BUILDING THE FOUNDATIONS FOR OUR FUTURE

104th Annual Report and Consolidated Financial Statements
Year Ended 31 March 2024

ISLES OF SCILLY Steamship GROUP

ISLES OF SCILLY STEAMSHIP COMPANY LIMITED

COMPANY INFORMATION

Isles of Scilly Steamship Company Limited
Annual Report and
Consolidated Financial Statements
Year Ended 31 March 2024

Company Registration
Number 00165746

Chairman
Mr I Howard MBE

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

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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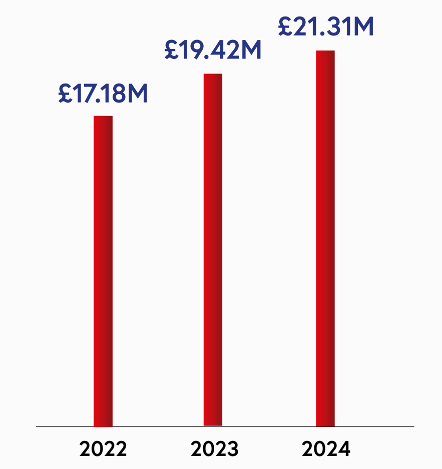
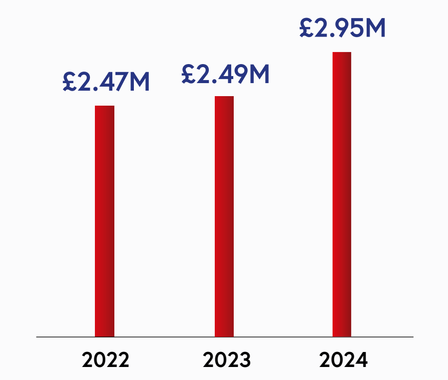
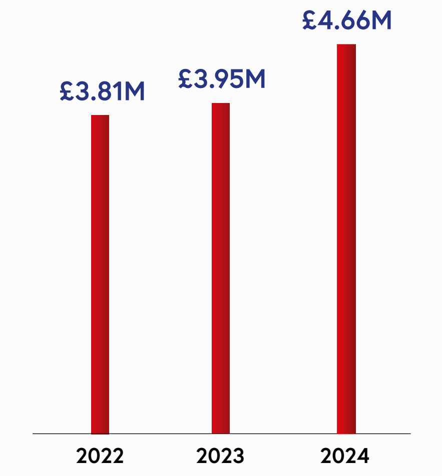
TURNOVER
YEAR ENDED 31 MARCH



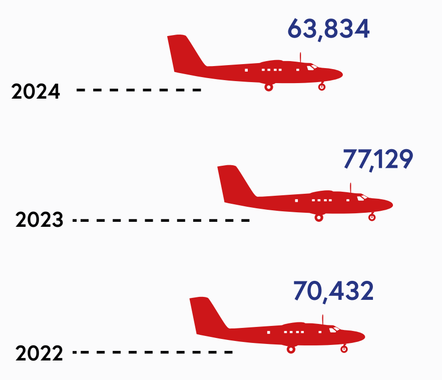
PROFIT BEFORE TAX
YEAR ENDED 31 MARCH



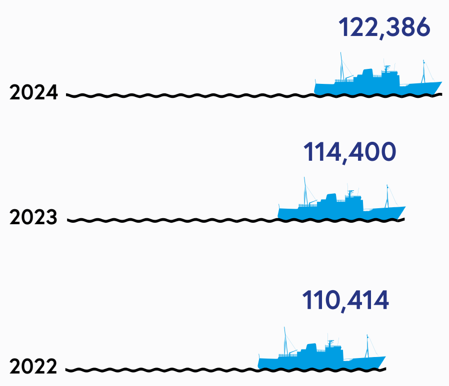
EBITDA (pre-exceptional items)
YEAR ENDED 31 MARCH



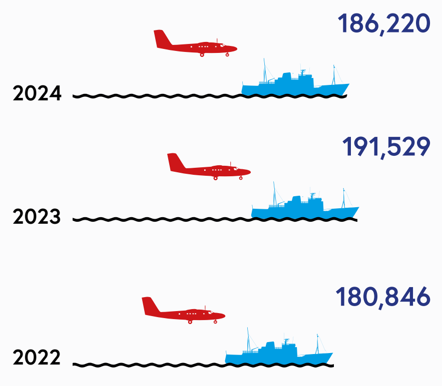
SKYBUS AIR PASSENGERS
YEAR ENDED 31 MARCH



SCILLONIAN SEA PASSENGERS
YEAR ENDED 31 MARCH



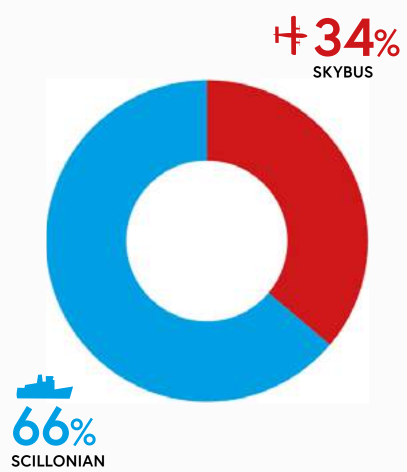
COMBINED AIR AND SEA PASSENGERS
YEAR ENDED 31 MARCH



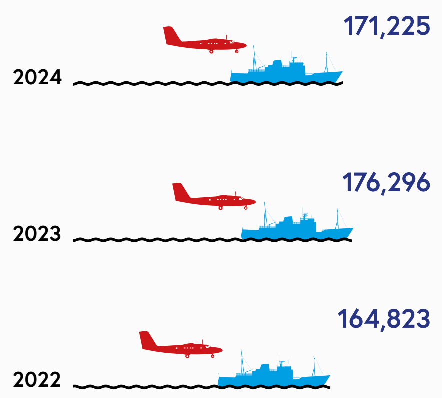
CASH BALANCE
YEAR ENDED 31 MARCH

£13.22m	£7.34m
2023	2024

PASSENGER NUMBERS
YEAR ENDED 31 MARCH



PASSENGER NUMBERS
SUMMER MARKET (APR-OCT)



CHAIRMAN'S STATEMENT

I am pleased to report that for the full financial year ending 31 March 2024, our profitability reached a record £2.95m (2023: £2.49m) before tax on revenue of £21.31m (2023: £19.42m).

The positive free cash flow (excluding vessel deposits) of £3.5m we generated is in line with our financial model and we remain confident that the payments arising from the significant debt we have taken on to purchase new vessels will be capable of being repaid. We look forward eagerly to Scillonian IV and the replacement for the Gry Maritha coming into service in 2026. Steel cutting commenced in the Piriou's Vietnam shipyard in July and the builds are being rigorously managed. In the meantime we will continue to strive to grow cash flows to meet our repayment obligations.

In terms of this financial year and our current vessel operations, Shipping has had an excellent year. Passenger numbers were one of the highest ever and Shipping overall generated a profit of £2.9m (2023: £2.0m).

However, it has been far from plain sailing over the last year. Harland and Wolff announced their intention to compete against us with an array of vessels, the most challenging of which would be a "fast cat" providing a faster service between the mainland and St Mary's when sea conditions are favourable. By the time you receive this report that service may be in operation and we will have to see what an impact it has on our passenger numbers. The introduction of the service has been delayed a number of times already and there are many reasons why we would expect the vast majority of customers to continue to choose us, but there is absolutely no place for complacency. We do not think that in the long run the market is big enough for two operators.

At the very least any material competition will lead to a compression of margins in our marine business and that makes it all the more critical that Skybus pays its way – and I regret to say that it is not.

Aviation as a whole made a loss of £0.20m (2023: £0.28m profit) for the year and this year's forecast is for a loss of £0.58m, partly as a result of regulatory changes but also as a result of an 18% increase in St Mary's Airport landing fees. Of course the weather was particularly unfriendly this last year and the pilots' industrial action did not help either, but we should not pretend that these are the real reasons. The real reason is that running an airport is extraordinarily expensive for a small operation.

Whatever the reason, the losses are not acceptable for an aviation business turning over £10.5m and utilising a net book value of over £9.6m of assets. We urgently need to find a solution and are looking at every option to extricate ourselves from this situation. We recognise the lifeline link that Skybus provides to the Scilly community and are determined to find a way to make it work.

As we look into the future we see the very positive effects that having additional revenue streams would bring. Additional earnings and contributions to overhead would help to reduce risk and improve shareholder returns. The challenge is that of funding. We have taken on enough debt so must look at equity, or share capital, as a means to grow the business. We are

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seeking professional advice on this critical subject, conscious that all kinds of factors come into play including the massive undervalue of existing shares by reference to any normal valuation metric.

As foreshadowed at last year's Annual General Meeting, for this year whilst the vessels are in the initial phase of construction, the Board does not recommend the payment of a dividend.

It would be inappropriate not to end this letter without a vote of thanks to the senior management team lead by Stuart Reid and Judith Piper for wrestling successfully with all the obstacles that have been thrown in the Group's way. Thanks also to my fellow directors for all their guidance and support in these demanding times.

Ian Howard MBE

BOARD OF DIRECTORS

STUART REID
CHIEF EXECUTIVE OFFICER

Stuart joined Isles of Scilly Steamship Group as Chief Financial Officer in July 2013 and appointed as Chief Executive Officer in 2019. Originally from Cornwall, 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 non-executive director of the Island Partnership, a not-for-profit organisation which exists to develop the Isles of Scilly as a visitor destination. He is also a member of the Isles of Scilly Transport Board. In his spare time, Stuart is a keen cyclist and triathlete competing over multiple distances and enjoys spending time with his family at home in Cornwall.

IAN HOWARD MBE
CHAIRMAN

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

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

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

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

JUDITH PIPER
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

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

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

SAM HICKS
SENIOR INDEPENDENT DIRECTOR

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

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

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STEPHEN HICKS

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

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

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

GARY RANDALL

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

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

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

KEVIN GEORGE

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

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

SONYA BASSETT

With over 25 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 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.

ANDREW WALDER

Born on the Islands, Andrew Walder was educated in Scilly, then Penwith College. He graduated from the University of Wales College Newport in 2000 with a BA Honours in Documentary Photography.

In 2002 Andrew began his Cadetship with Trinity House studying for the Officer of the Watch certificate at Warsash Maritime Academy. After 15 years at sea, 10 of which was working for the British Antarctic Survey, Andrew began to make his move to working ashore at home on the family farm on St Martins.

Whilst working as skipper on the Inter-island boats Andrew continued with ongoing work setting up SC Dogs distillery.

Andrew is now ashore and along with his wife and parents is managing SC Dogs Distillery, SC Salt, holiday lettings and the family farm.

Andrew has three children at the Five Islands Academy and is a volunteer in the St Martins Coastguard Rescue team.

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STRATEGIC REPORT

For the year ended 31 March 2024

The directors present their strategic report for the year ended 31 March 2024.

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; 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 26. This review covers the performance of the Group for the period 1 April 2023 to 31 March 2024. The financial year ended 31 March 2024 was the Group's fifth 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 2024 of £2.95m (2023: £2.49m).

FINANCIAL PERFORMANCE

The Group can report an EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of £4.66m (2023: £3.95m), an increase of 18.0%. The further improvement in financial performance was delivered through a continued focus on good customer service, efficiency and cost control throughout the Group. In addition, Scillonian III had one of its best ever seasons in terms of passenger numbers resulting in a strong Shipping financial performance.

SAFETY AND SECURITY

Our principle Group value is the safety of our employees and passengers which is managed through our robust Safety Management Systems. Safety is a weekly agenda item at both Marine and Aviation Management meetings with attendance by the Group's safety managers.

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

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

We extend our thanks to all employees who have embraced our positive health and safety culture, and for their hard work in prioritising safety for all.

VESSEL REPLACEMENT PROJECT

Our new vessel project commenced in 2019 as part of our new beginnings era with a view to constructing new vessels for replacements of Scillonian III, the Gry Maritha and Lyonesse Lady.

Although concept designs were completed in 2021, it has been securing the finance which has presented our biggest challenge. The focus on raising funds through the Government's Levelling Up Funds has been a difficult experience and ultimately caused significant delays to the project.

The Group announced in April 2023 that it had secured a debt package equating to 80% of the investment needed to build three new vessels. Having explored all options to deliver the levelling up funding the Group published its nine reasons why it could no longer proceed with Levelling Up Funding. Ultimately there were too many legal and project delivery risks associated with the terms of the Levelling Up Funding.

In September 2023 the Group announced it would proceed without Levelling Up Funding and instead focus on delivering new vessels using its private financing solution backed by Lombard NatWest announced earlier in the year.

On 18 January 2024, the Group signed contracts with shipbuilder Piriou for the construction of a new passenger ferry and new cargo vessel. This milestone was the result of four years of work by the new vessel project team and support from its advisors. The Group had targeted the end of December for signature of the construction contracts but a failed takeover bid by Harland & Wolff put the contract on hold as share trading regulations known as the Takeover Code delayed the finalisation.

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

The new vessels will bring a significant improvement to the sea links service to the Isles of Scilly but will also provide assurances to the community of protecting the lifeline link at the earliest opportunity.

Work on the new vessels now continues at pace, with the steel cutting ceremony being held recently on 25 June and keel laying planned for the forthcoming Autumn. We are looking forward to welcoming our new vessels in 2026 which will provide significant service improvements to our visitor market and the community of the Isles of Scilly.

Piriou

Piriou shipyard were selected via a transparent and competitive tendering process to build our new passenger ferry and cargo vessel. Based in Concarneau, in North West France, Piriou are an international shipbuilder with global shipyards and over 1,400 employees. The majority of the build will be in Piriou's Vietnam shipyard before being transported to Concarneau for commissioning. Piriou have extensive experience and recent history in delivering similar technical and unique vessels which serve challenging sea routes and integrate with unusual and historic infrastructure.

We are confident in Piriou's ability to deliver our new vessels and look forward to working further with them.

Lyonesse Lady II

The third vessel in our fleet replacement plans, Lyonesse Lady II, has been deferred. The rising cost of aluminium following the war in Ukraine has been a key reason for this deferment, with build costs escalating beyond budgetary targets. In addition, our project management remains focused on our new build project in Vietnam and whilst we move through this next critical phase the project team, supported by the Board, have deferred this project.

Project Management

The delivery of our new vessels on time and on budget is essential. Well publicised shipbuilding fiascos in the UK have highlighted the importance of maintaining strict governance structures and experienced project managers.

Our project managers consist of two Cornishmen, Chris Lingham and Peter Broad. Chris was our technical superintendent, who previously managed the oversight of engineering servicing of our existing fleet. Chris has extensive knowledge of the sea link operations and technical workings of the existing vessels. Peter has spent the last decade living in Korea overseeing the delivery of 135 new build vessels. Chris and Peter will be supported by the Group's UK technical project management team which consist of shore-based managers and vessel masters.

Chris Lingham
Project Manager

Peter Broad
Site Manager

Our governance structure creates lines of communication and decision-making between our Vietnam project managers, our Group vessel project team and our Board of Directors ensuring decisions are challenged and considered on a timely basis to deliver fit-for-purpose vessels on time and on budget.

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

AVIATION

Our aviation business consisting of Skybus and Land's End Airport continues to present financial challenges to the Group.

In 2020 the introduction of a new helicopter service commenced operation of passenger flights between Penzance and the Isles of Scilly. The service predominantly serves the island of Tresco but also a smaller number of passengers fly into St Mary's Airport. The competing helicopter service accounts for approximately 25% of the air passenger market share with their USP being direct flights into Tresco.

We have continued to gain market share since the helicopter introduction by focusing on resilience and exceptional customer service, but the loss of passengers has meant it is more difficult to cover our fixed overhead costs. In addition, regulatory changes have led to further costs resulting in an overall aviation loss of £0.2m for this financial year .

During the year the Group was notified by the Council of the Isles of Scilly (operators of St Mary's Airport) of its intention to increase landing fees and passenger service charges by a staggering 18%. However, the Group continues to strive to keep air fares as low as possible and prices remain competitive in comparison to competition. We have commenced lobbying of Government including meetings with Ministers and Civil Servants in Whitehall to look at support against these costs.

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

Whilst we overcome immediate challenges, there is the longer term-pressure of returning our aviation business to sustainable profitability. The measures set out in this report above will counter some of the operational cost pressures, but these measures are insufficient to complete the change required and place the aviation business into a position where it no longer requires subsidising from the profitable sea links.

In June 2023, the Board commenced a review of the aviation business running a series of aviation business models. This work is now reaching its conclusion and significant decisions will be required to return aviation to a level of sustainable profit which no longer requires subsidisation from other areas of the Group.

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KEY CHALLENGES

The symbiotic relationship between the Company and the Isles of Scilly has been maintained since the Company was founded in 1920. However, the proposed fast-ferry service to be introduced by Harland & Wolff will change the environment.

Our vessel replacement programme is progressing well and remains as per our project timeline. Management of supply chains and vessel build programmes will be critical to deliver vessels on time and on budget.

The risk to the ongoing resilience of our current vessels remains and our internal Business Continuity Planning committee meets regularly to discuss the current fleet of vessels. The committee oversees a risk register highlighting business risks to our current operation, scores these risks and works with the senior management team to put mitigation measures in place.

Despite the extreme care and attention given to our vessels by our crews and the heavy cost of our annual planned maintenance programmes, all our vessels are showing signs of their age and their condition continues to deteriorate.

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

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

Inflation and other cost pressures is a continuous challenge for the Executive team over the forthcoming year, but we are hopeful that with inflation falling this will at least slow the rate of cost increases going forward.

GROUP EMPLOYEES

We employed an average 200 people during the year (2023: 198). The Board wishes to extend its grateful thanks to all employees who served during the year for their hard work, loyalty and commitment to providing an excellent customer service to our passengers and customers.

We're delighted to see the completion of a number of apprenticeship programmes during the year. Of particular interest is the start of our workboat apprenticeship programme which will see our first candidate complete their apprenticeship imminently. As revenue derived from workboats is expected to increase in the next 12 months, we will be placing further apprentices through this programme.

We operate an 'open door' policy whereby we encourage employees to have access to senior managers to address workplace concerns. We also have a number of Mental Health First Aiders throughout the Group providing support to employees as required

Periodically, we conduct a Group employee survey. This gives employees the opportunity to comment on their work environment and support programmes. Meetings are held with employees to discuss concerns and allow suggestions to be proposed with actions carried out accordingly. This process demonstrates how we value all of our employees and is in line with one of our core values of 'people focus'.

PASSENGER NUMBERS

Scillonian passenger numbers increased by 7,986 to 122,386 (2023: 114,400), an increase of 7.0 %.

Skybus passenger numbers decreased by 13,295 to 63,834 (2023: 77,129), a decrease of 17.2%, caused predominantly by challenging weather conditions during the peak season and industrial action by pilots.

Overall, there was a decrease in passenger numbers of 5,309, to 186,220 (2023: 191,529), a decrease of 2.8% for the financial year.

FUTURE DEVELOPMENTS

The Board have set a challenging target for the Executive in delivering another £4 million EBITDA for the year ending 31 March 2025. At this level of financial performance the Group continues to generate cash on a trajectory needed to service future debt repayments and other asset replacement projects which will support and 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.

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 Group generates profits in the first six months of trading which support the loss-making winter lifeline link operation. 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, efficiencies continue to be generated and enhanced profitability is delivered.

The Group have a pipeline of investment opportunities which will deliver further step-changes in service to the Islands to a greener, customer focused approach to transport. The acquisition of a new landing craft from Damen is an example of our adaptability to invest in assets where there is market demand over an extensive period to generate additional revenue and return further improvements in financial performance.

As the Executive continue to explore investment opportunities, the Board have set up an Equity Investment Committee which will oversee a series of important workstreams to identify routes to investor markets. This work will also include consultation with our existing shareholders.

The Executive have held positive discussions with corporate finance advisors together with legal representatives to explore options to raise further funds which will be used to meet the Group's ambitions through growth opportunities.

Approved by the Board on 24 July 2024 and signed on its behalf by:

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.

During the year, the Group continued to face price risks which impacted operating costs, including increased employment costs as a result of the relatively high levels of inflation.

The Group is a retailer of oil-related products that are subject to changes in world commodity price for crude oil. 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 has limited suppliers of both shipping and aviation parts and 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 mitigate 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.

As our ship building contract is in Euros the Group has actively managed its foreign exchange risk by placing a forward contract in line with the first financial payment milestones.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

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

ENVIRONMENTAL

The membership of the Environmental Committee is made up of a representative from each area of the Group with Sonya Bassett (a non-executive director) as Chair. The Committee meets on a quarterly basis. The Committee's remit is to review and develop the Group's environmental strategy and support the CEO, CFO and senior management team by making recommendations to assist them in achieving the Group's environmental aspirations.

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

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

In the meantime, the Committee is focusing on reducing electricity consumption throughout the Group. The committee is extremely pleased to be joined by a group of Green Champions who are a team of people throughout the Group who have volunteered to assist with the holistic approach to becoming a more environmentally friendly and sustainable business. The Green Champions have taken on the role with true vigour and are working as a team and within their departments to encourage a greener approach to everyday life within the Group.

SOCIAL

We aim to be a socially responsible employer and make this part of our internal culture. We strive to ensure that there is no discrimination in the organisation and have a more gender-balanced Board with two female members.

We strive to be transparent and honest in both our internal and external communications.

We provide discounted transport costs for various community groups and support a number of local charities such as Isles of Scilly Wildlife Trust, St Mary's Haven and, more recently, Cornwall Air Ambulance, through the donation facility on our website's booking pages.

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

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 seven Non-Executive Directors and two Executive Directors. The Directors believe that the Board functions effectively and efficiently. The Directors provide a mix of skills, experience and expertise appropriate to the size of the business and its activities.

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

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

DIRECTORS' REMUNERATION

	Salary *	Fees	Benefits in kind	Total		Pension contributions	
	2024	**2024**	**2024**	**2024**	**2023**	**2024**	**2023**
		£	**£**	**£**	**£**	**£**	**£**
EXECUTIVE DIRECTORS							
S Reid	116,417	-	4,717	**121,134**	114,269	**42,550**	49,500
J Piper	106,632	-	-	**106,632**	106,866	**1,316**	1,316
NON-EXECUTIVE DIRECTORS							
I Howard MBE	-	29,078	-	**29,078**	27,475	**-**	-
S Hicks	-	11,852	-	**11,852**	11,288	**-**	-
S M Hicks	-	9,647	-	**9,647**	9,188	**-**	-
G Randall	-	9,647	-	**9,647**	9,188	**-**	-
K George	-	26,447	-	**26,447**	9,438	**-**	-
S Bassett	-	9,647	-	**9,647**	9,188	**-**	-
A Walder	-	804	-	**804**	-	**-**	-
	223,049	97,122	4,717	**324,888**	296,900	**43,866**	50,816

* Includes bonus based on performance-related targets
S Reid's benefits in kind relate to the provision of a fully expensed motor vehicle.
A Walder's salary is reported from the date of Board appointment (1 March 2024).

REMUNERATION COMMITTEE

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

The Committee's remit is to determine and agree with the Board the financial and non-financial targets, salary and benefits for the Executive Directors and Chairman, as well as to work with the Executive Directors to assist in the design of any performance related pay schemes operated by the Group by reviewing the workforce remuneration and related policies and methodology. Recommendations are made after obtaining information from a variety of sources to benchmark the quantum of salary and benefits of the contracts. Legal and employment advice is taken when required and new contracts are checked by consultants to ensure compliance with employment law and best practice.

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

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.

Andrew Walder was appointed during the year which increases the number of island-based non-executive directors to three. Andrew is also now chairing a new-look Steamship Advisory Board.

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 2024

The directors present their report for the year ended 31 March 2024.

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 MBE	N
Gary Randall	A, R, M
Stephen Hicks	A, M, N
Sam Hicks	A, R
Kevin George	M
Sonya Bassett	R,N, E
Andrew Walder	S

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.

'S' signifies that the director is Chairman of the Steamship Advisory Board.

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 2024 are set out below. There have been no changes to these interests between 1 April 2024 and 24 July 2024.

	2024	2023
Ian Howard MBE	**95,394**	95,394
Stephen Hicks	**2,620**	999
Andrew Walder	**1,030**	1,030
Stuart Reid	**450**	0

DIVIDENDS

The directors do not propose the payment of a dividend for the year ended 31 March 2024 (2023 -£nil).

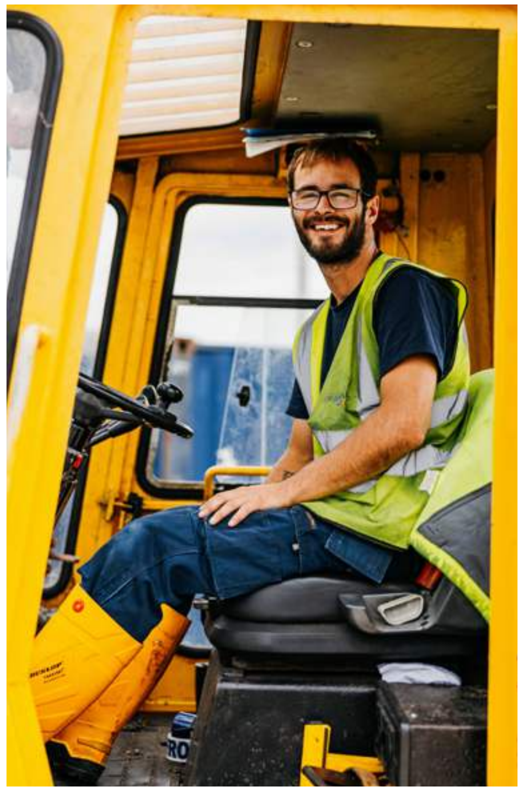
Disclosure of information to the auditor

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 company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 24 July 2024 and signed on its behalf by:

Mr I Howard MBE
Chairman

ISLES OF SCILLY STEAMSHIP COMPANY LIMITED



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2024, 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 2024 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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.

Nicola Cornish | BSc BFP FCA CTA
(Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor,
Lowin House,
Tregolls Road, Truro,
Cornwall, TR1 2NA

Date: 8 August 2024

ISLES OF SCILLY STEAMSHIP COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year Ended 31 March 2024

	Notes	2024 (£000)	2023 (£000)
TURNOVER	3	**21,314**	19,422
Cost of sales		**(18,510)**	(17,065)
GROSS PROFIT		**2,804**	2,357
Other operating income	4	**122**	159
OPERATING PROFIT	5	**2,926**	2,516
Other interest receivable and similar income	9	**90**	37
Interest payable and similar charges	10	**(62)**	(62)
PROFIT BEFORE TAX		**2,954**	2,491
Taxation	11	**(8)**	3
PROFIT FOR THE FINANCIAL YEAR		**2,946**	2,494
PROFIT ATTRIBUTABLE TO			
Owners of the company		**2,946**	2,494

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 March 2024	2024 (£000)	2023 (£000)
PROFIT FOR THE YEAR	**2,946**	2,494
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,946**	2,494
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO Owners of the company	**2,946**	2,494

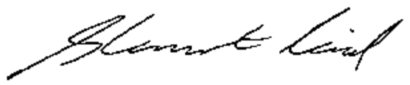
The notes on pages 31 to 41 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

Year Ended 31 March 2024

	Notes	2024 (£000)	2023 (£000)
FIXED ASSETS			
Intangible assets	12	**387**	371
Tangible assets	13	**20,123**	11,901
		20,510	12,272
CURRENT ASSETS			
Stocks	15	**1,514**	1,618
Debtors	16	**2,414**	1,878
Cash at bank and in hand		**7,336**	13,223
		11,264	16,719
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	18	**(10,656)**	(10,713)
NET CURRENT ASSETS		**608**	6,006
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,118**	18,278
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	**(1,793)**	(2,105)
Provisions		**(267)**	(68)
Deferred tax liabilities		**(181)**	(174)
PROVISIONS FOR LIABILITIES	21	**(448)**	(242)
NET ASSETS		**18,877**	15,931
CAPITAL AND RESERVES			
Called up share capital	23	**1,455**	1,455
Share premium account		**384**	384
Profit and loss account		**17,038**	14,092
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**18,877**	15,931
SHAREHOLDERS' FUNDS		**18,877**	15,931

Approved and authorised by the Board
on 24 July 2024 and signed for by:



Mr S Reid
Director

Company Registration Number 00165746

The notes on pages 31 to 41 form an integral part of these financial statements.

BALANCE SHEET

Year Ended 31 March 2024	**Notes**	**2024 (£000)**	**2023 (£000)**
FIXED ASSETS			
Intangible assets	12	**387**	371
Tangible assets	13	**3,732**	3,940
Investments	14	**4,165**	4,165
		8,284	8,476
CURRENT ASSETS			
Debtors	16	**219**	202
Cash at bank and in hand		**7,310**	13,200
		7,529	13,402
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	18	**(7,064)**	(13,182)
NET CURRENT ASSETS		**465**	220
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,749**	8,696
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	**(552)**	(619)
PROVISIONS FOR LIABILITIES	21	**(146)**	(140)
NET ASSETS		**8,051**	7,937
CAPITAL AND RESERVES			
Called up share capital	23	**1,455**	1,455
Share premium reserve		**384**	384
Profit and loss account		**6,212**	6,098
SHAREHOLDERS' FUNDS		**8,051**	7,937

No Profit and Loss Account is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made a profit after tax of £114,000 (2023 - £70,000).

Approved and authorised by the Board
on 24 July 2024 and signed for by:

Mr S Reid
Director

Company Registration Number 00165746

The notes on pages 31 to 41 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2024	Share capital (£000)	Share premium (£000)	Profit and loss account (£000)	**Total equity (£000)**
At 1 April 2023	1,455	384	14,092	**15,931**
Profit for the year	-	-	2,946	**2,946**
Total comprehensive income	-	-	2,946	**2,946**
At 31 March 2024	1,455	384	17,038	18,877

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

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2024	Share capital (£000)	Share premium (£000)	Profit and loss account (£000)	**Total (£000)**
At 1 April 2023	1,455	384	6,098	**7,937**
Profit for the year	–	–	114	**114**
Total comprehensive income	–	–	114	**114**
At 31 March 2024	1,455	384	6,212	**8,051**

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

The notes on pages 31 to 41 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 March 2024

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2024 (£000)	2023 (£000)
Profit for the year		**2,946**	2,494
ADJUSTMENTS TO CASH FLOWS FROM NON-CASH ITEMS			
Depreciation and amortisation	5	**1,739**	1,328
Impairment loss		**-**	108
Profit on disposal of tangible assets		**(4)**	(1)
Finance income	9	**(90)**	(37)
Finance costs	10	**62**	62
Corporation tax expense	11	**8**	(3)
		4,661	3,951
WORKING CAPITAL ADJUSTMENTS			
Decrease / (increase) in stocks	15	**104**	(97)
(Increase) / decrease in debtors	16	**(538)**	327
(Decrease) / increase in creditors	18	**(56)**	594
Increase in provisions	21	**199**	-
Decrease in government grants		**(71)**	(45)
Net cash flow from operating activities		**4,299**	4,730

CASH FLOWS FROM INVESTING ACTIVITIES	Notes	2024 (£000)	2023 (£000)
Interest received		**90**	37
Acquisitions of tangible assets		**(9,888)**	(808)
Proceeds from sale of tangible assets		**9**	1
Acquisition of intangible assets	12	**(94)**	(25)
Net cash flows from investing activities		**(9,883)**	(795)

CASH FLOWS FROM FINANCING ACTIVITIES	Notes	2024 (£000)	2023 (£000)
Interest paid	10	**(62)**	(62)
Payments to finance lease creditors		**(241)**	(241)
Dividends paid	23	**-**	(30)
Net cash flows from financing activities		**(303)**	(333)
Net (decrease)/increase in cash and cash equivalents		**(5,887)**	3,602
Cash and cash equivalents at 1 April		**13,223**	9,621
Cash and cash equivalents at 31 March		**7,336**	13,223

The notes on pages 31 to 41 form an integral part of these financial statements.

NOTES

to the financial statements, Year Ended 31 March 2024

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 2024.

No Profit and Loss Account is presented for the Company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax of £114,000 (2023 - £70,000).

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

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

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

Dividends on equity securities are recognised in income when receivable.

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

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

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

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

3 TURNOVER

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

	2024 (£000)	2023 (£000)
Sales by sea	**9,968**	8,457
Sales by air	**10,496**	10,217
Other transport activities and services	**850**	748
	21,314	19,422

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:

	2024 (£000)	2023 (£000)
ERDF grants	**71**	92
Rental income	**25**	33
Other operating income	**26**	34
Other operating income	**122**	159

5 OPERATING PROFIT

Arrived at after charging/(crediting):

	2024 (£000)	2023 (£000)
Depreciation expense	**1,660**	1,255
Amortisation expense	**78**	73
Profit on disposal of property, plant and equipment	**(4)**	(1)
Impairment loss	**-**	108
Operating lease expense – other	**100**	93
Auditors fees	**16**	13
Foreign exchange (losses)/gains	**7**	(6)
Operating lease expense - plant and machinery	**46**	-
Government grants	**(71)**	(92)

6 STAFF COSTS

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

	2024 (£000)	2023 (£000)
Wages and salaries	**6,419**	6,055
Social security costs	**498**	495
Pension costs, defined contribution scheme	**271**	226
	7,188	6,776

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

	2024 (No.)	2023 (No.)
Employees	**200**	198
Directors	**9**	8
	209	206

7 DIRECTORS' REMUNERATION

The directors' remuneration for the year was as follows:

	2024 (£000)	2023 (£000)
Remuneration	**325**	297
Contributions paid to money purchase schemes	**44**	50
	369	347

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

	2024 (No.)	2023 (No.)
Accruing benefits under money purchase pension scheme	**2**	2

Reference to the highest paid director for the year to 31 March 2024 and 2023 can be found within the strategic report.

8 AUDITOR'S REMUNERATION

	2024 (£000)	2023 (£000)
Audit of these financial statements and subsidiaries	**16**	13
Other fees to auditors		
All other non-audit services	**17**	16

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9 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2024 (£000)	2023 (£000)
Interest income on bank deposits	**90**	37

10 INTEREST PAYABLE AND SIMILAR EXPENSES

	2024 (£000)	2023 (£000)
Interest on obligations under finance leases and hire purchase contracts	**62**	62

11 TAXATION

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

	2024 (£000)	2023 (£000)
Deferred taxation		
Arising from origination and reversal of timing differences	**8**	(3)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2023 - lower than the standard rate of corporation tax in the UK) of 25% (2023 - 19%).

The differences are reconciled below:

	2024 (£000)	2023 (£000)
Profit before tax	**2,954**	**2,491**
Corporation tax at standard rate	**739**	**473**
Profit of business not subject to taxation	**(743)**	**(392)**
Non-deductible expenses	**20**	**3**
Tax losses (utilised) / arising	**(120)**	**(32)**
Deferred tax expense (credit) relating to changes in tax rates or laws	**-**	**(1)**
Tax increase (decrease) from effect of capital allowances and depreciation	**112**	**(54)**
Total tax charge/(credit)	**8**	(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
Deferred tax assets and liabilities

	GROUP 2024 (£000)	GROUP 2023 (£000)	COMPANY 2024 (£000)	COMPANY 2023 (£000)
Accelerated capital allowances	**182**	175	**146**	140
Other	**(1)**	(1)	**-**	-
	181	174	**146**	140

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

12 INTANGIBLE ASSETS

GROUP	Software development costs (£000)	Total (£000)
Cost or valuation		
At 1 April 2023	**734**	734
Additions acquired separately	**94**	94
At 31 March 2024	**828**	828
Amortisation		
At 1 April 2023	**363**	363
Amortisation charge	**78**	78
At 31 March 2024	**441**	441
Carrying amount		
At 31 March 2024	**387**	387
At 31 March 2023	**371**	371

COMPANY	Software development costs (£000)	Total (£000)
Cost or valuation		
At 1 April 2023	**734**	734
Additions acquired separately	**94**	94
At 31 March 2024	**828**	828
Amortisation		
At 1 April 2023	**363**	363
Amortisation charge	**78**	78
At 31 March 2024	**441**	441
Carrying amount		
At 31 March 2024	**387**	387
At 31 March 2023	**371**	371

13 TANGIBLE ASSETS

GROUP	Freehold land and buildings (£000)	Leasehold land and buildings (£000)	Runways (£000)	Plant and machinery (£000)	Assets under construction (£000)	Total (£000)
Cost or valuation						
At 1 April 2023	2,992	598	2,761	23,503	-	29,854
Additions	-	-	-	705	9,183	9,888
Disposals	-	-	-	(343)	-	(343)
At 31 March 2024	2,992	598	2,761	23,865	9,183	39,399
Depreciation						
At 1 April 2023	614	451	1,315	15,573	-	17,953
Charge for the year	45	18	154	1,444	-	1,661
Eliminated on disposal	-	-	-	(338)	-	(338)
At 31 March 2024	659	469	1,469	16,679	-	19,276
Carrying amount						
At 31 March 2024	**2,333**	**129**	**1,292**	**7,186**	**9,183**	**20,123**
At 31 March 2023	2,378	147	1,446	7,930	-	11,901

Included within the net book value of leasehold land and buildings above is £nil (2023 - £nil) in respect of long leasehold land and buildings and £129,000 (2023 - £147,000) 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 2023	2,992	365	9	2,761	6,126
Additions	-	-	2	-	2
Disposals	-	-	(8)	-	(8)
At 31 March 2024	2,992	365	3	2,761	6,120
Depreciation					
At 1 April 2023	614	248	9	1,316	2,186
Charge for the year	46	10	1	153	210
Eliminated on disposal	-	-	(8)	-	(8)
At 31 March 2024	660	259	1	1,469	2,389
Carrying amount					
At 31 March 2024	**2,332**	**106**	**1**	**1,292**	**3,731**
At 31 March 2023	2,378	116		1,445	3,940

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

14 INVESTMENTS

COMPANY	2024 (£000)	2023 (£000)
Investments in subsidiaries	**4,165**	4,165

SUBSIDIARIES	£000
Cost or valuation	
At 1 April 2023	4,165
Disposals	–
At 31 March 2024	4,165
Carrying amount	
At 31 March 2024	**4,165**
At 31 March 2023	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
Island Carriers Limited	England & Wales	Ordinary share capital	100%	Island Carriers trade and fuel sales
Isles of Scilly Shipping (Guernsey) Limited	Guernsey	Ordinary share capital	100%	Offshore crew management
Dormant Company 09887016 Limited	England & Wales	Ordinary share capital	100%	Dormant
Isles of Scilly Travel Limited	England & Wales	Ordinary share capital	100%	Dormant
Lyonesse Shipping Company 1 Limited	England & Wales	Ordinary share capital	100%	Construction of ships
Lyonesse Shipping Company 2 Limited	England & Wales	Ordinary share capital	100%	Construction of ships
Lyonesse Shipping Company 3 Limited	England & Wales	Ordinary share capital	100%	Leasing of Gugh

15 STOCKS

	GROUP 2024 (£000)	GROUP 2023 (£000)	COMPANY 2024 (£000)	COMPANY 2023 (£000)
Other inventories	**1,514**	1,618	**-**	-

16 DEBTORS

	GROUP 2024 (£000)	GROUP 2023 (£000)	COMPANY 2024 (£000)	COMPANY 2023 (£000)
Trade debtors	**1,026**	772	**–**	–
Other debtors	**47**	54	**31**	38
Prepayments	**1,341**	1,052	**188**	164
	2,414	1,878	**219**	202

17 CASH AND CASH EQUIVALENTS

	GROUP 2024 (£000)	GROUP 2023 (£000)	COMPANY 2024 (£000)	COMPANY 2023 (£000)
Cash on hand	**3**	2	**-**	-
Cash at bank	**7,333**	13,221	**7,310**	13,200
	7,336	13,223	**7,310**	13,200

18 CREDITORS

DUE WITHIN ONE YEAR	Notes	GROUP 2024 (£000)	GROUP 2023 (£000)	COMPANY 2024 (£000)	COMPANY 2023 (£000)
Loans and borrowings	19	**241**	241	**-**	-
Trade creditors		**1,131**	1,178	**198**	196
Amounts due to Group undertakings		**-**	-	**6,666**	12,768
Social security and other taxes		**148**	147	**17**	23
Outstanding defined contribution pension costs		**31**	29	**2**	1
Other creditors		**42**	34	**11**	25
Accruals and deferred income		**9,063**	9,084	**170**	169
		10,656	10,713	**7,064**	13,182

DUE AFTER ONE YEAR	Notes	GROUP 2024 (£000)	GROUP 2023 (£000)	COMPANY 2024 (£000)	COMPANY 2023 (£000)
Loans and borrowings	19	**1,223**	1,464	**-**	-
Government grants		**570**	641	**552**	619
		1,793	2,105	**552**	619

The company has no outstanding bank borrowings at 31 March 2024 and 2023. 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.

19 LOANS AND BORROWINGS

	GROUP 2024 (£000)	GROUP 2023 (£000)	COMPANY 2024 (£000)	COMPANY 2023 (£000)
Current loans and borrowings Finance lease liabilities	**241**	241	–	–

	GROUP 2024 (£000)	GROUP 2023 (£000)	COMPANY 2024 (£000)	COMPANY 2023 (£000)
Non-current loans and borrowings Finance lease liabilities	**1,223**	1,464	–	–

During the year, the Group entered into a loan agreement to finance the vessel builds. No funds were drawn down at year end. See note 26 for further details.

20 OBLIGATIONS UNDER LEASES AND FINANCE LEASE LIABILITIES

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

	2024 (£000)	2023 (£000)
Not later than one year	**241**	241
Later than one year and not later than five years	**963**	963
Later than five years	**261**	501
	1,465	1,705

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

	2024 (£000)	2023 (£000)
Not later than one year	**50**	23
Later than one year and not later than five years	**158**	76
Later than five years	**206**	218
	414	317

The amount of operating lease payments recognised as an expense during the year was £42,000 (2023 - £41,400).

21 DEFERRED TAX AND OTHER PROVISIONS

GROUP	Employee benefits £000	Deferred tax £000	Lease dilapidation provision £000	Total £000
At 1 April 2023	-	174	68	**242**
Additional provisions	100	-	-	**100**
Increase (decrease) in existing provisions	-	7	99	**106**
At 31 March 2024	100	181	167	**448**

COMPANY	Deferred tax £000
At 1 April 2023	140
Increase (decrease) in existing provisions	6
At 31 March 2024	**146**

Lease dilapidation provision

Lease dilapidation provisions have increased to £167,000 (2023 - £68,000) 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.

Employee benefits provision

An employee benefits provision has been recognised of £100,000 (2023 - £nil) at the year end. This provision relates to the Merchant Navy Ratings Pension Fund as explained in note 22. The exact amount due and when is uncertain, but the actuary has indicated that further contributions from employers will be required to fund the deficit on the fund calculated in the latest triennial valuation. The amount provided for is based on payments made in previous years.

22 PENSION AND OTHER SCHEMES

Defined contribution pension scheme
The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £271,000 (2023 - £226,000).
Contributions totalling £31,000 (2023 - £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

ISLES OF SCILLY STEAMSHIP COMPANY LIMITED

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 2023 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 2023 valuation has concluded that there is a funding shortfall of £152m, and the Trustee of the Fund will set out a recovery plan and notify participating employers of their additional contributions due. At 31 March 2024, the Group had not received notification of its liability due; however, in response to this latest valuation and deficit, the Group has recognised £100,000 within provisions in anticipation of those future contributions required. This estimate is based on historical contributions made.

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

23 SHARE CAPITAL

Allotted, called up and fully paid shares	No. 000	2024 (£000)	No. 000	2023 (£000)
Ordinary shares of £1 each	**1,455**	**1,455**	1,455	1,455

Dividends declared in the year totalled £nil (2023 - £211,000). Of the dividends declared during the prior year £30,000 was paid in cash with the remainder paid as a share issue.

24 COMMITMENTS

Group
Capital commitments
By the year end, the Group have entered into two contracts with shipbuilder, Piriou, to build two new vessels to upgrade the existing fleet: a 600-seat passenger vessel, Scillonian IV, and a freight vessel. The total amount contracted for but not provided in the financial statements was £35,160,000 (2023 - £Nil).

The Group also had an engine overhaul committed of £455,000.

The total Group capital commitment was £35,615,000 (2023 - £Nil).

25 CONTINGENT LIABILITIES

Group
The group's bankers hold bonds in respect of Air BP for £8,000 (2023 - £8,000) and National Express of £2,500 (2023 - £2,500).

26 NON ADJUSTING EVENTS AFTER THE FINANCIAL PERIOD

In January 2024, the Group entered into a secured loan agreement with Lombard North Central Plc with a total facility of £37,315,000, with Lyonesse Shipping Company 1 Limited, Lyonesse Shipping Company 2 Limited and Lyonesse Shipping Company 3 Limited as borrowers, and Lyonesse Shipping Company Limited, Isles of Scilly Shipping Company Limited, Isles of Scilly Steamship Company Limited, Isles of Scilly Skybus Limited, Island Carriers Limited, and Land's End Airport Limited as guarantors. Drawdowns will occur when payment is required to the shipbuilder at various stages of the vessel build projects. The first drawdown is anticipated in September 2024.

In June 2024, the Group entered into an extendable forward contract to fix the Euro to Sterling exchange rate to protect against exchange rate fluctuations on the capital project contract which is quoted in Euros. Details of this capital commitment are in note 24.

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 2024 and 2023 can be found within the Directors report.

ISLES OF SCILLY STEAMSHIP COMPANY LIMITED

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

Company Registration Number 00165746

ISLES OF SCILLY Steamship GROUP