety Management System. Safety is a weekly agenda item at both Marine and Aviation Management meetings with attendance by the Group Health & Safety Manager. Creating and implementing a positive health and safety culture is an ever-evolving process, and this has been underpinned by the Group's values, with safety our top priority.

The Group continues to take a proactive approach to safety and encourages the submission of both proactive and reactive safety-related incidents. The Group have recently introduced an updated health and safety policy as well as the introduction of new policies on wellbeing and workplace stress. As part of these new policies, the Group has recently trained three employees to become Mental Health First Aiders with further employees due to be trained over the next 12 months. The Group will also carry out training in mental health awareness as it recognises this important employee welfare subject.

This is just a snapshot of the work undertaken that demonstrates the Group's health and safety systems are constantly evolving and improving. The Group has a strong and proactive incident and near miss reporting culture, which enables any weakness identified in our safety systems to be targeted and improved mitigations implemented. In the financial year ended 31 March 2022 there was a single RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) incident reported to regulators which is an improvement on recent previous years and continues a downward trend.

The Group's Risk Management Team, consisting of managers from both the aviation and marine businesses, meets regularly throughout the year. Its purpose is to review business continuity risks and mitigation plans. The Risk Management Team were also active during the Covid-19 response, reviewing risk assessments to ensure compliance with Government guidance and ensuring high-standards and consistency in measures across all business activities.

FUTURE DEVELOPMENTS

The first six months of trading is where the Group generates profits which support the winter lifeline link operation. For the 2022/2023 financial year, the Board have set a challenging budget to continue the Group's objective of generating cash to fund future asset and infrastructure improvements to enhance services. The Executive have set targets for the Group's management team to deliver on this challenging budget, targeting a mix of cost efficiencies and revenue opportunities.

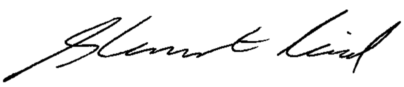
Project LEAH (Land's End Airport Hydrogen) & Centre of Excellence

In September 2021, the Group sold one of its four BN2 Islander aircraft to Cranfield Aerospace Solutions with the objective of retrofitting the aircraft with hydrogen propulsion technology funded through the Future Flight Fund.

Following the sale, discussions continued which have developed into a collaborative approach to deliver Hydrogen aircraft on the Isles of Scilly route. This mutual vision was cemented by the signing of a Letter of Intent, together with the Islander manufacturer Britten-Norman, to procure hydrogen-propelled Islanders with the introduction estimated early in 2025.

Skybus and Cranfield are continuing to work in collaboration to deliver hydrogen aircraft which has now expanded to develop hydrogen infrastructure requirements at Land's End Airport to fuel and maintain hydrogen aircraft. The concept has recently been presented to Robert Courts, the Government's aviation minister, who welcomed the introduction of this low-carbon alternative mode of air transport. Skybus have an aspiration to become the first UK hydrogen airline.

As part of this proactive development of the technology, the Group needs to train and attract engineers both now and in the future. Land's End Airport must therefore upgrade its aviation engineering facilities. The creation of a Centre of Excellence will allow the retention and development of engineers through a planned apprenticeship programme providing a modern facility for aviation engineering and pilot training.



Stuart Reid
Chief Executive Officer

FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

Building on this existing platform of sound governance, this is our second Environmental, Social and Governance (ESG) report.

Every one of our trading companies can play its part in addressing ESG issues, including those in our local stakeholder communities.

Our ESG Report aims to capture our approach to the environment, to people and to governance. This remains work in progress and we will continue to make improvements in order to make the report more meaningful.

ENVIRONMENTAL

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

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

The Committee has developed an environmental strategy and has set achievable targets in every area of the business. These include working with other community environmental initiatives in order to protect and improve our environment and the Group's contribution to it. Environmental issues are an important factor when we look to the future of our transport activities, and they feature heavily in the design of the new vessels. The Group is looking to design its future ships and aircraft such that they may be adapted to more environmentally friendly propulsion systems in the coming years.

The main focus of the Committee this year has been to calculate the pathway to achieve net zero and the date by which we can do it. The Committee has commissioned experts in the carbon calculation field to bring together a report on the Group's current emissions and carbon production and the next stage will be to ascertain how we can work towards reducing our carbon footprint to reach net zero.

Our planned drone trials from Land's End Airport are an example of how we could operate more efficiently in the future. We are working closely with our partner, Flylogix, to develop sector-leading technology for the future of UAV flights at Land's End Airport.

In addition, the Group is collaborating with Cranfield Aerospace in relation to a hydrogen propulsion project which will result in the conversion of an Islander to run on hydrogen fuel rather than traditional fossil fuel.

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

SOCIAL

The social part of ESG is about being a socially responsible employer and we aim to make this part of our internal culture.

We strive to ensure that there is no gender, ethnic or disability discrimination in the organisation. We have a more gender-balanced Board with two female members. We have improved employee communications and we have introduced a performance management process throughout the Group.

Our social conscience extends to the support of local communities, both on the islands and on the mainland. We execute this through selective charitable support and as we emerge out of the Covid-19 pandemic we plan to restructure the administration of this support so that it is optimised and fit for purpose.

We are sensitive to domestic and global human rights issues and will not knowingly source from suppliers guilty of human rights abuses such as the employment of under-age children.

GOVERNANCE

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

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

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

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

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

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

DIRECTORS' REMUNERATION

	Salary* 2022 £	Fees 2022 £	Benefits in kind 2022 £	Total 2022 £	Total 2021 £	Total 2020 £	Pension contributions 2022 £	Pension contributions 2021 £	Pension contributions 2020 £
EXECUTIVE DIRECTORS									
S Reid	101,000	-	4,169	**105,169**	101,750	129,085	50,500	-	875
J Piper	100,543	-	-	**100,543**	68,192	77,426	1,321	1,313	1,784
NON EXECUTIVE DIRECTORS									
I Howard	-	25,000	-	**25,000**	24,187	25,000	-	-	-
S Hicks	-	10,750	-	**10,750**	9,255	8,999	-	-	-
S M Hicks	-	8,750	-	**8,750**	7,538	6,689	-	-	-
G Randall	-	8,750	-	**8,750**	8,099	7,875	-	-	-
K George	-	8,750	-	**8,750**	7,819	4,248	-	-	-
S Bassett	-	8,750	-	**8,750**	8,096	-	-	-	-
PAST DIRECTORS									
P D Hardaker	-	-	-	-	6,548	11,772	-	-	-
H Weikens	-	-	-	-	-	3,034	-	-	-
	201,543	70,750	4,169	**276,462**	241,484	274,127	**51,821**	1,313	2,659

* Includes bonus based on performance-related targets
S Reid's benefits in kind relate to the provision of a fully expensed motor vehicle.
J Piper's 2020 salary is reported from the date of Board appointment (16 May 2019).

REMUNERATION COMMITTEE

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

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

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

The Committee has been active throughout the year, holding quarterly formal meetings as well as consulting by video, email and telephone conferencing. The focus of the Committee has been the setting of targets aligned with the Group's mission and values. A Group pay award was approved across all employees this year in recognition of the hard work from all employees throughout the year and to take into account increases in local pay and inflation rates.

NOMINATIONS COMMITTEE

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

The Committee has a wide remit which includes:

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

The Committee met on a number of occasions throughout the year both in person and by telephone.

AUDIT COMMITTEE

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

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

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

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

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

DIRECTORS' REPORT

For the year ended 31 March 2022

The directors present their report for the year ended 31 March 2022.

DIRECTORS OF THE COMPANY

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

	Committees
Current directors:	
Stuart Reid	M
Judith Piper	M
Ian Howard TD	N
Gary Randall	A, R, M
Stephen Hicks	A, M, N
Sam Hicks	A, R
Kevin George	M
Sonya Bassett	R,N, E

Past directors:

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

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

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

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

'E' signifies that the director is a member of the Environmental Committee.

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

The interests of the directors in the ordinary shares of the Company as at 31 March 2022 are set out below. There have been no changes to these interests between 1 April 2022 and 20 July 2022.

	2022	2021
Stephen Hicks	**999**	999
Ian Howard TD	**80,172**	66,610

DIVIDENDS

The directors do not propose the payment of a dividend for the year ended 31 March 2022 (2021 – £nil).

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 of which they know the auditor is unaware.

Approved by the Board on 20 July 2022 and signed on its behalf by:

Mr I Howard TD
Chairman

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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 2022, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor'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

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

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

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

OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group at the planning stage of the audit. Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related company legislation) and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Secondly, the group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the company's licence to operate. In making this assessment we determined that the most significant elements of legislation include licencing laws, employment laws and regulations (including CJRS compliance), and health and safety legislation.

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

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

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

USE OF OUR REPORT

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

Andrew Allen BSc FCA
(Senior Statutory Auditor)

PKF Francis Clark,
Statutory Auditor,
Lowin House,
Tregolls Road,
Truro,
Cornwall TR1 2NA

Date: 31 August 2022

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year Ended 31 March 2022	Notes	2022 Total (£000)	2021 Continuing operations (£000)	2021 Discontinued operations (£000)	2021 Total (£000)
TURNOVER	3	**17,176**	8,654	805	9,459
Cost of sales		**(15,691)**	(12,978)	(872)	(13,850)
GROSS (LOSS)/PROFIT		**1,485**	(4,324)	(67)	(4,391)
Other operating income	4	**1,049**	4,902	42	4,944
OPERATING PROFIT	5	**2,534**	578	(25)	553
Unrealised foreign exchange gains on finance lease liabilities		**-**	228	-	228
Other interest receivable and similar income	10	**1**	6	-	6
Interest payable and similar charges	11	**(70)**	(74)	-	(74)
PROFIT/(LOSS) BEFORE TAX		**2,465**	738	(25)	713
Taxation	12	**(108)**	3	-	3
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		**2,357**	741	(25)	716
PROFIT/(LOSS) ATTRIBUTABLE TO Owners of the company		**2,357**	741	(25)	716

The discontinued operations relate to Penzance Dry Dock (2009) Limited which was a subsidiary company disposed of on 8 July 2021.

During the period 1 April 2021 to 8 July 2021, Penzance Dry Dock (2009) Limited generated a loss after tax of £68,000 that related entirely to operating costs incurred during this period. Due to the immaterial nature of the operating costs for this period, these costs have been aggregated within cost of sales for 31 March 2022.

The results for Penzance Dry Dock (2009) Limited for the year ended 31 March 2021 have been presented on the face of the profit and loss account where these are material to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 March 2022	2022 (£000)	2021 (£000)
PROFIT FOR THE YEAR	**2,357**	716
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,357**	716
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO Owners of the company	**2,357**	716

The notes on pages 29 to 39 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

Year Ended 31 March 2022	Notes	2022 (£000)	2021 (£000)
FIXED ASSETS			
Intangible assets	13	**418**	419
Tangible assets	14	**12,458**	13,182
		12,876	13,601
CURRENT ASSETS			
Stocks	16	**1,521**	1,431
Debtors	17	**2,204**	1,633
Cash at bank and in hand		**9,621**	5,781
		13,346	8,845
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	19	**(10,119)**	(8,397)
NET CURRENT ASSETS		**3,227**	448
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,103**	14,049
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	19	**(2,390)**	(2,680)
Provisions		(68)	(188)
Deferred tax liabilities		(178)	(71)
PROVISIONS FOR LIABILITIES	22	**(246)**	(259)
NET ASSETS		**13,467**	11,110
CAPITAL AND RESERVES			
Called up share capital	24	**1,411**	1,411
Share premium account		**247**	247
Profit and loss account		**11,809**	9,452
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**13,467**	11,110
SHAREHOLDERS' FUNDS		**13,467**	11,110

Approved and authorised by the Board
on 20 July 2022 and signed for by:

Mr S Reid
Director

Company Registration Number 00165746

The notes on pages 29 to 39 form an integral part of these financial statements.

BALANCE SHEET

Year Ended 31 March 2022	Notes	2022 (£000)	2021 (£000)
FIXED ASSETS			
Intangible assets	13	**418**	419
Tangible assets	14	**4,151**	4,360
Investments	15	**4,165**	4,165
		8,734	8,944
CURRENT ASSETS			
Debtors	17	**384**	198
Cash at bank and in hand		**9,599**	5,414
		9,983	5,612
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	19	**(9,985)**	(5,739)
NET CURRENT LIABILITIES		**(2)**	(127)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,732**	8,817
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	19	**(686)**	(753)
PROVISIONS FOR LIABILITIES	22	**(149)**	(112)
NET ASSETS		**7,897**	7,952
CAPITAL AND RESERVES			
Called up share capital	24	**1,411**	1,411
Share premium reserve		**247**	247
Profit and loss account		**6,239**	6,294
SHAREHOLDER'S FUNDS		**7,897**	7,952

Approved and authorised by the Board
on 20 July 2022 and signed for by:

Mr S Reid
Director

Company Registration Number 00165746

The notes on pages 29 to 39 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Share capital (£)	Share premium (£)	Profit and loss account (£)	**Total equity (£)**
At 1 April 2020	1,411	247	8,736	**10,394**
Profit for the year	–	–	716	**716**
Total comprehensive income	–	–	716	**716**
At 31 March 2021	1,411	247	9,452	**11,110**

STATEMENT OF CHANGES IN EQUITY

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

	Share capital (£)	Share premium (£)	Profit and loss account (£)	**Total (£)**
At 1 April 2020	1,411	247	7,222	**8,880**
Loss for the year	–	–	(928)	**(928)**
Total comprehensive income	–	–	(928)	**(928)**
At 31 March 2021	1,411	247	6,294	**7,952**

The notes on pages 29 to 39 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2022 (£000)	2021 (£000)
Profit for the year		**2,357**	716
ADJUSTMENTS TO CASH FLOWS FROM NON-CASH ITEMS			
Depreciation and amortisation	5	**1,282**	1,276
(Profit)/loss on disposal of tangible assets		**(7)**	23
Unrealised foreign exchange gains on financial lease liabilities	9	**–**	(228)
Finance income	10	**(1)**	(6)
Finance costs	11	**70**	74
Corporation tax expense	12	**108**	(3)
		3,809	1,852
WORKING CAPITAL ADJUSTMENTS			
Increase in stocks	16	**(90)**	(220)
(Increase)/decrease in debtors	17	**(571)**	17
Increase in creditors	19	**1,718**	1,471
(Decrease)/increase in provisions	22	**(120)**	138
Decrease in government grants		**(67)**	(66)
Cash generated from operations		**4,679**	3,192
Corporation tax paid	12	**–**	(1)
Net cash flow from operating activities		**4,679**	3,191

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		**1**	6
Acquisitions of tangible assets		**(847)**	(783)
Proceeds from sale of tangible assets		**363**	23
Acquisition of intangible assets	13	**(65)**	(7)
Net cash flows from investing activities		**(548)**	(761)

CASH FLOWS FROM FINANCING ACTIVITIES

Interest paid	11	**(70)**	(74)
Payments to finance lease creditors		**(221)**	(225)
Net cash flows from financing activities		**(291)**	(299)
Net increase in cash and cash equivalents		**3,840**	2,131
Cash and cash equivalents at 1 April		**5,781**	3,650
Cash and cash equivalents at 31 March		**9,621**	5,781

NOTES

to the financial statements, Year Ended 31 March 2022

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 2022.

No Profit and Loss Account is presented for the Company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax of £55,000 (2021 - loss after tax of £928,000 which includes an exceptional intercompany provision of £893,000).

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

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

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

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

Business combinations

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

Summary of disclosure exemptions

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

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

i) From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows included in these financial statements includes the company's cash flows;

ii) From the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A as the information is provided in the consolidated financial statement disclosures.

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

Revenue recognition

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

Government grants

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends on equity securities are recognised in income when receivable.

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

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.

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

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

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

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

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

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

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

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

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.

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

The key estimates applied by management are as outlined below:

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

Recognition of government grants
Management have considered the recognition basis for grants as follows:

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

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

3 REVENUE

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

	2022 (£000)	2021 (£000)
Sales by sea	**7,603**	4,094
Sales by air	**8,831**	4,060
Other transport activities and services	**742**	1,305
	17,176	9,459

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:

	2022 (£000)	2021 (£000)
ERDF grants	**67**	67
CJRS grants and other Covid-19 support	**33**	698
Department for Transport grants	**905**	4,155
Rental income	**3**	6
Other operating income	**41**	18
Other operating income	**1,049**	4,944

5 OPERATING PROFIT

Arrived at after charging/(crediting):

	2022 (£000)	2021 (£000)
Depreciation expense	**1,215**	1,212
Amortisation expense	**67**	64
(Profit)/loss on disposal of property, plant and equipment	**(7)**	23
Operating lease expense – other	**102**	144
Auditors fees	**13**	14
Foreign exchange gains/(losses)	**12**	(15)
Operating lease expense – plant and machinery	**–**	21
Government grants	**(1,005)**	(4,920)
(Profit)/loss on disposal of subsidiary	**(7)**	–

6 STAFF COSTS

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

	2022 (£000)	2021 (£000)
Wages and salaries	**5,798**	5,547
Social security costs	**443**	403
Pension costs, defined contribution scheme	**166**	215
	6,407	6,165

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

	2022 (No.)	2021 (No.)
Employees	**202**	204
Directors	**8**	8
	210	212

7 DIRECTORS' REMUNERATION

The directors' remuneration for the year was as follows:

	2022 (£000)	2021 (£000)
Remuneration	**276**	241
Contributions paid to money purchase schemes	**52**	2
	328	243

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

	2022 (No.)	2021 (No.)
Accruing benefits under money purchase pension scheme	**2**	2

Reference to the highest paid director for the year to 31 March 2022 and 2021 can be found within the strategic report.

8 AUDITOR'S REMUNERATION

	2022 (£000)	2021 (£000)
Audit of these financial statements and subsidiaries	**13**	14
Other fees to auditors All other non-audit services	**15**	15

9 FOREIGN EXCHANGE GAINS AND LOSSES

	2022 (£000)	2021 (£000)
Unrealised foreign exchange gains on finance lease liabilities	–	228
	–	228

In May 2020 the group acquired a new plane under a finance lease quoted in dollars. The finance lease is therefore susceptible to both positive and adverse fluctuations in value when it is converted to sterling in the Group's accounts.

The decision was taken not to hedge the finance lease liability in May 2020 where exchange rates were moving in a favourable direction for the Group. By the end of the previous financial year the cumulative financial benefit of the foreign exchange gains through the profit and loss was £228,000.

During the year to 31 March 2022, the Group negotiated a hedging arrangement to effectively fix the foreign exchange movements and mitigate the fluctuations seen in the previous year.

10 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 (£000)	2021 (£000)
Interest income on bank deposits	**1**	6

11 INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 (£000)	2021 (£000)
Interest on obligations under finance leases and hire purchase contracts	**70**	74

12 TAXATION

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

	2022 (£000)	2021 (£000)
Current taxation		
UK corporation tax	–	1
Deferred taxation		
Arising from origination and reversal of timing differences	**108**	(4)
Tax (receipt)/expense in the income statement	**108**	(3)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 – lower than the standard rate of corporation tax in the UK) of 19% (2021 – 19%).

The differences are reconciled below:

	2022 (£000)	2021 (£000)
Profit before tax	**2,465**	713
Corporation tax at standard rate	**468**	135
Profit of business not subject to taxation	**(374)**	(112)
Non-deductible expenses	**18**	69
Tax losses (utilised) / arising	**9**	(26)
Deferred tax expense (credit) relating to changes in tax rates or laws	**84**	–
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	–	3
Tax increase (decrease) from effect of capital allowances and depreciation	**(83)**	(77)
Tax increase (decrease) from other short-term timing differences	**(14)**	5
Total tax charge/(credit)	**108**	(3)

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.

Deferred tax

	GROUP		COMPANY	
	2022 (£000)	2021 (£000)	2022 (£000)	2021 (£000)
Accelerated capital allowances	**1,153**	717	**149**	112
Unrelieved losses carried forward	**(972)**	(630)	–	–
Other	**(3)**	(16)	–	–
	178	71	**149**	112

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

13 INTANGIBLE ASSETS

GROUP	Software development costs (£000)	Total (£000)
Cost or valuation		
At 1 April 2021	**644**	644
Additions acquired separately	**65**	65
At 31 March 2022	**709**	709
Amortisation		
At 1 April 2021	**225**	225
Amortisation charge	**66**	66
At 31 March 2022	**291**	291
Carrying amount		
At 31 March 2022	**418**	418
At 31 March 2021	**419**	419

COMPANY	Software development costs (£000)	Total (£000)
Cost or valuation		
At 1 April 2021	**644**	644
Additions acquired separately	**65**	65
At 31 March 2022	**709**	709
Amortisation		
At 1 April 2021	**225**	225
Amortisation charge	**66**	66
At 31 March 2022	**291**	291
Carrying amount		
At 31 March 2022	**418**	418
At 31 March 2021	**419**	419

14 TANGIBLE ASSETS

GROUP	Freehold land and buildings (£000)	Leasehold land and buildings (£000)	Runways (£000)	Plant and machinery (£000)	Total (£000)
Cost or valuation					
At 1 April 2021	2,992	560	2,761	23,409	29,722
Additions	–	21	(19)	845	847
Disposals	–	–	19	(1,514)	(1,495)
At 31 March 2022	2,992	581	2,761	22,740	29,074
Depreciation					
At 1 April 2021	522	421	1,009	14,587	16,539
Transfers	–	–	–	1	1
Charge for the year	46	14	153	1,002	1,215
Eliminated on disposal	–	–	–	(1,139)	(1,139)
At 31 March 2022	568	435	1,162	14,451	16,616
Carrying amount					
At 31 March 2022	2,424	146	1,599	8,289	12,458
At 31 March 2021	2,470	139	1,752	8,822	13,183

Included within the net book value of leasehold land and buildings above is £nil (2021 – £nil) in respect of long leasehold land and buildings and £145,000 (2021 – £139,000) in respect of short leasehold land and buildings.

COMPANY	Freehold land and buildings (£000)	Leasehold land and buildings (£000)	Plant and machinery (£000)	Runways (£000)	Total (£000)
Cost or valuation					
At 1 April 2021	2,992	365	9	2,761	6,126
At 31 March 2022	2,992	365	9	2,761	6,126
Depreciation					
At 1 April 2021	522	227	8	1,009	1,766
Charge for the year	46	10	–	153	210
At 31 March 2022	568	238	8	1,162	1,976
Carrying amount					
At 31 March 2022	2,424	127	1	1,599	4,150
At 31 March 2021	2,470	137	1	1,752	4,360

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

15 INVESTMENTS

COMPANY	2022 (£000)	2021 (£000)
Investments in subsidiaries	**4,165**	4,165

SUBSIDIARIES	£000
Cost or valuation	
At 1 April 2021	4,165
Disposals	–
At 31 March 2022	4,165
Carrying amount	
At 31 March 2022	4,165
At 31 March 2021	4,165

DETAILS OF UNDERTAKINGS

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

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	0% (2021 - 100%)	Operation of a dry dock
Island Carriers Limited (formerly known as Nike Engineering Limited)	England & Wales	Ordinary share capital	100%	Island Carriers trade and fuel sales
Isles of Scilly Shipping (Guernsey) Limited	Guernsey	Ordinary share capital	100%	Offshore crew management
Dormant Company 09887016 (formerly known as Island Carriers Limited)	England & Wales	Ordinary share capital	100%	Dormant
Isles of Scilly Airways Limited	England & Wales	Ordinary share capital	0% (2021 - 100%)	Dormant
Isles of Scilly Transport Limited	England & Wales	Ordinary share capital	0% (2021 - 100%)	Dormant
Isles of Scilly Freight Company Limited	England & Wales	Ordinary share capital	0% (2021 - 100%)	Dormant
The Isles of Scilly Helicopter Company Limited	England & Wales	Ordinary share capital	0% (2021 - 100%)	Dormant

On 8 July 2021, the Group sold its interest in Penzance Dry Dock (2009) Limited for a notional sum of £1 which prevented various closure costs arising. The activities of Penzance Dry Dock (2009) Limited have been recognised as a discontinued operation on the face of the profit and loss account.

16 STOCKS

	GROUP		COMPANY	
	2022 (£000)	2021 (£000)	2021 (£000)	2020 (£000)
Other inventories	**1,521**	1,431	-	-

17 DEBTORS

	GROUP		COMPANY	
	2022 (£000)	2021 (£000)	2022 (£000)	2021 (£000)
Trade debtors	971	732	–	–
Other debtors	212	58	204	52
Prepayments	1,021	843	180	146
	2,204	1,633	384	198
Less non-current portion	(94)	–	(94)	–
	2,110	1,633	290	198

DETAILS OF NON-CURRENT TRADE AND OTHER DEBTORS

Group and Company

£94,000 (2021 - £Nil) of other debtors is classified as non current. The Group and Company has issued a loan which is recoverable over the course of the next two to three years.

18 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2022 (£000)	2021 (£000)	2022 (£000)	2021 (£000)
Cash on hand	**3**	2	**–**	–
Cash at bank	**9,618**	5,779	**9,599**	5,414
	9,621	5,781	**9,599**	5,414

19 CREDITORS

DUE WITHIN ONE YEAR	Notes	GROUP 2022 (£000)	2021 (£000)	COMPANY 2022 (£000)	2021 (£000)
Loans and borrowings	20	**241**	237	**–**	–
Trade creditors		**1,070**	482	**39**	62
Amounts due to group undertakings	27	**–**	–	**9,678**	5,551
Social security and other taxes		**126**	146	**11**	36
Outstanding defined contribution pension costs		**30**	30	**1**	1
Other creditors		**27**	30	**25**	26
Accruals and deferred income		**8,625**	7,472	**235**	63
		10,119	8,397	**9,985**	5,739

DUE AFTER ONE YEAR	Notes	GROUP 2022 (£000)	2021 (£000)	COMPANY 2022 (£000)	2021 (£000)
Loans and borrowings	20	**1,704**	1,927	**–**	–
Government grants		**686**	753	**686**	753
		2,390	2,680	**686**	753

The company has no outstanding bank borrowings at 31 March 2022 and 2021. In the event of the company utilising any bank borrowings there is a historic debenture in place incorporating a fixed and floating charge.

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

20 LOANS AND BORROWINGS

	GROUP 2022 (£000)	GROUP 2021 (£000)	COMPANY 2022 (£000)	COMPANY 2021 (£000)
Current loans and borrowings Finance lease liabilities	**241**	237	–	–

	GROUP 2022 (£000)	GROUP 2021 (£000)	COMPANY 2022 (£000)	COMPANY 2021 (£000)
Non-current loans and borrowings Finance lease liabilities	**1,704**	1,927	–	–

21 OBLIGATIONS UNDER LEASES AND FINANCE LEASE LIABILITIES

Group
Finance leases
The total of future minimum lease payments is as follows:

	2022 (£000)	2021 (£000)
Not later than one year	**241**	237
Later than one year and not later than five years	**963**	948
Later than five years	**742**	979
	1,946	2,164

Operating leases
The total of future minimum lease payments is as follows:

	2022 (£000)	2021 (£000)
Not later than one year	**41**	41
Later than one year and not later than five years	**87**	107
Later than five years	**220**	241
	348	389

The amount of operating lease payments recognised as an expense during the year was £121,400 (2021 – £153,000).

22 DEFERRED TAX AND OTHER PROVISIONS

GROUP	Deferred tax £000	Lease dilapidation provision £000	Other provisions £000	Total £000
At 1 April 2021	71	147	41	**188**
Increase (decrease) in existing provisions	107	(79)	(41)	**(120)**
At 31 March 2022	178	68	–	**68**

COMPANY	Deferred tax £000
At 1 April 2022	112
Increase (decrease) in existing provisions	37
At 31 March 2022	**149**

Lease dilapidation provision
The provision included in the prior year of £75,000 was an estimate of the dilapidation costs associated with a leasehold property that was vacated at the end of 31 March 2020 financial year. The provision of £75,000 was paid in full during the year and in turn is not longer included at end of this financial year.

Lease dilapidation provisions of £68,000 (2021 - £72,000) have been maintained at the year end. This provision is based on industry averages to form an estimate for the lease dilapidation costs that would be applicable to certain leasehold properties.

Other provisions
A provision of £41,000 was previously included to cover legal fees and other costs associated with a planning dispute. This amount has been paid in full during the year.

23 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 £166,000 (2021 – £214,000).

Contributions totalling £30,000 (2021 – £30,000) were payable to the scheme at the end of the year and are included in creditors.

During the year the group operated two defined benefit pension schemes - the Merchant Navy Officers Pension Fund (New Section) (MNOPF) 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 MNOPF fund relative to its statutory funding objectives and to assist the Trustee to determine the appropriate level of future contributions. The actuarial valuation is required under the terms of Clause 26.0 of the Trust Deed & Rules and Part 3 of the Pensions Act 2004.

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

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

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

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

24 SHARE CAPITAL

Allotted, called up and fully paid shares	No. 000	2022 (£000)	No. 000	2021 (£000)
Ordinary shares of £1 each	**1,411**	**1,411**	1,411	1,411

25 COMMITMENTS

Group
Capital commitments

The total amount contracted for but not provided in the financial statements was £402,000 (2021 – £Nil).

26 CONTINGENT LIABILITIES

Group
The group's bankers hold bonds in respect of Air BP for £8,000 (2021 - £8,000) and National Express of £3,000 (2021 - £3,000).

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 2022 and 2021 can be found within the Directors report.

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

Company Registration Number 00165746