

Registered number: 00002404

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL
STEAM PACKET COMPANY LIMITED**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**



**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

COMPANY INFORMATION

Directors	F C Collins K A George (resigned 7 July 2021) C J G Hazelwood L R Hudson D L Reed C F Sibley (resigned 6 March 2021) E A Wilson G Barnettson A Z Vale (appointed 24 January 2020, resigned 10 November 2020) L M Lakes (appointed 1 May 2020) P Sims (appointed 26 November 2020) M F Campbell (resigned 24 January 2020) S B Ridgway (appointed 7 July 2021)
Registered number	00002404
Registered office	12 Bugle Street Southampton Hampshire SO14 2JY
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton Hampshire SO14 3TL
Bankers	National Westminster PLC 68 Above Bar Street Southampton Hampshire SO14 7DS
Solicitors	Paris Smith LLP 1 London Road Southampton Hampshire SO15 2AE

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**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Introduction

The Directors present the Strategic Report for the year ended 31 December 2020.

Business review

The principal activity of the Company, which trades as 'Red Funnel', is the provision of ferry and associated catering and travel services between Southampton and Cowes on the Isle of Wight. The Company operates seven vessels; three vehicle ferries, one dedicated freight ferry and three high-speed 'Red Jet' catamarans for foot passengers only.

Financial Performance

	2020	2019	Variance	
	000's	000's	000's	%
Turnover (from continuing operations)	32,281	56,106	(23,825)	(42.5%)
Operating (loss)/profit	(2,710)	13,287	(15,997)	(120.4%)

Revenue decreased 42.5% in the year directly attributed to the impact of Covid-19 with the Company making an operating loss of £2.71m in the year, compared to an operating profit of £13.287m in 2019.

The COVID-19 crisis began to impact the business in the first week of March and with the onset of lockdown, the effect on revenue, colleagues and customers was significant. At the lowest point, volumes dropped to 3% of prior year levels for private vehicles and 2% for the hi-speed service. Freight volumes remained more resilient, dropping to 44% of prior year volumes in April 2020, reflecting the lifeline service that Red Funnel offers to the Isle of Wight.

The importance of the lifeline service provided by the Company was illustrated further by the government's commitment to safeguard services. On March 27th, 2020, the government passed emergency legislation to amend UK competition law to ensure that the three Isle of Wight ferry companies (Red Funnel, Wightlink and Hovertravel) were able to maintain the provision of essential goods and services to support the Isle of Wight throughout the challenges of the Covid-19 outbreak. The Competition Act 1998 (Solent Maritime Crossing) (Coronavirus) (Public Policy Exclusion) Order 2020 (SI 2020/370), known as the Solent Exclusion Order, allowed the Isle of Wight's Transport Infrastructure Board to identify the essential lifeline services required and oversee the three Solent operators coordination of timetables, routes and the deployment of staff and vessels between the three services. The exclusion order was narrow in its application and applied only to activities undertaken in relation to the coronavirus response. Any form of additional information sharing (such as in relation to costs and pricing) between the businesses was expressly excluded. The exclusion order remained in place throughout 2020 and was revoked on July 29th, 2021.

In addition to implementing the Solent Exclusion Order, on April 24th, 2020, the Department for Transport (DfT) announced an emergency package of financial support to safeguard lifeline services between the Isle of Wight, the Isles of Scilly and the UK mainland for an initial period of three months. This scheme was subsequently extended for a further month and concluded in July 2020.

With the introduction of a second lockdown in November 2020 and a third in January 2021, the financial support was reintroduced in January 2021 when a second package was announced to cover the period November 2020 to March 2021. This scheme was also subsequently extended for a further month and concluded in April 2021.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
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**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Financial performance (continued)

As soon as the potential effects of Covid-19 became apparent in March 2020, immediate cost mitigation measures were put in place including a review and reduction of overhead and discretionary spending and suspension of all non-essential capital expenditure. Specific mitigation measures also included reviewing and amending all timetables. This led to the suspension of the Red Jet service for 72 days between April 17th and June 29th, 2020; the first time that the hi-speed service had been suspended for a sustained period since introduction in May 1969.

The Company also utilised, where possible, all government support measures such as the Coronavirus Job Retention Scheme. In addition, in October 2020 and with the pandemic showing no signs of easing, the Company sadly reduced the number of FTE by 38.4, using a redundancy programme to align the staffing requirements to the circumstances in which it was operating.

A further immediate priority was for the Company to secure its debt facilities, and in June 2020 it obtained waivers to its banking covenants under the 2017 and 2018 Facilities Agreements which were applicable until June 2021. Subsequently, in July 2021, these waivers were extended for a further year until June 2022. At the same time the Company also secured an amendment and restatement to its 2017 Facility Agreement providing facilities until July 2023.

In December 2020, to further support its liquidity, the Company obtained a Coronavirus Large Business Interruption Loan of £5m.

Operational Highlights

COVID-19

- Implementing an internal Pandemic Response Plan (PRP) and working closely with the Isle of Wight's Local Resilience Forum (LRF) to ensure that the Company took all appropriate and effective safety measures to help prevent the spread of COVID-19.
- Increasing cleaning schedules over high-touch areas across all areas of the business, along with enhanced signage and customer announcements on board the vessels and in terminals.
- Where possible, all colleagues worked from home using enabling technology and working flexibly around their domestic circumstances. For those colleagues unable to work from home (primarily our operational vessel-based crews and shoreside teams) we implemented social distancing measures, lateral flow tests and temperature checking.
- Obtaining the UK-wide industry standard and consumer "We're Good to Go" mark from Visit England as well as being the world's first domestic ferry operator to receive the DNV GL COVID-19 Statement of Compliance relating to safeguarding passengers, colleagues and crew from the Covid-19 infection.
- On March 19th, 2020, having worked with the Maritime and Coastguard Agency (MCA) to identify exceptional solutions to support social distancing requirements in response to Covid-19, some Vehicle Deck Only crossings commenced. On these crossings, the main passenger accommodation area was closed and all passengers remained in their vehicles. The Company was the first ferry operator to obtain this unprecedented temporary exemption from the MCA, which remained in place until the end of July 2020.
- To allow at-risk passengers to stay in their vehicles on crossings, Red Funnel introduced a 'Remain in Vehicle' option for a limited number of passengers which was based on medical need and the cargo being carried. This service replaced the Vehicle Deck Only crossing.
- Throughout the pandemic, the Company dynamically managed vessel capacity taking into account the government's Covid alert status and undertaking risk assessments to ensure that social distancing was available where possible.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
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**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Operational Highlights (continued)

Malicious Cyber Attack

In late September 2020, a malicious cyber-attack was made on Red Funnel's IT systems and infrastructure. Most systems were restored within a short period of time, with Red Funnel's booking system being available four days later on October 1st with manual processes being utilised in the meantime. There were no vessel cancellations as a result of the attack and all passengers who had booked tickets were able to travel. There was no indication of data exfiltration as a result of the attack.

Operations Director Appointment

On February 17th, 2020, Leanna Lakes was announced as the Company's Operations Director. Leanna, who is a Master Mariner, joined Red Funnel from Condor Ferries bringing extensive industry and ferry experience. Her appointment alongside Fran Collins, CEO and Debbie Reed, HR Director meant that the executive board attained gender equality for the first time in the Company's history.

VE Day Celebrations

On May 8th, 2020, in commemoration of the 75th anniversary of VE Day, Red Funnel's vehicle ferry fleet was dressed for all services throughout the day. Events continued all day and along with thousands of other vessels at 21:30hrs, the fleet's search lights chased the skies to commemorate the King's speech from 75 years earlier. Respects were also paid on the vessels' car decks (quiet because of coronavirus travel restrictions) as crew stood in silence alongside lifejackets arranged to spell out 'VE 75'.

Operations

Due to adverse weather conditions caused by Storm Dennis, on February 15th, 2020, all vehicle ferry sailings were suspended from Southampton from early evening and did not resume until the following morning. As a result, over 100 passengers waiting to cross were taken onboard one of the vehicle ferries and looked after by Red Funnel staff, some for over 12 hours.

On May 24th, 2020, Red Eagle, rescued two people from the sea at the entrance to Southampton Water. Red Eagle's rescue boat was launched, and the crew successfully recovered the 2 people aboard, before taking them to the vehicle ferry and onwards to East Cowes where they were attended to by paramedics and Coastguard Rescue Officers.

Strategy

The Company's strategy is to create long-term value for all its stakeholders by: -

1. Maintaining Isle of Wight resilience
2. Supporting the local communities in which we operate
3. Offering a level of customer service that exceeds expectations
4. Maximising the attractiveness of the Isle of Wight as a holiday destination through:
 - a) Penetrating new consumer segments, and
 - b) Maximising frequency of use by strategies to extend the season;
5. Gaining market share and delivering growth, by being:
 - a) The provider of choice for cross-Solent travel; by offering a superior value proposition based on price, service and value for money; and
 - b) Providing modern, comfortable, reliable, and above all, safe vessels
6. Improving our environmental footprint to a carbon-zero future
7. Managing the Company in a safe, efficient and effective way.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Health and safety and quality

The Company's overriding priority is always the safety of our passengers, crews, vessels and other marine users. To deliver this the Company utilises an integrated management system to meet the highest standards of safety, environmental and quality performance and to put safety at the heart of what we do. This management system combines the International Safety Management (ISM) code, which focuses on safety and environment at sea and safe practices in shipboard operations, ISO 14001:2015 which delivers effective environmental management and ISO 9001:2015 which ensures that the quality management system focuses on meeting customer expectations.

The adoption of the 2015 ISO standards brings to the fore risk-based thinking which will ensure that our emphasis on holistic risk management from strategic to day-to-day activity is aimed at encouraging decision making to help identify, evaluate and respond to risk.

Principal risks and uncertainties

The main risks identified are as follows:

1. Failure of vessel or shore-side infrastructure – The Company's revenue earning potential is dependent upon a reliable fleet of vessels and the associated shore-side infrastructure. Failure of these can have a detrimental impact on our income. The risk is mitigated by the presence of duplicated systems and processes, wherever possible. In addition, the Company has business continuity insurance.
2. Macro-economic conditions – The continued impact of uncertainty following the Covid-19 pandemic. This is mitigated in part by an increased focus on UK based holidays and the significant rise of 'staycations', and targeted marketing is used to raise awareness and stimulate demand where possible.
3. Weather - The effect of persistent bad weather can make other holiday destinations appear relatively attractive. Weather disruptions (most likely in winter) can cause modest reductions in sales.
4. Maritime incident or accident – This risk is mitigated by recruiting and training high-quality and well-qualified members of our team, delivering the Safety Management Systems and having rigorous maintenance and refit regimes.
5. Fluctuations in fuel prices – Our ferries and catamarans currently consume marine gas oil, the price of which can fluctuate. This price is generally linked to the price of crude oil. The risk of fluctuating fuel prices is partially mitigated by fuel hedging.
6. Competition - The cross-Solent ferry market is highly competitive which limits our ability to adjust prices or pass on external cost increases. In the longer term, it is likely that any such cost increases would also be incurred by our competitors which should have a stabilising effect on margins.
7. Merchant Navy Officers Pension Fund (MNOFF) - The Company is part of the MNOFF defined benefit scheme. This is a multi-company scheme with joint and several liability. The risk is that on any future valuations there is a deficit of which the Company will have a share.

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**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Financial risk management

The Company is exposed to credit, liquidity and cash flow, interest rate and fuel price risk. Policies and management systems for these types of risk are set out by the board and are implemented by the Directors.

The Directors review and agree policies for managing each of these risks, which are summarised below: -

Credit risk - Potential customers are checked for their credit worthiness and ability to generate significant volumes before they are given a credit account. Many customers now pay by Direct Debit which reduces the credit risk. The Finance and Commercial Departments review the aged debtors report each week and credit insurance was obtained in April 2020 to further mitigate additional risk as a result of the pandemic.

Liquidity and cash flow risk - The Company has a policy of maintaining debt at an appropriate level. To ensure that the Company can adequately manage cash flows forecasts for the year are produced every month and reviewed by the Board.

Interest rate risk - The Company's funding is currently provided by a mixture of retained earnings, bank borrowings and borrowings from its shareholders. Almost 58% of the group's long-term borrowings are fixed in term until 2026 or beyond. The group's exposure to interest rate fluctuations on its borrowings is minimised using an interest rate swap such that 83% of debt is fixed rate or effectively bears a fixed rate.

Fuel price risk - The Company mitigates fluctuations in fuel prices and establishes certainty of fuel costs for budgeting purposes by entering fuel hedges with an Institute of Swaps and Derivatives Association (ISDA) member institution.

Going Concern

The impact of Covid-19 has been significant on the operation of the Company. However, as a lifeline service provider to the Isle of Wight, the Company has continued to operate. Before signing the annual financial statements, the Directors have reviewed the current financial performance and liquidity, taking particular account of the amendment and restatement of its 2017 Facility Agreement secured in July 2021.

The future financial performance of the Company has been forecast over the next 35 years using an audited forecast model. Following a review of this, the Directors have reported that they have a reasonable expectation that the Company has sufficient resources to continue its operations for the foreseeable future. For this reason they have continued to adopt the going concern basis in preparing the financial statements. Further details on going concern are given in note 1.3 to the financial statements.

**Statement by the Directors in performance of their statutory duties in accordance with s172(1)
Companies Act 2006**

The decisions that our Board makes are taken for the long-term sustainability of the business and, both individually and collectively our aim is to uphold the highest standards of conduct. Our Board acknowledges that Red Funnel can only develop and prosper over the long term if we respect and understand the views and needs of our customers, employees, suppliers, investors and other stakeholders in our business as well as taking account of the environment in which we operate.

The Directors fulfil their duties within a governance framework that delegates day-to day decision making to employees of Red Funnel. The Board recognises that delegation like this must be part of a robust governance structure which incorporates our values, engagement with stakeholders and that the Board assures itself that the governance structure and systems of controls remain robust.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
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**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

This report was approved by the board on 6 August 2021 and signed on its behalf.



.....
F C Collins
Director

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The Directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then 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;
- 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 to 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.

Results and dividends

The loss for the year, after taxation, amounted to £4,098,000 (2019 - profit £10,646,000).

The Directors have recommended dividends of £nil (2019 - £nil).

Going concern

The Company's forecasts and projections to December 2021 and onwards take into account reasonably possible changes in trading performance and show that the Company will be able to operate within its current facilities. Thus, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Directors

The Directors who served during the year were:

F C Collins
K A George (resigned 7 July 2021)
C J G Hazelwood
L R Hudson
D L Reed
C F Sibley (resigned 6 March 2021)
E A Wilson
G Barnettson
A Z Vale (appointed 24 January 2020, resigned 10 November 2020)
L M Lakes (appointed 1 May 2020)
P Sims (appointed 26 November 2020)
M F Campbell (resigned 24 January 2020)

Engagement with employees

Protecting the health and safety of employees is a prime responsibility of management and as such, training in navigation, seamanship and other training courses are sponsored by the Company as circumstances require.

The Company has pension and life assurance schemes which cover the majority of employees.

The Company issues a variety of newsletters and performance indicators which are circulated to all staff and provide information to employees about current activities and progress.

Engagement with suppliers, customers and others

The Board acknowledges that Red Funnel can only develop and prosper over the long term if we respect and understand the views and needs of our customers, suppliers and other stakeholders in our business as well as taking account of the environment in which we operate.

Disabled employees

It is the Company's policy that people with disabilities should have the same consideration as others for all job vacancies for which they apply as suitable candidates. Depending on their skills and abilities, they have the same career prospects and opportunities for promotion as other employees.

Greenhouse gas emissions, energy consumption and energy efficiency action

The company's carbon emissions for the year ended 31 December 2020 were as follows:

- Electricity – 1,150,873 kWh with conversion factor of 0.23314 resulting in CO₂e 268,314
- Gas – 117,342 kWh with conversion factor of 0.18387 resulting in CO₂e 21,576
- Fuel – 5,613 M/T with conversion factor of 3,249.99 resulting in CO₂e 18,241,402

The company has used the 2020 UK Government Conversion Factors for Company Reporting in order to quantify the above emissions.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Matters covered in the strategic report

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report which also includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. A review of the future developments in the Company's business have been included in the Strategic Report.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

The ongoing impact of COVID-19 continued into 2021 with the country entering a third national lockdown on January 4th 2021. This led to a material impact on volumes and revenue through the first half of 2021, but the relaxation of restrictions led to an increase in demand such that performance following relaxation has exceeded expectation based on an increased demand for UK staycations.

With the introduction of the third lockdown a government support scheme that had been in operation from April to July 2020 to safeguard services between the Isle of Wight and the UK was reintroduced in January 2021. When announced this second package covered the period November 2020 to March 2021, but was subsequently extended for a further month.

In securing its debt facilities in July 2021 the Company extended waivers to its banking covenants under the 2017 and 2018 Facilities Agreements until June 2022. At the same time, the Company also secured an amendment and restatement of its 2017 Facility Agreement providing facilities until July 2023.

In July 2021 the Company announced the resignation of Kevin George as Chair. Kevin had previously been CEO for three years and had held the role of Chair for four years. He was replaced by Stephen Ridgway, CBE, former CEO of Virgin Atlantic and Chair of the British Tourism Authority.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 6 August 2021 and signed on its behalf.



F C Collins
Director

SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Southampton Isle of Wight and South of England Royal Mail Steam Packet Company Limited ("the Company") for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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).

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 Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company 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.

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 Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are 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 Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' 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.

SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY LIMITED (CONTINUED)

Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 matters 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the 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 or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Directors' Responsibilities Statement on page 7, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SOUTHAMPTON ISLE OF
WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY LIMITED (CONTINUED)**

Auditors' 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 Auditors' 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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.

We obtained an understanding of the legal and regulatory framework by reviewing a list of all applicable laws and regulations as provided by management. Through inquiry with management and review of minutes of meetings and related accounts, we obtained an understanding of the processes and controls designed to prevent and detect non-compliance with applicable laws and regulations and other irregularities. Based on our understanding of the Company and the industry in which it operates, we considered those laws and regulations that have a direct impact on the financial statements, such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results. We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur.

Audit procedures performed included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, corroborating responses with information gained from other aspects of the audit
- Assessing journal entries against specific criteria and to specific accounts that we considered as at a greater risk of fraud as part of our planned audit approach. We reviewed whether the journals were appropriately authorised and whether there is a commercial reason for the entries and we agreed the journals to supporting documentation.
- Review of management's estimates and judgments for management bias by corroborating these to external evidence, stress-testing models and referring to applicable accounting framework.
- Discussions with those charged with governance regarding known, alleged or suspected instances of fraud. We were not made aware of any.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS, AS A BODY, OF SOUTHAMPTON ISLE OF
WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY LIMITED (CONTINUED)**

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 Auditors' 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.

DocuSigned by:
Malcolm Thixton

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Malcom Thixton (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK
06 August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).
6 August 2021

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Turnover	3	32,281	56,106
Cost of sales		(33,157)	(35,740)
Gross (loss)/profit		(876)	20,366
Administrative expenses		(7,065)	(7,079)
Other operating income	4	5,231	-
Operating (loss)/profit	5	(2,710)	13,287
Interest receivable and similar income		7	33
Interest payable and expenses	9	(2,015)	(1,932)
Other finance cost	10	(54)	(95)
(Loss)/profit before tax		(4,772)	11,293
Tax on (loss)/profit	11	674	(647)
(Loss)/profit for the financial year		(4,098)	10,646
Other comprehensive income for the year			
Actuarial losses on defined benefit pension scheme		(430)	-
Movement in hedging reserve		(532)	145
Taxation in respect of items of other comprehensive income		155	-
Other comprehensive income for the year		(807)	145
Total comprehensive income for the year		(4,905)	10,791

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 18 to 46 form part of these financial statements.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**
REGISTERED NUMBER: 00002404

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	12	1,423	1,545
Tangible assets	13	47,979	51,729
Investment property	14	1,650	1,650
		<u>51,052</u>	<u>54,924</u>
Current assets			
Stocks	16	309	632
Debtors: amounts falling due within one year	17	33,779	29,033
Cash at bank and in hand	18	5,403	11,817
		<u>39,491</u>	<u>41,482</u>
Creditors: amounts falling due within one year	19	(8,964)	(9,020)
Net current assets		<u>30,527</u>	<u>32,462</u>
Total assets less current liabilities		<u>81,579</u>	<u>87,386</u>
Creditors: amounts falling due after more than one year	20	(16,819)	(17,965)
Pension liability		(3,125)	(2,881)
Net assets		<u><u>61,635</u></u>	<u><u>66,540</u></u>
Capital and reserves			
Called up share capital	24	5,245	5,245
Revaluation reserve	23	1,061	1,061
Other reserves	23	(651)	(119)
Profit and loss account	23	55,980	60,353
		<u>61,635</u>	<u>66,540</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 August 2021.



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F C Collins
Director

The notes on pages 18 to 46 form part of these financial statements.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Revaluation reserve	Hedging reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2020	5,245	1,061	(119)	60,353	66,540
Comprehensive income for the year					
Loss for the year	-	-	-	(4,098)	(4,098)
Actuarial losses on pension scheme	-	-	-	(430)	(430)
Movement in hedging reserve	-	-	(532)	-	(532)
Taxation in respect of items of OCI	-	-	-	155	155
Other comprehensive income for the year	-	-	(532)	(275)	(807)
Total comprehensive income for the year	-	-	(532)	(4,373)	(4,905)
Total transactions with owners	-	-	-	-	-
At 31 December 2020	5,245	1,061	(651)	55,980	61,635

The notes on pages 18 to 46 form part of these financial statements.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Revaluation reserve	Hedging reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2019	5,245	1,061	(264)	49,707	55,749
Comprehensive income for the year					
Profit for the year	-	-	-	10,646	10,646
Movement in hedging reserve	-	-	145	-	145
Other comprehensive loss for the year	-	-	145	-	145
Total comprehensive income/ (loss) for the year	-	-	145	10,646	10,791
Total transactions with owners	-	-	-	-	-
At 31 December 2019	5,245	1,061	(119)	60,353	66,540

The notes on pages 18 to 46 form part of these financial statements.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The Company's principal activity is the provision of ferry and associated catering and travel services between Southampton and Cowes on the Isle of Wight.

The Company has applied FRS 102 (March 2018) in these financial statements, which includes the amendments as a result of the Triennial Review 2017. There was no impact on the financial information upon adoption of these amendments.

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Company's principal risks and uncertainties. Based on the Company's cash flow forecasts and projections, the Board is satisfied that the Company has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2020.

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;
- the requirements of Section 11 Basic Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c); and
- the requirements of Section 12 Other financial instruments paragraphs 12.26, 12.27, 12.29(a) to 12.29(b), and 12.29A

This information is included in the consolidated financial statements of Red Funnel Limited as at 31 December 2020 and these financial statements may be obtained from the Company's registered office.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.3 Going concern

The financial statements have been prepared on the going concern basis as the Directors have prepared detailed budgets for a period of at least 12 months from the date of signing the accounts which show that the Group is expected to be able to meet all its liabilities as they fall due. However, it is acknowledged that the global and UK outbreak of COVID-19 has and continues to have a profound impact on the global and UK economy and businesses.

As a result of the market uncertainty due to the ongoing COVID-19 situation, the possible impact on available cash during the next 12 months' trading has been modelled under a range of assumptions and sensitivities. The current performance of the Group is exceeding expectation and this is anticipated to continue as restrictions ease further and as the UK economy regains momentum and stability.

That said, the Directors acknowledge the unpredictable nature of the pandemic and continue to prepare stress tests for the Group. The conclusion of the stress test indicates that the Group can continue in operation over the course of the next 12 months from the date of signing these financial statements without exceeding current banking facilities.

The Group, and the companies which are wholly owned, is expected to remain in a strong financial position during the forecast period and a gradual return to the Group's previous financial position is expected during 2021 through into 2022 and onwards. To date, this has been evidenced by performance above budget.

The Directors are confident of being able to trade for a period of at least 12 months from the approval of the financial statements and have therefore concluded that it is appropriate for the financial statements to be prepared on the going concern basis.

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.4 Revenue (continued)

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue from transport of passengers and freight is recognised in the profit and loss account at the date of travel, which is when risks and rewards transfer to the customer. Revenue arising from onboard sales and other associated income is recognised at the point of delivery of the goods or service.

Revenue from season ticket sales is recognised by the stage of completion of the customer's travel provided under contractual arrangements as a proportion of total services provided. The remaining proportion of income received from the sale of season tickets is deferred within liabilities and recognised in the profit and loss account over the period covered by the relevant ticket.

1.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	-	3 - 10 years
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1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.6 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 10 - 50 years
Long-term leasehold property	- 10 - 30 years
Short-term leasehold property	- Over the term of the lease
Plant and machinery	- 3 - 30 years
Motor vehicles	- 5 - 10 years
Fixtures and fittings	- 5 - 10 years
Engine Overhauls	- 2 - 17 years
Ferries	- 30 years
Hi-Speed catamarans	- 20 years
Hi-Speed catamarans leased	- Over the term of the lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.7 Website development costs

Where group companies' websites are expected to generate future revenues in excess of the costs of developing those websites, expenditure on the functionality of the website is capitalised and treated as an intangible fixed asset. Expenditure incurred on maintaining websites and expenditure incurred on developing websites used only for advertising and promotional purposes are written off as incurred.

1.8 Investment property

Investment property is carried at fair value determined annually by the directors and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income before operating profit.

During the year ended 31 December 2019, the investment properties were demolished and therefore the investment is now held exclusively as land.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.9 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor.

Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Finance lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

1.10 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU's). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is 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.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.12 Marine spares

Marine spares are valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of marine spares.

Marine Spares are considered as Tangible Fixed Assets categorised within Assets Under Construction in line with FRS 102.17.5, as the spare parts are expected to be in use for more than one period. In prior periods, amounts for Marine Spares were included within stock, however the amounts have historically been immaterial.

1.13 Repairs and renewals

Service costs in respect of the annual maintenance of vessels are charged to the profit and loss account as incurred.

Costs in respect of major engine overhauls and associated work are capitalised as incurred and depreciated over the service life of such work.

1.14 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough').

1.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.17 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.17 Financial instruments (continued)

are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

Cash flow hedge

Changes to the fair value of derivative financial instruments designated as and qualifying for cash flow hedging and which effectively hedge changes in future cash flows, are recognised in Other Comprehensive Income. The change in fair value that relates to the effective portion of the cash flow hedge is recognised as a separate equity reserve until the hedged cash flow impacts the income statement.

At this point in time the related gains or losses previously recognised in Other Comprehensive Income are transferred to the income statement into the same line item as the hedged item is recognised. For derivative financial instruments that no longer qualify for hedge accounting, the hedge is dissolved prospectively. The accumulated fair value in equity is immediately transferred to the income statement into the same line item as the hedged item is recognised.

1.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.19 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.20 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.21 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The company operates a defined benefit pension scheme and the pension charge is based on a full actuarial valuation dated 31 January 2019. The actuarial valuation of the value in use of future benefits payable under the plan is made once a year. The value in use is calculated based on assumptions of future development in wage/salary levels, interest rates, inflation, mortality etc. The value in use is only calculated for benefits to which the employees have become entitled to during their employment with the Company.

The actuarial calculation of the value in use less the fair value of any assets under the plan is recognised in the balance sheet under pension obligations. Pension costs for the period are recognised in the income statement based on actuarial estimates and finance expectations at the beginning of the year.

Multi-employer pension plan

The Company is a member of a multi-employer plan. Where it is not possible for the Company to obtain sufficient information to enable it to account for the plan as a defined benefit plan, it accounts for the plan as a defined contribution plan.

1.22 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

1.23 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. Accounting policies (continued)

1.24 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income 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 Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In the preparation of the financial statements, Management undertakes a number of accounting estimates and assessments, and makes assumptions which provide the basis for recognition and measurement of the assets, liabilities, revenues and expenses of the Company. These estimates, assessments and assumptions are based on historical experience and other factors which the Management considers reasonable under the circumstances, but which by their nature are uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unanticipated events or circumstances may occur, for which reason the actual results may deviate from the applied estimates and assessments. For a detailed description of the Group's accounting policies, reference is made to note 1.

In the opinion of Management, the following accounting estimates and assessments are significant in the preparation of the annual report.

Leases

When entering into lease agreements as a lessee, management assesses whether the lease in question is an operating or finance lease. These assessments are based on whether the risks and rewards of ownership have been transferred from the lessor to the lessee and are decided on a lease by lease basis.

Impairment testing of ships, including the assessment of useful life and scrap value

Significant accounting estimates and assessments regarding ships include the depreciation of the ship's cost price on the basis of the expected useful life of its component elements; the ship's expected maximum useful life, its scrap value and impairment test. The expected useful life of ships and their scrap values are reviewed and estimated at least once a year. Impairment tests are also carried out when there is any indication of impairment.

Investment properties

The group's investment properties have been valued on 31 December at fair value by the directors. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. The valuers use observable market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. There is an inevitable degree of judgment involved in that each property is unique and value can only be reliably tested in the market itself.

Pensions and similar liabilities

The Company's defined benefit pension plans are calculated on the basis of a number of key actuarial assumptions, including discount rate, the anticipated returns on the plans' assets, the anticipated development in wages and pensions, anticipated mortality, etc. Even moderate alterations in these assumptions can result in significant changes in pension liabilities.

The value of the Group's defined pension benefit plans is based on calculations undertaken by external actuaries.

Derivatives

When entering into agreements involving derivatives, Management assesses whether the derivative in question meets the requirement as to effective hedging, including whether the hedging relates to recognised assets and liabilities, projected future cash flows, or financial investments. Regular effectiveness tests are carried out, and any inefficiency is recognised in the profit and loss account.

Impairment of trade receivables

Receivables are recognised at amortised cost price less impairment to meet expected losses. Impairments are recognised based on the customers' ability and/or willingness to pay.

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Judgements in applying accounting policies (continued)

The need for impairments on the individual customer and the adequacy hereof, is assessed by the Management on the basis of historical data on customer payment patterns, age distributions, dubious receivables, customer concentrations, customer creditworthiness, and any collateral received.

Intra group balances

Intra group balances are held at amortised cost and are deemed to be current and immediately payable on demand where cash balances exist to cover the net intra group balance.

For the intra group balances exceeding available cash balances, or where the nature of the balance is that of a loan, interest is charged at 10% per annum on the net intra group balance owed.

Going concern

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities including the Company's principal risks and uncertainties. Based on the Company's cash flow forecasts and projections, the Board is satisfied that the Company has adequate resources to continue in operational existence and therefore it is appropriate to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2020.

3. Turnover

All turnover arose on the principal activities of the company as disclosed in the strategic report and arose in the UK.

4. Other operating income

	2020	2019
	£000	£000
Government support including furlough income	5,231	-

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2020	2019
	£000	£000
Depreciation of tangible fixed assets	7,130	6,667
Amortisation of intangible assets	599	379
Payments under operating leases	828	767
(Profit)/Loss on sale of tangible fixed assets	(204)	(358)

**SOUTHAMPTON ISLE OF WIGHT AND SOUTH OF ENGLAND ROYAL MAIL STEAM PACKET COMPANY
LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS
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6. Auditors' remuneration

	2020	2019
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	65	68
Fees payable to the Company's auditor and its associates in respect of:		
The auditing of accounts of associates of the Company pursuant to legislation	50	51
All taxation advisory services not included above	18	18
All assurance services not included above	10	10
The auditing of the accounts of the Company's pension scheme(s)	6	5
	84	84

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7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2020	2019
	£000	£000
Wages and salaries	13,904	14,126
Social security costs	1,229	1,282
Cost of defined contribution scheme	462	449
	<u>15,595</u>	<u>15,857</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2020	2019
	No.	No.
Administration staff	91	107
Sea-faring staff	252	289
Shore-based staff	155	163
	<u>498</u>	<u>559</u>

The average number of FTEs (Full Time Equivalents), including overtime and casuals, were 426 (2019 - 469).

8. Directors' remuneration

	2020	2019
	£000	£000
Directors' emoluments	615	826
Company contributions to defined contribution pension schemes	57	54
	<u>672</u>	<u>880</u>

During the year retirement benefits were accruing to 6 Directors (2019 - 10) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £177,000 (2019 - £223,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £19,000 (2019 - £NIL).

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9. Interest payable and similar expenses

	2020	2019
	£000	£000
Bank interest payable	620	617
Other loan interest payable	19	73
Loans from group undertakings	210	206
Finance leases and hire purchase contracts	1,166	1,036
	<u>2,015</u>	<u>1,932</u>

10. Other finance costs

	2020	2019
	£000	£000
Interest income on pension scheme assets	198	254
Net interest on net defined benefit liability	(252)	(349)
	<u>(54)</u>	<u>(95)</u>

11. Taxation

	2020	2019
	£000	£000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(39)	633
Adjustment in respect of previous periods	(249)	14
Effects of tax rate changes on opening balance	(386)	-
Total deferred tax	<u>(674)</u>	<u>647</u>
Taxation on (loss)/profit on ordinary activities	<u>(674)</u>	<u>647</u>

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11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £000	2019 £000
(Loss)/profit on ordinary activities before tax	<u>(4,772)</u>	<u>11,293</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(907)	2,146
Effects of:		
Non-taxable income less expenses not deductible for tax purposes	35	6
Fixed asset differences	221	228
Adjustments to tax charge in respect of prior periods	(249)	14
Other permanent differences	2	-
Deferred tax not recognised/rate changes	(305)	(74)
Group relief	529	(1,673)
Total tax charge for the year	<u><u>(674)</u></u>	<u><u>647</u></u>

Factors that may affect future tax charges

In the Budget of 11 March 2020, the Chancellor of the Exchequer announced that the planned rate reduction to 17% would no longer be taking effect. The changes announced during the Budget of 11 March 2020 were substantively encased as at the 31 December 2020 balance sheet date, therefore, all opening deferred taxation balances have been remeasured at 19% with an adjustment recognised in the total tax charge.

On 3 March 2021, as part of the 2021 Budget, the Chancellor announced further changes to the corporation tax charge. Legislation will be introduced in the Finance Bill 2021 to set the main rate of corporation tax for all non-ring fence profits to 19% for Financial Year 2022. For Financial Year 2023 and onwards, the charge to corporation tax will be set at a main rate of 25% in addition to the introduction of a small profits rate, which will be set at 19%. Marginal relief provisions will apply where profits fall between the upper and lower limits. As these changes were subsequently enacted after the year end, the impact of the above rates will be reflected in the financial statements for the year ended 31 December 2021.

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12. Intangible assets

	Computer software £000	Assets in course of construction £000	Total £000
Cost			
At 1 January 2020	1,672	985	2,657
Additions	-	604	604
Transfers	842	(842)	-
Disposals	-	(127)	(127)
At 31 December 2020	<u>2,514</u>	<u>620</u>	<u>3,134</u>
Amortisation			
At 1 January 2020	1,112	-	1,112
Charge for the year on owned assets	599	-	599
At 31 December 2020	<u>1,711</u>	<u>-</u>	<u>1,711</u>
Net book value			
At 31 December 2020	<u>803</u>	<u>620</u>	<u>1,423</u>
At 31 December 2019	<u>560</u>	<u>985</u>	<u>1,545</u>

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13. Tangible fixed assets

	Freehold property £000	Long-term leasehold property £000	Plant and machinery £000	Assets in course of construction £000	Ships £000	Total £000
Cost or valuation						
At 1 January 2020	7,600	941	13,206	3,122	84,090	108,959
Additions	-	-	-	3,525	36	3,561
Disposals	-	-	-	(77)	(518)	(595)
Transfers	990	-	871	(3,584)	1,723	-
At 31 December 2020	8,590	941	14,077	2,986	85,331	111,925
Depreciation						
At 1 January 2020	1,393	708	11,165	-	43,974	57,230
Charge for the year on owned assets	264	30	834	-	6,002	7,130
Disposals	-	-	-	-	(414)	(414)
At 31 December 2020	1,657	738	11,989	-	49,562	63,946
Net book value						
At 31 December 2020	6,933	203	2,088	2,986	35,769	47,979
At 31 December 2019	6,207	233	2,051	3,122	40,116	51,729

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13. Tangible fixed assets (continued)

Marine spares are included within Assets under Construction.

Included within the cost of ships at 31 December 2020 is an amount of £2.4 million which comprises cumulative capitalised interest (2019 - £2.4 million).

Included within the net book value of £48 million is £22.8 million (2019 - £24.6 million) relating to assets held under finance lease arrangements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £1.8 million (2019 - £1.5 million).

Capital commitments contracted at 31 December 2020 were £nil (2019 - £nil).

14. Investment property

The group's investment properties are valued annually on 31 December at fair value, determined by the directors. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimation uncertainty are given in note 2.

The surplus on the revaluation of the investment property is £nil (2019 - £nil) and has been credited to Statement of Comprehensive Income. All other tangible assets are stated at historical cost less depreciation and impairments.

	Freehold Investment property £000
Valuation	
At 1 January 2020	1,650
At 31 December 2020	1,650

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2020 £000	2019 £000
Historic cost	1,646	1,646
Accumulated depreciation and impairments	(137)	(118)
	1,509	1,528

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15. Fixed asset investments

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Red Funnel (Pension Trustees) Limited	United Kingdom	Dormant	Ordinary	100%

The registered address of the above subsidiary undertaking is the same as the address stated on the Company information page.

16. Stocks

	2020 £000	2019 £000
Marine Spares	-	323
Catering Stocks	164	128
Fuel Oil	145	181
	309	632

The marine spares were reclassified to Assets under Construction, within Tangible Fixed Assets during the year.

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17. Debtors

	2020 £000	2019 £000
Trade debtors	2,074	1,504
Amounts owed by group undertakings	23,622	22,183
Other debtors	3,071	1,204
Prepayments and accrued income	1,142	1,101
Deferred taxation	3,870	3,041
	<u>33,779</u>	<u>29,033</u>

The directors have assessed the recognition and recoverability of the deferred tax asset. They have concluded that it is probable that this will be recovered going forward.

18. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	<u>5,403</u>	<u>11,817</u>

19. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
MNOPF Pension Liability	90	627
Trade creditors	2,432	2,202
Other taxation and social security	370	464
Obligations under finance lease and hire purchase contracts	1,063	957
Other creditors	169	769
Accruals and deferred income	4,190	3,883
Financial instruments - swap	650	118
	<u>8,964</u>	<u>9,020</u>

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20. Creditors: Amounts falling due after more than one year

	2020	2019
	£000	£000
MNOPF Pension Liability	202	293
Net obligations under finance leases and hire purchase contracts	16,617	17,672
	16,819	17,965

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21. Loans

Analysis of the maturity of loans is given below:

	2020	2019
	£000	£000
Current loans		
MNOPF Pension Liability	90	627
Obligations under finance lease and hire purchase contracts	1,063	957
	1,153	1,584
Between one and two years		
MNOPF Pension Liability	202	293
Obligations under finance lease and hire purchase contracts	1,189	1,253
	1,391	1,546
Between two and five years		
MNOPF Pension Liability	-	-
Obligations under finance lease and hire purchase contracts	4,034	3,838
	4,034	3,838
Over five years		
MNOPF Pension Liability	-	-
Obligations under finance lease and hire purchase contracts	11,394	12,581
	11,394	12,581
	17,972	19,549

The MNOPF pension liability represent amounts owed to the Merchant Navy Officers Pension Fund. This loan is unsecured and bears a fixed rate of compounding interest at 8.83% for the 2009 valuation and 6.30% for the 2012 valuation.

The obligations under finance lease and hire purchase contracts relate to finance leases of Red Jet 6, Red Jet 7 and Red Kestrel. Further details of the terms of these leases can be found in Note 22.

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22. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020 £000	2019 £000
Within one year	1,063	957
Between 2 - 5 years	5,223	4,941
Over 5 years	11,394	12,582
	<u>17,680</u>	<u>18,480</u>

The above commitments relate to finance leases for Red Jet 6, Red Jet 7 and Red Kestrel. These are secured against the assets, and have an implied interest rates of 9.67%, 5.24% and 4.48% with payment terms of 15 years, 10 years and 7 years respectively.

23. Reserves

The following describes the nature and purpose of each reserve within equity.

Revaluation reserve

Includes all tangible asset revaluations in current and prior periods.

Hedging reserves

Includes all movements in the hedging reserve in current and prior periods.

Profit and loss account

Includes all current and prior periods retained profits and losses.

24. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
5,245,129 (2019 - 5,245,129) Ordinary shares of £1 each	<u>5,245</u>	<u>5,245</u>

25. Contingent liabilities

There is a fixed and floating charge over the assets of the Company under an agreement dated 9 July 2021 to certain providers of finance to other group companies.

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26. Pension commitments

Defined Contribution Schemes

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £462,000 (2019 - £449,000).

MNOPF Defined Benefit Scheme

Some employees are members of the Merchant Navy Officers Pension Fund ("MNOPF"). The Company contributes to the deficit of the scheme.

The Company has not adopted the accounting requirements of FRS 102 Section 28 "Employee Benefits" in respect of this scheme since it is unable to identify its share of the underlying assets and liabilities.

The triennial valuation of the fund as at 31 March 2009 showed that the new section deficit had increased from the previous valuation by £390 million. The Trustees calculated that the Company's share of the deficit in the new section was £2.9 million, which is currently being paid for at the rate of £543,000 per annum from 2015 to 2020.

The triennial valuation of the fund as at 31 March 2012 showed that the new section deficit had increased by a further £152 million. The trustees calculated that the Company's share of the increased deficit was £955,000, of which £133,000 was paid immediately and the balance of £822,000 is being paid for at a rate of £105,000 per annum over ten years to September 2023. The most recent comprehensive actuarial valuation of the scheme was 31 March 2015. The valuation showed a small deficit, but the trustees decided not to schedule any further payments in relation to this new deficit.

RFSPS Defined Benefit Scheme

This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 31 January 2017 and updated to 31 December 2017 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

This most recent full actuarial valuation at 31 January 2017 showed a deficit of £3,236,000. The updated 31 December 2020 value showed a deficit of £3,125,000 (2019 - £2,881,000). The Company has agreed with the trustees that it will aim to eliminate the deficit by 31 October 2028 by the payment of annual contributions of £240,000 in respect of the deficit. In addition, and in accordance with the actuarial valuation, the Company has agreed with the trustees that it will meet expenses of the scheme and levies to the Pension Protection Fund.

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26. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2020 £000	2019 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	12,862	12,361
GMP Equalisation	-	16
Interest cost	252	333
Actuarial (gains)/losses	1,031	669
Benefits paid	(504)	(517)
At the end of the year	13,641	12,862

Reconciliation of present value of plan assets:

	2020 £000	2019 £000
At the beginning of the year	9,981	9,335
Interest income	198	254
Actuarial gains/(losses)	601	669
Contributions	240	240
Benefits paid	(504)	(517)
At the end of the year	10,516	9,981

Composition of plan assets:

	2020 £000	2019 £000
Equities	3,954	2,334
Corporate Bonds	1,642	4,068
Property	1,510	1,495
Fixed interest (mainly gilts)	-	505
Index Linked	2,365	510
Diversified growth assets	956	917
Cash	89	152
Total plan assets	10,516	9,981

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26. Pension commitments (continued)

None of the fair values of the assets include any direct investments in the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

	2020	2019
	£000	£000
Fair value of plan assets	10,516	9,981
Present value of plan liabilities	(13,641)	(12,862)
Net pension scheme liability	(3,125)	(2,881)

The fair value of plan assets and liabilities including insured annuitants is £11,514,000 (2019 - £10,567,000) and £14,639,000 (2019 - £13,448,000) respectively.

The amounts recognised in profit or loss are as follows:

	2020	2019
	£000	£000
Net interest on net defined benefit liability	(54)	(79)
GMP Equalisation	-	(16)
Total	(54)	(95)

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £54,000 (2019 - £79,000).

The Company expects to contribute £240,000 to its deficit in 2021.

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

Discount rate	1.05
Inflation (RPI)	2.95
Inflation (CPI)	2.15
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.15
Allowance for pensions in payment of RPI or 5% p.a. if less	2.95

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26. Pension commitments (continued)

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2020	2019	2018	2017	2016
	£000	£000	£000	£000	£000
Present value of plan liabilities	(13,641)	(12,862)	(12,361)	(12,749)	(13,285)
Scheme assets	10,516	9,981	9,335	9,780	9,544
Deficit	(3,125)	(2,881)	(3,026)	(2,969)	(3,741)
Experience adjustments on scheme liabilities	(665)	(669)	281	258	(2,472)
Experience adjustments on scheme assets	601	669	(498)	489	816
	(64)	-	(217)	747	(1,656)

27. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	2019
	£000	£000
Not later than 1 year	655	781
Later than 1 year and not later than 5 years	2,029	2,542
Later than 5 years	3,216	4,006
	5,900	7,329

Future minimum lease payments of leases with an expiry date of over 5 years have been reassessed, and future years on existing leases are now considered non-cancelable.

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28. Deferred taxation

	2020 £000
At beginning of year	3,041
Charged to profit or loss	674
Charged to other comprehensive income	155
At end of year	3,870

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Fixed asset and short term timing differences	3,276	2,551
Pensions	594	490
	3,870	3,041

29. Related party transactions

The Company has taken advantage of the exemption in the FRS 102 Section 33.1A not to disclose transactions between the company and wholly owned companies within the group. As a qualifying entity, the Company has taken advantage of the exemption in FRS102 section 1.12(e) not to disclose key management personnel remuneration.

During the financial period, the Group paid £86,000 (2019 - £107,000) to Visit Isle of Wight Limited for advertising and sponsorship. A Director of the company, was also a Director of Visit Isle of Wight Limited during the year. There were credits of £4,000 (2019 - £nil) owing to Visit Isle of Wight Limited at 31 December 2020.

During the financial period, the Group paid £4,000 (2019 - £17,000) to the Isle of Wight Chamber of Commerce for advertising and chamber membership. A Director of the Company, was also a Director of Isle of Wight Chamber of Commerce during the year. There were credits of £nil (2019 - £nil) owing to Isle of Wight Chamber of Commerce at 31 December 2020.

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30. Post balance sheet events

The ongoing impact of COVID-19 continued into 2021 with the country entering a third national lockdown on January 4th 2021. This led to a material impact on volumes and revenue through the first half of 2021, but the relaxation of restrictions led to an increase in demand such that performance following relaxation has exceeded expectation based on an increased demand for UK staycations.

With the introduction of the third lockdown a government support scheme that had been in operation from April to July 2020 to safeguard services between the Isle of Wight and the UK was reintroduced in January 2021. When announced this second package covered the period November 2020 to March 2021, but was subsequently extended for a further month.

In securing its debt facilities in July 2021 the Company extended waivers to its banking covenants under the 2017 and 2018 Facilities Agreements until June 2022. At the same time, the Company also secured an amendment and restatement of its 2017 Facility Agreement providing facilities until July 2023.

In July 2021 the Company announced the resignation of Kevin George as Chair. Kevin had previously been CEO for three years and had held the role of Chair for four years. He was replaced by Stephen Ridgway, CBE, former CEO of Virgin Atlantic and Chair of the British Tourism Authority.

31. Controlling party

The Company's ultimate parent undertaking is Red Funnel Holdings Limited, a Jersey registered Company. Consolidated financial statements are produced by Red Funnel Holdings Limited, copies of which are available from the Registered Office at 47 Esplanade, St Helier, Jersey, JE1 0BD.

The Directors do not consider there to be an ultimate controlling party.

The smallest group in which the results of the Company are consolidated is that headed by Red Funnel Limited, incorporated in England. The consolidated financial statements for this Company are available to the public and may be obtained from Companies House.