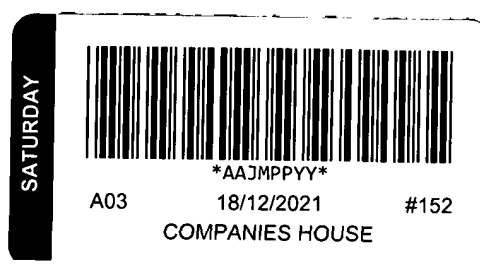


**Isles of Scilly Steamship Company Limited**  
**Annual Report and Consolidated Financial Statements**  
**Year Ended 31 March 2021**  
Registration number: 00165746



# **Isles of Scilly Steamship Company Limited**

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# Isles of Scilly Steamship Company Limited

## Company Information

**Chairman** Mr I Howard TD

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

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

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

# **Isles of Scilly Steamship Company Limited**

## **Chairman's statement**

This is the 101st Annual Report of the Isles of Scilly Steamship Company and it includes our Consolidated Financial Statements for the year ended 31 March 2021.

Thanks to government support for our services to the islands, by air and by sea, we have survived a difficult year and have emerged leaner and even more determined to overcome adversity.

### **COVID-19**

Whilst our original budget aspired to build on the previous year's turnaround, a massive shortfall in revenue ensured that that was not to be. Covid-19 is gradually being contained but it will not go away completely and we recognise that there will be an element of permanence about some of the measures we have put in place to protect the health and safety of our passengers and staff.

This is not altogether bad, and necessity is the mother of invention. A better passenger baggage handling process on the quay at Penzance is just one example of improvements brought about by Covid-19 which we will retain in the future.

Covid-19 is a life threatening virus. Health and safety more generally remains our number one priority and our record over the last year, even allowing for a reduced service, shows a clear positive progression.

### **MARINE**

I wrote to you in May about vessel replacement and our application to government under the Levelling Up Fund. The Scilly community acting variously through the Council for the Isles of Scilly, Island's Partnership and the Isles of Scilly Transport Board has shown enormous faith in us with its unequivocal support for this application for which we are very grateful. Consultation was extensive and is ongoing. We will not hear until the Autumn whether we have been successful in our application, but irrespective of the outcome we are confident that we have designed vessels fit for purpose and worthy of continuing the iconic traditions of the past. If we are successful in our bid for funding, a requirement of the funding is that the project has to be completed by March 2024

Of course we may not succeed in this application; only time will tell. If we do not we will not be able to replace our entire fleet overnight and strategic priorities will have to be set. One way or another we will prevail.

The Scillonian III service was much-reduced during the financial period due to Covid-19 but is now running a full service. All our vessels and crews continue to perform admirably.

### **AVIATION**

Skybus was heavily affected by Covid. With government support we were able to continue a limited lifeline service including the provision of a medical evacuations service.

We have entered into a collaboration agreement with Flylogix, a small company specialising in Unmanned Aerial Systems (UAS). We believe that drones may play a substantial part in the future of Island logistics and that it is important to support this fast-developing technology.

### **FINANCIALS**

In the previous year we experienced a small drop in passenger numbers as Covid-19 came along mid-March 2020 before the financial year end. This year the decline was much more substantial at 62.9% with passenger services on the Scillonian and the regular Skybus schedule not commencing until well into the season.

Revenue was hit by over £8.9m and without government support and other Covid-19 support schemes our loss before tax would have been in the order of £4.1m. The Group would have been unable to remain viable had it been placed in that position.

# Isles of Scilly Steamship Company Limited

## Chairman's statement

In fact were it not for the incremental savings achieved through vigorous management of costs by the management team, the position would have been worse. Much credit is due to them for containing the fall in financial performance.

Including government support, our result before tax for the year under review is £712,000. However, it is important to note that our operating profit is £553,000, the majority of the difference being due to an unrealised foreign exchange gain of £228,000 in relation to the new finance lease.

### **DRY DOCK**

Last year I warned that Dry Dock had to be placed under increasing scrutiny as losses continued. This year notwithstanding redoubled efforts, the trend continued. The board decided therefore to exit the business and Dry Dock was sold after the end of the financial year. I will report further at the AGM.

### **GOVERNANCE**

Our Deputy Chair Peter Hardaker stepped down at last year's AGM after many years' loyal service. We did not appoint a new Deputy Chair, but rather, in line with best practice, on 22 December 2020 appointed a Senior Independent Director from the board, Sam Hicks, who lives on St Agnes. As well as continuing to represent the island communities, Sam will try to ensure that the relationship between the board and the Chair remains an open and transparent one. Since then board membership has remained stable.

Whilst we have been unable to meet face to face much at all in the last year, we have held regular meetings by Zoom to keep on top of the evolving situation of Covid-19 and ship replacement.

### **DIVIDEND**

A condition of government funding was that we did not pay a dividend and so the board is unable to recommend that payment of a dividend to shareholders is made. The positive result will be transferred to reserves. Reserves will potentially be used to help build on any grant award made for new vessels.



Ian Howard TD

# **Isles of Scilly Steamship Company Limited**

## **Board of Directors**

### **Stuart Reid (Chief Executive Officer)**

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

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

### **Ian Howard TD (Chairman)**

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

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

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

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

### **Judith Piper (Chief Financial Officer and Company Secretary)**

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

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

### **Sam Hicks (Senior Independent Director)**

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

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

# **Isles of Scilly Steamship Company Limited**

## **Board of Directors**

### **Stephen Hicks**

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

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

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

### **Gary Randall**

Gary was appointed to the Board in August 2018 and is from St. Mellion, in East Cornwall. He has been practising as a Chartered Accountant for the last 30 years, developing an extensive client base across Devon and Cornwall. In 2013, he merged his business with Prydis to broaden the services provided to clients of both companies, and become Managing Director of Prydis Accounts Ltd.

Gary, embraces the challenges of General Practice and particularly enjoys the interaction between the other facets of the business with Financial Planning, Corporate Law and Governance all forming part of the key day to day deliverables at Prydis.

### **Kevin George**

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

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

### **Sonya Bassett**

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

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

# Isles of Scilly Steamship Company Limited

## Strategic Report

### Year Ended 31 March 2021

The directors present their strategic report for the year ended 31 March 2021.

#### PRINCIPAL ACTIVITY

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

#### REVIEW OF THE BUSINESS

The Group results for the year are shown in the profit and loss account on page 29. This review covers the performance of the Group for the period 1 April 2020 to 31 March 2021. The financial year ended 31 March 2021 was the Group's second year of operation under the new Board leadership and management team. Having returned the Group to profitability in its first full year the Board and management were met by a new significant challenge of the Covid-19 pandemic.

#### PROFIT BEFORE TAX

The Group reported a profit before tax for the year ended 31 March 2021 of £713,000 (2020: £1,023,000).

#### A CHALLENGING YEAR

The financial year was dominated by the outbreak of Covid-19. On the 23 March the Scillonian III set sail for the final time before the UK Government announced the Covid-19 lockdown. Our focus immediately turned to preserving lifeline services to the Isles of Scilly.

There were distinct phases through the year with negative and positive impacts from these events on operations.

##### Quarter 1

Travel restrictions were introduced already in March 2020 and this immediately led to a significant decrease in demand and hence passenger revenues. Scillonian III ceased operations on the 23 March and all essential travel would be through two return flights per day from Land's End Airport carrying members of the community to hospital appointments and other essential travel reasons. Freight volumes also decreased with shipping volumes falling by 47%. Air freight and mail remained broadly on a par with last year. The Company's Risk Management Team met regularly to introduce and review Covid-19 secure measures to protect passengers and our employee workforce. The continuation of the lifeline service would not have been possible without the dedication and support of all ISSG employees.

In March 2020, our revised forecasts identified the financial pressures which would be placed on the business. The Isles of Scilly transport operators (The Steamship Company together with its partners on the Isles of Scilly Transport Board) worked to secure funding from Government for lifeline service operations. The Company also used the Coronavirus Job Retention Scheme with 81 employees being placed on furlough and pay cuts being taken by the Company's highest earners.



# **Isles of Scilly Steamship Company Limited**

## **Strategic Report**

**Year Ended 31 March 2021**

### **Quarter 2**

On the 4 July the Company saw the relaxation of some of the Government's Covid-19 rules. Scillonian III returned to service and Skybus flights increased as passenger demand returned. Shipping freight increased as a result but was still down 25%. Air freight and mail volumes increased by 16% this quarter due to more online ordering.

### **Quarter 3**

The period October to December was defined by a new lockdown period from 5 November which once again resulted in a sudden decline in passenger numbers and reduced bookings. Shipping freight volumes remained similar to last year for this quarter. However, air freight increased by 48%. Once again, many employees were placed on furlough to reduce costs and protect jobs.

The Company's AGM held annually in October was streamed live from our offices in St Mary's under strict Covid-19 rules. Shareholders were able to participate through a live chat feed and submit questions throughout the presentations. We received excellent feedback with many new shareholders able to join and participate for the first time. We anticipate holding a similar format this year.

### **Quarter 4**

Lockdown restrictions once again came into force for Quarter 4. We were thankful to receive ongoing support from Government to maintain the lifeline link during this quarter. However, following the Government's announcement of the roadmap out of lockdown on 22 February 2021 and with the roll out of the vaccination programme and an air of confidence returning to the UK tourism market, we start receiving a high level of enquiries and bookings for the 2021 season.

### **NEW BEGINNINGS**

Our "new beginnings" approach continues to deliver both operational and financial change but under a different set of circumstances. The embrace of this change by our family of employees, a return to core operations and a focus on driving efficiencies has placed the Company in a good position to continue to grow once Covid-19 restrictions are lifted. The Group can report an EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of £1.85m (2020: £2.32m). This has been achieved against a background programme of improving the customer experience throughout the Group's operations. This work is already yielding results, but is now vitally important as we enter a new period of competition following the launch of the helicopter service from Penzance in March 2020.

# **Isles of Scilly Steamship Company Limited**

## **Strategic Report**

**Year Ended 31 March 2021**

### **AVIATION STRATEGIC DECISIONS**

Early in the financial year, the Company made two major strategic decisions which would ultimately improve its underlying aviation financial performance.

The first decision was to close Skybus's aviation base at Newquay Airport in May 2020. The base consisted of a hangar and engineering facility at a cost of £250,000 annually which included the lease cost, rates and employment costs of a team of four aviation engineers. Despite offering new roles for the team at Land's End Airport the employees accepted redundancy packages. All aircraft are now located at Land's End Airport.

Also in May 2020, the Company transferred its fourth Twin Otter G-ISSG from an operating lease to an 8 year finance lease with an option to buy. This transfer moved the aircraft onto the Company's balance sheet as both a fixed asset and financial liability.

Due to the depreciation charge being spread over a number of years there is a cost saving to Skybus' P&L in the region of £250,000.

The projected cash outflow saving each year is expected to be approximately £100,000

These two major decisions have greatly enhanced Skybus' financial position. Our challenge now is to maintain the profitability achieved pre-pandemic and build on these cost saving efficiencies as we enter a new period of aviation competition.

In order to ensure the Group remains competitive, during the year we entered into a 2-year collaboration with Flylogix, an Unmanned Aerial Systems (UAS) specialist company, to explore opportunities with regard to establishing a UAS-operated commercial freight service. In December 2020, a successful return flight was carried out from Land's End Airport to St Mary's Airport which was the first ever freight drone flight between two UK commercial airports. The Group continues to work with Flylogix to explore opportunities using this fast-growing area of aviation technology.

### **PENZANCE DRY DOCK**

At the start of our new beginnings approach our message was clear - we would focus on improving financial performance to generate cash in order to build up funds to help replace our assets. At the AGM in 2019 it was announced that ancillary businesses would also need to contribute to this objective or face closure. Island Carries have performed admirably in this challenge. Under the leadership of Jeanette Ware, her team have turned the business around, outperforming business targets both pre and post Covid-19.

Penzance Dry Dock also performed well operationally with one of the busiest periods of the dock under the Company's operation. However, the financial performance was less compelling. Despite an improvement in commercial turnover of £284,000 to £806,000 (2020: £521,000) the margins continued to be low to remain competitive. In January 2021 the Board made the decision to exercise the break option and terminate the lease in August 2021. It was a difficult decision but the operational risks of keeping the dock functioning, together the financial risk of a loss-making entity and the lack of requirement of the dock for our new vessels, resulted in a business decision to close the yard which reluctantly put 11 employees at risk of redundancy.

# Isles of Scilly Steamship Company Limited

## Strategic Report

### Year Ended 31 March 2021

However, an introduction by our local MP presented an opportunity and following 4 months of discussions the Group subsidiary Company Penzance Dry Dock (2009) Ltd was sold for a nominal sum and employees remained with Penzance Dry Dock. The benefit of the sale was to mitigate the significant costs of closure estimated to be in excess of £180,000 whilst maintaining the facility for the local commercial marine community and our own operation when required.

#### **VESSEL REPLACEMENT PROJECT**

The Company continues with its vessel replacement project and the financial year under review made excellent progress. As stated at our AGM, the Marine Asset Replacement Committee (MARC) identified a design objective to deliver new vessels which would meet the future service needs of the Isles of Scilly Community and the visitor market. To identify this "future service need" the MARC identified the requirement to undertake a lengthy consultation process. As a result of Covid-19 the consultation process took place through surveys and virtual meetings with businesses and the Island's community. The information collected through this process was used by BMT to undertake the design process in collaboration with the Steamship Company project team. On Thursday 5 June 2021 the new vessel designs were released to the Community after many months of detailed design work. Feedback from the designs have been extremely positive from both the Community and the visitor market.

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

Following the launch of the designs the MARC continues its work, taking the designs into a shipyard tendering process. The Company appointed Blair Reid to undertake the shipyard selection process. Expressions of Interest were sent out to more than 30 yards across the UK, Europe and Far East from which we had 13 responses. The Expressions of Interest also included a cost to build as well as experience, quality, delivery time scale and in-house design capabilities. Following the receipt of EOIs the Company has now evaluated responses and selected five yards to take forward to the next due diligence stage of selection. Our objective is to have a preferential yard selected in time for the announcement of the Levelling Up Fund bid. To date we have visited two of the five yards and plan to visit the remaining yards later this summer.

#### **KEY CHALLENGES**

Although there are strong grounds for optimism, it is also appropriate to highlight notes of caution around operational matters and factors affecting the transport industry. The rising infection rates in the County at the time of writing this report are concerning. We have good Covid-19 measures in place to protect our passengers and employees but we, like many other businesses, are not immune from its impact. Our challenge now is to maintain operations. Despite the lifting of restrictions on the 19 July, as a Company, we have decided to make the wearing of face coverings compulsory whilst using our services in line with many other transport operators.

Our vessel replacement programme is progressing well. As explained above we await the decision of Government on the Levelling Up Fund bid which will be announced in the Autumn Statement. If the funding bid is unsuccessful we have to continue with alternative financing options. Given the cost of the build programme, securing and managing this finance through the life of the vessel will have to be delivered whilst ensuring no adverse impact on the tourism economy of Scilly.

# Isles of Scilly Steamship Company Limited

## Strategic Report

### Year Ended 31 March 2021

#### **PASSENGER NUMBERS**

As expected, there was an overall decline in passenger numbers of 62.9% to 74,935 passengers for the financial year (2020: 202,124). Skybus passenger numbers declined by 59,719, or 65.1%, down to 32,050 for the year, with a noticeable shift in day trippers falling by 5,694 or 61.5%, to 3,565 for the year. Scillonian III passenger numbers have declined by 67,470, or 61.1%, to 42,885 for the year of which Scillonian III day trippers fell by 70.8% to 8,204.

#### **FUTURE PASSENGER BOOKINGS 2021 SEASON**

At the time of writing we are seeing a surge in demand for transport services to Scilly. The UK Staycation drive has seen a rapid uptake in accommodation on Scilly with many accommodation providers stating that they are full through to the end of October. This is also reflective of our forward bookings for the forthcoming financial year.

Overall for the year ending 31 March 2022 (including passengers travelled between April and the date of this report) we are 13.0% down compared to 2019 (pre-Covid-19 levels). The phased unlocking of the accommodation sector up until the 21 June resulted in lower numbers being able to travel to Scilly due to the mix of available accommodation. Passenger numbers for April and May 2021 were 68.4% and 46.5% down compared to 2019. However, this significant variance is offset by a major improvement in bookings in September 2021 and October 2021 with passenger numbers being 22.0% and 79.4% up compared to 2019. Our focus now is on marketing day trips to the Islands to minimise the impact seen in the early season.

#### **TURNOVER ANALYSIS**

The Group's turnover decreased by 48.6% to £9,459,000 (2020: £18,408,000) as a result of Covid-19 restrictions throughout the year. Group turnover is primarily driven by passenger numbers and the average ticket price.

Turnover for services by air decreased by 60.5% to £4,060,000 (2020: £10,267,000). In addition to a fall in Skybus passenger numbers of 59,719, the average ticket price also reduced by 8.5% to £90.53 (2020: £98.89) as a result of there being no flights from Newquay during the year and more passengers subsequently travelling from Land's End on a lower priced ticket. Day trippers for the year totalled 15.7% (2020: 10.1%) of all Skybus passengers. In contrast to passenger revenue, freight and mail revenue by air increased by 11.8% and 28.1% respectively reflecting a change in consumer activity to online ordering as a result of Covid-19.

Turnover for services by sea decreased by 43.2% to £4,094,000 (2020: £7,202,000). The 61.1% decline in passenger numbers was offset in part by an increase in the average ticket price of £8.38, or 21.3%, to £47.78 (2020: £39.40). The main reason for this increase is the proportion of Scillonian III day trippers declining to 19.1% (2020: 25.5%) as a result of Covid-19 travel restrictions. Other shipping revenue was directly impacted by reduced passenger numbers including car parking revenue and Scillonian III café sales. Shipping freight revenue reduced by 19.0% overall. However, Shipping mail revenue increased by 32.5% in line with the increase levels of online ordering.

Non-transport activities include Land's End Airport, Nike Engineering (trading as Island Carriers) and Penzance Dry Dock. Overall, non-transport revenue increased by 39.0% to £1,305,000 (2020: £939,000).

# Isles of Scilly Steamship Company Limited

## Strategic Report

Year Ended 31 March 2021

### **Nike Engineering (trading as Island Carriers)**

Despite lower fuel and luggage sales as a consequence of Covid-19, Nike turnover increased external sales by 3.5% overall as a result of higher volumes of online ordering deliveries and demand for building material delivery services.

### **Penzance Dry Dock**

External sales increased by 54.5% as a result of a high demand for services following the first lockdown with many vessel owners taking advantage of the quieter period to carry out vessel maintenance. Compared to 2020, the level of repair work on the Company's own vessels reduced significantly due a substantial overhaul on Gry Maritha last year resulting in relatively lower levels of repair being required this year. Scillonian III did not operate for the first quarter of the year and as a result also required less maintenance this year.

### **Land's End Airport**

In contrast to the above companies, Land's End Airport was adversely affected by Covid-19 due to its revenue predominately being generated through internal sales to Skybus and car parking revenue.

### **OTHER OPERATING INCOME**

Skybus, Shipping and Land's End Airport all received Department for Transport funding totalling £4.15m to offset the losses incurred from the operation of the lifeline services. The funding was allocated as follows; £2.43m to Skybus, £1.25m to Shipping and finally £0.47m to Land's End Airport.

### **COST ANALYSIS**

The Group reduced cost of sales during the period under review by £3,623,000, or 20.7%, to £13,850,000 (2020: £17,473,000), most of the savings being as a result of the following:

- Reductions in fuel, landing fees and other direct costs as a result of lower levels of activity due to Covid-19 restrictions.
- Operating lease costs reduced by £388,000, or 93.7%, to £26,000 as a result of the ISSG aircraft transferring from an operating lease to a finance lease (2020: £414,000).
- Targeted cost savings throughout the whole Group which successfully reduced costs over winter and will reduce costs ongoing in order to improve the Group's financial position.
- Marketing costs reduced by 51.1% as a result of campaigns being on hold for much of the year.
- Employment costs reduced by £880,000, or 12.4%, to £6,198,000 (2020: £7,078,000). Employment costs are the business's largest cost accounting for 44.8% (2020: 40.2%) of our cost base. Although the level of activity reduced as a result of Covid-19 restrictions, it was not possible to reduce employment costs in line with the reduction in revenue as there was a need to retain a highly skilled workforce ready to resume services when restrictions eased. However, the Group reduced employment costs through making full use of the Job Retention Scheme which at its peak saw 46% of employees on furlough. In addition, higher-paid employees agreed to a pay cut for 4 months and seasonal employee recruitment was delayed until lockdown restrictions eased. Average employee numbers reduced by 31 to 212 (2020: 243) reflecting the Group's efforts to reduce employment costs. Average staff costs per employee were broadly in line with last year (+0.9%) despite the National minimum Wage increasing by 6.2%.

# Isles of Scilly Steamship Company Limited

## Strategic Report

Year Ended 31 March 2021

### SUMMARY OF KEY MOVEMENTS IN CASH AND BANK BALANCES

Below is a summary of the cash flow which uses EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) to indicate how cash has been utilised during the year.

The cash flow summary shows that despite Covid-19, the Group was cash generative during the year following the government support provided. Cash increased by £2.1m in the year and the key movements are explained as follows:

- A higher level of bookings (deferred income) relative to last year.
- Capital expenditure was in line with last year at £788,000 (2020: £739,000) due to the need to continue replenishing the Group's assets. However, proceeds from the sale of assets only totalled £22,000 this year (2020: £368,000).
- Payments in relation to the finance lease of £302,000, but the overall cash outflows are greatly reduced compared to when the ISSG aircraft was on an operating lease.
- Stock increased mainly due to additional aviation parts being purchased to ensure resilience and improve the efficiency of aircraft maintenance turnaround times.

Cash flow summary	2021	2020
	£	£
<b>Bank and cash balances brought forward</b>	<b>3,650,000</b>	<b>4,125,000</b>
EBITDA	1,854,000	2,318,000
Capital expenditure (net of sale proceeds)	(762,000)	(371,000)
Payment of interest and capital against finance lease	(302,000)	-
Increase in stock	(220,000)	(68,000)
Increase / (decrease) in deferred income	1,879,000	(2,033,000)
Other working capital movements	(318,000)	(321,000)
<b>Bank and cash balances carried forward</b>	<b>5,781,000</b>	<b>3,650,000</b>
<b>Net cash increase / (decrease)</b>	<b>2,131,000</b>	<b>(475,000)</b>

# **Isles of Scilly Steamship Company Limited**

## **Strategic Report**

**Year Ended 31 March 2021**

### **SAFETY AND SECURITY**

Our principle Company value is the safety of our employees and passengers which is managed through a robust Safety Management System. Safety is a weekly agenda item at both Marine and Aviation Management meetings.

In the financial year ended 31 March 2021 three incidents (2020: four) were reported to regulators, which continues the downward trend over previous years.

The Group Health & Safety Manager actively encourages a positive health and safety culture operates throughout the whole Group. Health & Safety is an ever-evolving process and the Group strives for continuous improvement. Improvements have been made to Group-wide safety systems. Risk assessments, method statements and permit to work procedures are continuously reviewed and updated.

The Group has a strong incident and near miss reporting culture which actively encourages proactive reporting to improve our safety systems and to ensure any weaknesses are identified and mitigations implemented in order to safeguard our employees and passengers.

The Group's Quality and Flight Safety Manager ensures the highest level of aviation safety procedures are adhered to. The shipping Safety Management System (SMS) continues to be improved by our Marine Superintendent.

The Group's Risk Management Team, which includes marine and aviation managers, meets regularly throughout the year. Its purpose is to review business continuity risks and mitigation plans. The Risk Management Team were even more active during the year as a result of Covid-19 which required a constant review of ever-changing Government guidelines and subsequent updating of Group risk assessments, policies and procedures.

# Isles of Scilly Steamship Company Limited

## Strategic Report

Year Ended 31 March 2021

### **FUTURE DEVELOPMENTS**

The first six months of trading for the Group is the period whereby the Group generates profits which support the Winter lifeline link operation. For the 2021/2022 financial year, the Board identified that the first six months financial performance would be lower than pre-Covid-19 years due to restrictions around travel early in the financial year (April to June). The Board set a loss making budget based on the Government restrictions on travel which would result in lower passenger numbers in Quarter 1. The Board also recognised that passenger numbers for Quarter 2 would be lower compared to previous years as a result of the helicopter competition.

Although passenger numbers have exceeded the Board's expectations, the Group continues to drive efficiencies with cost savings across the Group. As a result, the Group has, to date, delivered a higher than budgeted performance. However, it is still very early in the season and there are many challenges which must be overcome. Indeed, Covid-19 is still a major concern and the level of infection rates continues to pose a threat to operations.

We are encouraged by the level of enquiries for the Autumn 2021 season which could see the start of a "season extension" which has been a strategic objective for the Island Partnership for many years.

We eagerly await the outcome of our Levelling Up Fund bid and will report further when an announcement has been made.

We will also continue to work closely with Flylogix to advance our UAS plans which will enhance our commercial freight service.

The Group is in an exciting period of innovation and progression and we look forward to reporting further updates in due course.



Stuart Reid  
Chief Executive Officer



# **Isles of Scilly Steamship Company Limited**

## **Strategic Report**

**Year Ended 31 March 2021**

### **FINANCIAL RISK MANAGEMENT**

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

The Group continues to face price risks through an increase in costs of aviation parts and consumables due to a fall in manufacturing output which has been exacerbated by the impact of Covid-19. There are also limited suppliers of aviation parts. The Group mitigates this risk by holding appropriate levels of stock.

The Group is also a retailer of oil-related products that are subject to changes in world commodity price for crude oil.

In 2017 the Group successfully negotiated a five year contract and enhanced its fuel stock holding to improve the purchase price of aviation fuel. In addition the Group manages the price risk of fuel through a combination of forward contracts and spot rate buys when favourable.

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

In May 2020, the Group signed an aircraft finance lease commitment repayable over 8 years, with the option to extend the final payment over another 2 years. Options are currently being reviewed with regard to forward contracts to reduce the level of exchange rate risk exposure over the term of the lease.

There were no forward contracts in operation at the year end.

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

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

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

# **Isles of Scilly Steamship Company Limited**

## **Strategic Report**

**Year Ended 31 March 2021**

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**

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

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

Building on this existing platform of sound governance, this report represents our first Environment, Social and Governance (ESG) report.

Every company, and particularly any company in the transportation sector, can play its part in addressing ESG issues, including those in our local stakeholder communities.

We have decided to adopt best practice by introducing an ESG report to capture our approach to the environment, our people and our governance.

This is work in progress and we hope to introduce more detail and more metrics in the years ahead.

### **ENVIRONMENTAL**

We have formed an Environmental Committee chaired by Sonya Bassett which consists of like-minded focused team members from each area of the business. The main focus has been to set achievable targets in every area of the business with a commitment to work with local community environmental initiatives in order to protect and improve our environment and the Group's contribution to it. Every little step helps. We are working closely with Plastic Free Penzance, Sustainable Penzance and SMART islands to minimize the impact on the environment in our day to day activities. Environmental issues are a factor when we look to the future of our transport activities and one of our aims is to encourage suppliers and contractors to embrace environmental impact considerations whether they are already part of our network or looking to join.

To date the committee has been involved with an array of projects including: the planting of trees at Land's End Airport sponsored by the Woodland Trust; the sourcing of environmentally friendly fire fighting foam at the airport; a move away from single use disposable crockery in the airport café; working with the Council and Penzance Harbour Master to provide designated bins for recyclable items on the quays and vessels. The Group has also reduced its paper usage by 80%.

### **SOCIAL**

The social part of ESG is about being a socially responsible employer. Our approach starts at home.

We strive to ensure that there is no gender, ethnic or disability discrimination in the organisation. It is noteworthy that we now have a more gender-balanced Board with two female members. We have introduced improved employee communications and we plan to introduce one to one performance reviews throughout the group.

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

# **Isles of Scilly Steamship Company Limited**

## **Strategic Report**

**Year Ended 31 March 2021**

### **GOVERNANCE**

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

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

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

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

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

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

# Isles of Scilly Steamship Company Limited

## Strategic Report

Year Ended 31 March 2021

### REMUNERATION COMMITTEE

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

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

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

The Committee has been active throughout the year, holding quarterly formal meetings as well as consulting by video, email and telephone conferencing. The focus of the Committee has been the setting of targets aligned with the Group's mission and values.

	Salary *	Fees	Benefits in kind	Total		Pension contributions	
	£	£	£	2021 £	2020 £	2021 £	2020 £
<i>Executive Directors</i>							
S Reid	97,594	-	4,156	101,750	129,085	-	875
J Piper	68,192	-	-	68,192	77,426	1,313	1,784
<i>Non-Executive Directors</i>							
I Howard TD	-	24,187	-	24,187	25,000	-	-
T Hicks	-	9,255	-	9,255	8,999	-	-
S M Hicks	-	7,538	-	7,538	6,689	-	-
G Randall	-	8,099	-	8,099	7,875	-	-
K George	-	7,819	-	7,819	4,248	-	-
S Bassett	-	8,096	-	8,096	-	-	-
<i>Past Directors</i>							
P D Hardaker	-	6,548	-	6,548	11,772	-	-
H Weikens	-	-	-	-	3,034	-	-
	<u>165,786</u>	<u>71,542</u>	<u>4,156</u>	<u>241,484</u>	<u>274,127</u>	<u>1,313</u>	<u>2,659</u>

\* Includes bonus based on performance-related targets

S Reid's benefits in kind relate to the provision of a fully expensed motor vehicle.

J Piper's 2020 salary is reported from the date of Board appointment (16 May 2019)

# **Isles of Scilly Steamship Company Limited**

## **Strategic Report**

**Year Ended 31 March 2021**

### **NOMINATIONS COMMITTEE**

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

The Committee has a wide remit which includes:

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

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

With the departure of Peter Hardaker, Deputy Chair, last October, the Board reorganised so as to appoint Sam Hicks as Senior Independent Director.

### **AUDIT COMMITTEE**

The members of the Audit Committee are Sam Hicks, Steve Hicks and Gary Randall (Chairman). The previous Chairman Peter Hardaker retired from the Board during the year and we thank him for his leadership and counsel throughout his long term service to the company.

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

The ongoing challenges brought by Covid-19 have been embraced and our auditors and our accounts team have met the challenge, modifying their work approach to deliver a thorough and efficient audit.

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

The Chairman is invited to attend audit meetings as and when appropriate. Risk and Compliance is a constant focus at all our meetings, we monitor the risk reporting and compliance process and provide critical challenge as appropriate. The Risk Management Team report to the Audit Committee and Board on continuity risks and actions identified to mitigate these risks.

As Audit Committee Chairman, I consider the key role of our Committee is to provide oversight and reassurance, specifically with regard to the integrity of the Group's financial reporting, audit arrangements and internal control processes. We are committed to this responsibility.

# Isles of Scilly Steamship Company Limited

## Directors' Report

Year Ended 31 March 2021

The directors present their report and the for the year ended 31 March 2021.

### Committees

#### Current directors:

Stuart Reid	M
Judith Piper	M
Ian Howard TD	N
Gary Randall	A, R, M
Steve Hicks	M, N
Sam Hicks	A, R
Kevin George	M
Sonya Bassett	R, N

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

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

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

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

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

The interests of the directors in the ordinary shares of the Company as at 31 March 2021 are set out below. There have been no changes between these interests between 1 April 2021 and 21 July 2021.

	2021	2020
Stephen Hicks	999	999
Ian Howard	66,610	66,610

#### Dividends

The directors do not propose the payment of a dividend for the year ended 31 March 2021 (2020 - £nil).

# Isles of Scilly Steamship Company Limited

## Directors' Report

### Year Ended 31 March 2021

#### Going concern

In preparing and approving these financial statements the Board have given due consideration to going concern risks, and in particular the impact of the Coronavirus pandemic. The pandemic has led to widespread, profound economic shocks, and has significantly curtailed the operational activities of the Group. In reaching a conclusion on the going concern assumption the Board considered and factored in the following matters:

During the year ended 31 March 2021, the Group accessed substantial grant funding from the Department for Transport in order to support the essential services provided by the Group during the initial lockdown period from April to June 2020 and also in January 2021. The Group received further contracted Government grant funding post year end. This assisted the Group up until 17 May 2021 when the leisure and tourism sector started to open up in accordance with the Government's roadmap out of lockdown.

The grant funding meets the losses incurred from running a restricted service and supports the cash outflows that arose during the respective periods of lockdown. The Group remains in close contact with local representatives and the Department for Transport in relation to additional funding should the need arise.

ii) The Group have prepared budgets and cash flow forecasts in accordance with expected passenger numbers and freight volumes. This factors in any substantial changes that could arise from further lockdowns and increased competition.

iii) The Group continues to access the Government's Job Retention Scheme which has assisted with reducing the costs incurred by the Group during the year to 31 March 2021 and post year end.

iv) The Group as a whole continues to implement various cost saving measures to minimise the cost base.

v) The Group have undertaken outline negotiations with lenders in order to establish the potential borrowings that would be available to the Group should the need arise.

vi) Operationally, various policies and procedures have been put in place to ensure the health and safety of the Group's employees and passengers. Clearly, in some areas this has given rise to a financial cost, but these steps are necessary and are being adopted by the vast majority of businesses across the UK.

vii) There are business continuation plans in place to ensure that there is adequate cover for senior management should they become incapacitated.

After due consideration of these factors the directors are satisfied that the Group will be able to operate within the available facilities and continue as a going concern for the foreseeable future – being a period no less than 12 months from the date of approval of these financial statements.

# Isles of Scilly Steamship Company Limited

## Directors' Report

Year Ended 31 March 2021

### Important non adjusting events after the financial period

On 8 July 2021, the Group sold Penzance Dry Dock (2009) Limited to a local Engineering company, Linked Solutions SW Limited, for a notional sum of £1 which prevented various closure costs arising. This will be disclosed as a discontinued operation in the 31 March 2022 year end accounts where Penzance Dry Dock (2009) Limited still traded as part of the Group until the point of disposal.

The Group received further contracted Government grant funding post year end up to 31 May 2021. This assisted the Group up until 17 May 2021 when the leisure and tourism sector started to open up in accordance with the Government's roadmap out of lockdown.

The grant funding was in place to meet the losses incurred from running a restricted service and to support the cash outflows that arose post year end. The Group remains in close contact with local representatives and the Department for Transport in relation to additional funding should the need arise.

### Disclosure of information to the auditor

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

Approved by the Board on 21 July 2021 and signed on its behalf by:



.....  
Mr I Howard TD  
Chairman



# Isles of Scilly Steamship Company Limited

## Statement of Directors' Responsibilities

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

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

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

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

# **Isles of Scilly Steamship Company Limited**

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

### **Opinion**

We have audited the financial statements of Isles of Scilly Steamship Company Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

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

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

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

#### **Other information**

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

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

We have nothing to report in this regard

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

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

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

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

# **Isles of Scilly Steamship Company Limited**

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

### **Responsibilities of directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

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

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

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

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

#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)**

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

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

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

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

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

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

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

#### **Use of our report**

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

*PKF Francis Clark*

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

Lowin House  
Tregolls Road  
Truro  
Cornwall  
TR1 2NA

20 August 2021

# Isles of Scilly Steamship Company Limited

## Consolidated Profit and Loss Account

Year Ended 31 March 2021

	Note	2021 £	2020 £
Turnover	3	9,459,282	18,408,054
Cost of sales		<u>(13,850,508)</u>	<u>(17,472,833)</u>
Gross (loss)/profit		(4,391,226)	935,221
Other operating income	4	<u>4,943,742</u>	<u>73,908</u>
Operating profit	5	552,516	1,009,129
Unrealised foreign exchange gains on finance lease liabilities	9	228,000	-
Other interest receivable and similar income	10	6,192	21,363
Interest payable and similar charges	11	<u>(73,894)</u>	<u>(7,291)</u>
Profit before tax		712,814	1,023,201
Taxation	12	<u>3,026</u>	<u>(22,275)</u>
Profit for the financial year		<u>715,840</u>	<u>1,000,926</u>
<b>Profit/(loss) attributable to:</b>			
Owners of the company		<u>715,840</u>	<u>1,000,926</u>

## Isles of Scilly Steamship Company Limited

### Consolidated Statement of Comprehensive Income

Year Ended 31 March 2021

	2021 £	2020 £
Profit for the year	<u>715,840</u>	<u>1,000,926</u>
Total comprehensive income for the year	<u>715,840</u>	<u>1,000,926</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the company	<u>715,840</u>	<u>1,000,926</u>



# Isles of Scilly Steamship Company Limited

## Consolidated Balance Sheet

31 March 2021

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Intangible assets	13	418,959	476,847
Tangible assets	14	<u>13,181,603</u>	<u>11,037,843</u>
		<u>13,600,562</u>	<u>11,514,690</u>
<b>Current assets</b>			
Stocks	16	1,431,325	1,211,086
Debtors	17	1,633,560	1,652,308
Cash at bank and in hand		<u>5,781,125</u>	<u>3,650,460</u>
		8,846,010	6,513,854
<b>Creditors: Amounts falling due within one year</b>	19	<u>(8,398,119)</u>	<u>(6,689,435)</u>
<b>Net current assets/(liabilities)</b>		<u>447,891</u>	<u>(175,581)</u>
<b>Total assets less current liabilities</b>		<u>14,048,453</u>	<u>11,339,109</u>
<b>Creditors: Amounts falling due after more than one year</b>	19	<u>(2,679,271)</u>	<u>(819,467)</u>
Provisions		(187,582)	(50,000)
Deferred tax liabilities		<u>(71,000)</u>	<u>(74,882)</u>
<b>Provisions for liabilities</b>	22	<u>(258,582)</u>	<u>(124,882)</u>
<b>Net assets</b>		<u>11,110,600</u>	<u>10,394,760</u>
<b>Capital and reserves</b>			
Called up share capital	24	1,411,306	1,411,306
Share premium reserve		247,239	247,239
Profit and loss account		<u>9,452,055</u>	<u>8,736,215</u>
Equity attributable to owners of the company		<u>11,110,600</u>	<u>10,394,760</u>
Shareholders' funds		<u>11,110,600</u>	<u>10,394,760</u>

Approved and authorised by the Board on 21 July 2021 and signed on its behalf by:



.....  
Mr S Reid  
Director

Company Registration Number: 00165746

# Isles of Scilly Steamship Company Limited

## Balance Sheet

31 March 2021

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Intangible assets	13	418,959	476,847
Tangible assets	14	4,359,563	4,568,385
Investments	15	4,164,793	4,164,793
		<u>8,943,315</u>	<u>9,210,025</u>
<b>Current assets</b>			
Debtors	17	198,340	216,966
Cash at bank and in hand		5,414,192	3,496,028
		<u>5,612,532</u>	<u>3,712,994</u>
<b>Creditors: Amounts falling due within one year</b>	19	<u>(5,738,665)</u>	<u>(3,103,141)</u>
<b>Net current (liabilities)/assets</b>		<u>(126,133)</u>	<u>609,853</u>
<b>Total assets less current liabilities</b>		8,817,182	9,819,878
<b>Creditors: Amounts falling due after more than one year</b>	19	(752,567)	(819,467)
<b>Provisions for liabilities</b>	22	<u>(112,000)</u>	<u>(119,390)</u>
<b>Net assets</b>		<u>7,952,615</u>	<u>8,881,021</u>
<b>Capital and reserves</b>			
Called up share capital	24	1,411,306	1,411,306
Share premium reserve		247,239	247,239
Profit and loss account		6,294,070	7,222,476
Shareholders' funds		<u>7,952,615</u>	<u>8,881,021</u>

Approved and authorised by the Board on 21 July 2021 and signed on its behalf by:



.....  
Mr S Reid  
Director

Company Registration Number: 00165746

# Isles of Scilly Steamship Company Limited

## Consolidated Statement of Changes in Equity

Year Ended 31 March 2021

	Share capital £	Share premium £	Profit and loss account £	Total equity £
At 1 April 2020	1,411,306	247,239	8,736,215	10,394,760
Profit for the year	-	-	715,840	715,840
Total comprehensive income	-	-	715,840	715,840
At 31 March 2021	1,411,306	247,239	9,452,055	11,110,600
	Share capital £	Share premium £	Profit and loss account £	Total equity £
At 1 April 2019	1,411,306	247,239	7,735,289	9,393,834
Profit for the year	-	-	1,000,926	1,000,926
Total comprehensive income	-	-	1,000,926	1,000,926
At 31 March 2020	1,411,306	247,239	8,736,215	10,394,760

# Isles of Scilly Steamship Company Limited

## Statement of Changes in Equity

Year Ended 31 March 2021

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 April 2020	1,411,306	247,239	7,222,476	8,881,021
Loss for the year	-	-	(928,406)	(928,406)
Total comprehensive income	-	-	(928,406)	(928,406)
At 31 March 2021	1,411,306	247,239	6,294,070	7,952,615

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 April 2019	1,411,306	247,239	7,228,302	8,886,847
Loss for the year	-	-	(5,826)	(5,826)
Total comprehensive income	-	-	(5,826)	(5,826)
At 31 March 2020	1,411,306	247,239	7,222,476	8,881,021

# Isles of Scilly Steamship Company Limited

## Consolidated Statement of Cash Flows

Year Ended 31 March 2021

	Note	2021 £	2020 £
<b>Cash flows from operating activities</b>			
Profit for the year		715,840	1,000,926
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	1,277,268	1,215,737
Loss on disposal of tangible assets		22,318	93,087
Unrealised foreign exchange gains on financial lease liabilities	9	(228,000)	-
Finance income	10	(6,192)	(21,363)
Finance costs	11	73,894	7,291
Corporation tax expense	12	(3,026)	22,275
		<u>1,852,102</u>	<u>2,317,953</u>
Working capital adjustments			
Increase in stocks	16	(220,239)	(68,284)
Decrease in debtors	17	18,748	664,863
Increase/(decrease) in creditors	19	1,471,660	(2,718,132)
Increase/(decrease) in provisions	22	137,582	(246,352)
Decrease in government grants		<u>(66,900)</u>	<u>(66,900)</u>
Cash generated from operations		3,192,953	(116,852)
Corporation tax paid	12	<u>(856)</u>	<u>(416)</u>
Net cash flow from operating activities		<u>3,192,097</u>	<u>(117,268)</u>
<b>Cash flows from investing activities</b>			
Interest received		6,192	21,363
Acquisitions of tangible assets		(781,700)	(700,428)
Proceeds from sale of tangible assets		22,488	367,681
Acquisition of intangible assets	13	<u>(6,247)</u>	<u>(38,186)</u>
Net cash flows from investing activities		<u>(759,267)</u>	<u>(349,570)</u>
<b>Cash flows from financing activities</b>			
Interest paid	11	(73,894)	(7,291)
Payments to finance lease creditors		<u>(228,271)</u>	<u>-</u>
Net cash flows from financing activities		<u>(302,165)</u>	<u>(7,291)</u>
Net increase/(decrease) in cash and cash equivalents		2,130,665	(474,129)
Cash and cash equivalents at 1 April		<u>3,650,460</u>	<u>4,124,589</u>
Cash and cash equivalents at 31 March		<u><u>5,781,125</u></u>	<u><u>3,650,460</u></u>

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

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

### 2 Accounting policies

#### Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The functional currency of the group is considered to be pounds sterling because this is the currency of the primary economic environment in which the company operates.

#### Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March 2021.

No Profit and Loss Account is presented for the Company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax for the financial year of £928,406 which includes an exceptional intercompany provision of £893,364 (2020 - loss after tax of £5,826).

# **Isles of Scilly Steamship Company Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 March 2021**

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

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

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

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

#### **Business combinations**

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

# **Isles of Scilly Steamship Company Limited**

## **Notes to the Financial Statements**

**Year Ended 31 March 2021**

### **Summary of disclosure exemptions**

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

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

- i) From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows included in these financial statements includes the company's cash flows;
- ii) From the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A as the information is provided in the consolidated financial statement disclosures.

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



# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

### Year Ended 31 March 2021

#### Going concern

In preparing and approving these financial statements the Board have given due consideration to going concern risks, and in particular the impact of the Coronavirus pandemic. The pandemic has led to widespread, profound economic shocks, and has significantly curtailed the operational activities of the Group. In reaching a conclusion on the going concern assumption the Board considered and factored in the following matters:

During the year ended 31 March 2021, the Group accessed substantial grant funding from the Department for Transport in order to support the essential services provided by the Group during the initial lockdown period from April to June 2020 and also in January 2021. The Group received further contracted Government grant funding post year end. This assisted the Group up until 17 May 2021 when the leisure and tourism sector started to open up in accordance with the Government's roadmap out of lockdown.

The grant funding meets the losses incurred from running a restricted service and supports the cash outflows that arose during the respective periods of lockdown. The Group remains in close contact with local representatives and the Department for Transport in relation to additional funding should the need arise.

ii) The Group have prepared budgets and cash flow forecasts in accordance with expected passenger numbers and freight volumes. This factors in any substantial changes that could arise from further lockdowns and increased competition.

iii) The Group continues to access the Government's Job Retention Scheme which has assisted with reducing the costs incurred by the Group during the year to 31 March 2021 and post year end.

iv) The Group as a whole continues to implement various cost saving measures to minimise the cost base.

v) The Group have undertaken outline negotiations with lenders in order to establish the potential borrowings that would be available to the Group should the need arise.

vi) Operationally, various policies and procedures have been put in place to ensure the health and safety of the Group's employees and passengers. Clearly, in some areas this has given rise to a financial cost, but these steps are necessary and are being adopted by the vast majority of businesses across the UK.

vii) There are business continuation plans in place to ensure that there is adequate cover for senior management should they become incapacitated.

After due consideration of these factors the directors are satisfied that the Group will be able to operate within the available facilities and continue as a going concern for the foreseeable future – being a period no less than 12 months from the date of approval of these financial statements.

#### Revenue recognition

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

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### **Government grants**

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

### **Foreign currency transactions and balances**

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

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

### **Tax**

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

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

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

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

### **Intangible assets**

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

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

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### Amortisation

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

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

### Tangible assets

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

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

### Depreciation

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

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

### Ship maintenance

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

### Investments

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

Dividends on equity securities are recognised in income when receivable.

### Cash and cash equivalents

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

# **Isles of Scilly Steamship Company Limited**

## **Notes to the Financial Statements**

**Year Ended 31 March 2021**

### **Inventories**

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

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

### **Provisions**

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

### **Leases**

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

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

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

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

### **Share capital**

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

### **Dividends**

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

### **Defined contribution pension obligation**

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

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

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### Financial instruments

#### **Classification**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

All financial instruments are classified as basic, with the exception of fuel hedging contracts.

#### **Recognition and measurement**

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets, which include trade and other receivables, cash and bank balances, and loans to related parties, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Basic financial liabilities, including trade and other payables, loans and borrowings, and loans from related parties are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

The group uses fuel hedging contracts to reduce its exposure to movements in fuel prices. Fuel hedging contracts are initially recognised at fair value at the date of inception and are subsequently remeasured to fair value at each reporting date. The resulting gain or loss is recognised immediately through the profit and loss account.

#### **Impairment**

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### **Critical accounting judgements and estimation uncertainty**

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

The key estimates applied by management are as outlined below:

### **Depreciation and useful economic lives of intangible and tangible assets**

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

### **Recognition of government grants**

Management have considered the recognition basis for grants as follows:

- i) Capital grants associated with the construction of the runways are being recognised through the profit and loss in conjunction with any depreciation, or impairment losses of the runways.
- ii) Revenue grants, such as the CJRS and Department for Transport grants, are credited to other operating income so as to match the corresponding expenditure, or operating losses to which they relate.

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 3 Revenue

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

	2021 £	2020 £
Sales by sea	4,093,782	7,201,688
Sales by air	4,060,259	10,267,010
Other non-transport activities	1,305,241	939,356
	<u>9,459,282</u>	<u>18,408,054</u>

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

### 4 Other operating income

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

	2021 £	2020 £
ERDF grants	66,900	66,922
CJRS grants and other Covid-19 support	697,802	-
Department for Transport grants	4,155,000	-
Rental income	6,040	5,975
Other operating income	18,000	1,011
	<u>4,943,742</u>	<u>73,908</u>

### 5 Operating profit

Arrived at after charging/(crediting)

	2021 £	2020 £
Depreciation expense	1,213,134	1,157,468
Amortisation expense	64,134	58,269
Loss on disposal of property, plant and equipment	22,318	93,087
Operating lease expense - other	144,437	588,892
Auditors fees	13,700	13,869
Foreign exchange (losses)/gains	(16,113)	2,017
Operating lease expense - plant and machinery	20,467	4,812
Government grants	<u>(4,919,702)</u>	<u>(66,922)</u>

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 6 Staff costs

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

	2021 £	2020 £
Wages and salaries	5,579,674	6,376,033
Social security costs	403,691	515,005
Pension costs, defined contribution scheme	214,267	186,762
	<u>6,197,632</u>	<u>7,077,800</u>

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

	2021 No.	2020 No.
Employees	204	235
Directors	8	8
	<u>212</u>	<u>243</u>

### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £	2020 £
Remuneration	241,484	274,127
Contributions paid to money purchase schemes	1,313	2,659
	<u>242,797</u>	<u>276,786</u>

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

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

Reference to the highest paid director for the year to 31 March 2021 and 2020 can be found within the strategic report.



# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 8 Auditor's remuneration

	2021 £	2020 £
Audit of these financial statements and subsidiaries	13,700	13,869
<b>Other fees to auditors</b>		
All other non-audit services	15,450	16,630

### 9 Foreign exchange gains and losses

	2021 £	2020 £
Unrealised foreign exchange gains on finance lease liabilities	228,000	-
	228,000	-

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

The decision was taken not to hedge the finance lease liability in May 2020 where exchange rates were moving in a favourable direction for the group. By the end of the financial year the cumulative financial benefit of the foreign exchange gains through the profit and loss is £228,000. These gains are unrealised and will take a considerable amount of time to be recognised in the group's cash flow, and could reverse over time.

The group will regularly monitor the exchange rate and ensure appropriate hedging arrangements are in place to minimise the group's exposure to foreign exchange losses that could arise.

### 10 Other interest receivable and similar income

	2021 £	2020 £
Interest income on bank deposits	6,192	21,363

### 11 Interest payable and similar expenses

	2021 £	2020 £
Interest on obligations under finance leases and hire purchase contracts	73,894	-
Interest expense on other finance liabilities	-	7,291
	73,894	7,291

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 12 Taxation

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

	2021 £	2020 £
<b>Current taxation</b>		
UK corporation tax	856	416
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	(3,882)	21,859
Tax (receipt)/expense in the income statement	<u>(3,026)</u>	<u>22,275</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	<u>712,814</u>	<u>1,023,201</u>
Corporation tax at standard rate	135,435	194,408
Profit of business not subject to taxation	(113,618)	(177,557)
Non-deductible expenses	69,458	42,332
Tax losses (utilised) / arising	(25,853)	2,734
Deferred tax expense (credit) from unrecognised temporary difference from a prior period	3,133	(14,224)
Tax increase (decrease) from effect of capital allowances and depreciation	(76,747)	(39,899)
Tax increase (decrease) from other short-term timing differences	4,750	14,065
Tonnage tax	<u>416</u>	<u>416</u>
Total tax (credit)/charge	<u>(3,026)</u>	<u>22,275</u>

The group's shipping business operates under the UK tonnage tax regime. For the current year the tax charge arising is calculated by reference to the net tonnage of the ships operated by the business rather than the tax adjusted results.

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### Deferred tax

#### Group

Deferred tax assets and liabilities

	Liability £
<b>2021</b>	
Accelerated capital allowances	716,875
Unrelieved losses carried forward	(630,187)
Other	(15,688)
	<u>71,000</u>
<b>2020</b>	
Accelerated capital allowances	608,957
Unrelieved losses carried forward	(522,441)
Other	(11,634)
	<u>74,882</u>

#### Company

Deferred tax assets and liabilities

	Liability £
<b>2021</b>	
Accelerated capital allowances	112,115
Other	(115)
	<u>112,000</u>
<b>2020</b>	
Accelerated capital allowances	119,674
Other	(284)
	<u>119,390</u>

An increase in the long-term UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021, which is after the year end. Deferred tax balances will be remeasured next year to reflect this higher long-term rate, with differences recognised in next year's tax charge.

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 13 Intangible assets

#### Group

	Software development costs £	Total £
<b>Cost or valuation</b>		
At 1 April 2020	637,444	637,444
Additions acquired separately	6,247	6,247
At 31 March 2021	643,691	643,691
<b>Amortisation</b>		
At 1 April 2020	160,597	160,597
Amortisation charge	64,135	64,135
At 31 March 2021	224,732	224,732
<b>Carrying amount</b>		
At 31 March 2021	418,959	418,959
At 31 March 2020	476,847	476,847

#### Company

	Software development costs £	Total £
<b>Cost or valuation</b>		
At 1 April 2020	637,444	637,444
Additions acquired separately	6,247	6,247
At 31 March 2021	643,691	643,691
<b>Amortisation</b>		
At 1 April 2020	160,597	160,597
Amortisation charge	64,135	64,135
At 31 March 2021	224,732	224,732
<b>Carrying amount</b>		
At 31 March 2021	418,959	418,959
At 31 March 2020	476,847	476,847

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 14 Tangible assets

#### Group

	Freehold land and buildings £	Leasehold land and buildings £	Runways £	Plant and machinery £	Total £
<b>Cost or valuation</b>					
At 1 April 2020	2,991,675	560,128	2,761,033	20,090,290	26,403,126
Additions	-	-	-	3,401,700	3,401,700
Disposals	-	-	-	(83,797)	(83,797)
At 31 March 2021	<u>2,991,675</u>	<u>560,128</u>	<u>2,761,033</u>	<u>23,408,193</u>	<u>29,721,029</u>
<b>Depreciation</b>					
At 1 April 2020	476,190	409,410	855,605	13,624,078	15,365,283
Charge for the year	45,817	12,025	153,391	1,001,901	1,213,134
Eliminated on disposal	-	-	-	(38,991)	(38,991)
At 31 March 2021	<u>522,007</u>	<u>421,435</u>	<u>1,008,996</u>	<u>14,586,988</u>	<u>16,539,426</u>
<b>Carrying amount</b>					
At 31 March 2021	<u>2,469,668</u>	<u>138,693</u>	<u>1,752,037</u>	<u>8,821,205</u>	<u>13,181,603</u>
At 31 March 2020	<u>2,515,485</u>	<u>150,718</u>	<u>1,905,428</u>	<u>6,466,212</u>	<u>11,037,843</u>

Included within the net book value of leasehold land and buildings above is £nil (2020 - £nil) in respect of long leasehold land and buildings and £138,693 (2020 - £150,718) in respect of short leasehold land and buildings.

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### Company

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Runways £	Total £
<b>Cost or valuation</b>					
At 1 April 2020	2,991,673	364,476	7,872	2,761,031	6,125,052
Additions	-	-	920	-	920
At 31 March 2021	<u>2,991,673</u>	<u>364,476</u>	<u>8,792</u>	<u>2,761,031</u>	<u>6,125,972</u>
<b>Depreciation</b>					
At 1 April 2020	476,190	217,000	7,872	855,605	1,556,667
Charge for the year	<u>45,817</u>	<u>10,406</u>	<u>128</u>	<u>153,391</u>	<u>209,742</u>
At 31 March 2021	<u>522,007</u>	<u>227,406</u>	<u>8,000</u>	<u>1,008,996</u>	<u>1,766,409</u>
<b>Carrying amount</b>					
At 31 March 2021	<u>2,469,666</u>	<u>137,070</u>	<u>792</u>	<u>1,752,035</u>	<u>4,359,563</u>
At 31 March 2020	<u>2,515,483</u>	<u>147,476</u>	<u>-</u>	<u>1,905,426</u>	<u>4,568,385</u>

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

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 15 Investments

#### Company

	2021 £	2020 £
Investments in subsidiaries	<u>4,164,793</u>	<u>4,164,793</u>

#### Subsidiaries

£

#### Cost or valuation

At 1 April 2020 4,164,793

At 31 March 2021 4,164,793

#### Carrying amount

At 31 March 2021 4,164,793

At 31 March 2020 4,164,793

During the prior year the parent company introduced additional share capital to certain subsidiaries to strengthen their financial position. This resulted in £3.9m of investment additions during the prior year.

This adjustment does however contra off on consolidation of all companies.

#### Details of undertakings

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

## Isles of Scilly Steamship Company Limited

### Notes to the Financial Statements

Year Ended 31 March 2021

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	Principal activity
Isles of Scilly Skybus Limited	England & Wales	Ordinary share capital	100%	Provision of freight and passenger air services between the mainland and the Isles of Scilly
Land's End Airport Limited	England & Wales	Ordinary share capital	100%	Operation of Land's End Aerodrome
Isles of Scilly Shipping Company Limited	England & Wales	Ordinary share capital	100%	Provision of passenger and cargo services between the mainland and the Isles of Scilly
Lyoness Shipping Company Limited	England & Wales	Ordinary share capital	100%	Leasing of ships
Lyoness Air Transport Limited	England & Wales	Ordinary share capital	100%	Dormant
Penzance Dry Dock (2009) Limited	England & Wales	Ordinary share capital	100%	Operation of a dry dock
Nike Engineering Limited	England & Wales	Ordinary share capital	100%	Island Carriers trade and fuel sales
Isles of Scilly Shipping (Guernsey) Limited	Guernsey	Ordinary share capital	100%	Offshore crew management
Island Carriers Limited	England & Wales	Ordinary share capital	100%	Dormant
Isles of Scilly Airways Limited	England & Wales	Ordinary share capital	100%	Dormant
Isles of Scilly Transport Limited	England & Wales	Ordinary share capital	100%	Dormant
Isles of Scilly Freight Company Limited	England & Wales	Ordinary share capital	100%	Dormant
The Isles of Scilly Helicopter Company Limited	England & Wales	Ordinary share capital	100%	Dormant



# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 16 Stocks

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Other inventories	<u>1,431,325</u>	<u>1,211,086</u>	<u>-</u>	<u>-</u>

### 17 Debtors

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade debtors	731,929	724,195	-	27,360
Other debtors	59,585	104,689	52,923	93,387
Prepayments	<u>842,046</u>	<u>823,424</u>	<u>145,417</u>	<u>96,219</u>
	<u>1,633,560</u>	<u>1,652,308</u>	<u>198,340</u>	<u>216,966</u>

### 18 Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Cash on hand	2,095	2,045	-	-
Cash at bank	<u>5,779,030</u>	<u>3,648,415</u>	<u>5,414,192</u>	<u>3,496,028</u>
	<u>5,781,125</u>	<u>3,650,460</u>	<u>5,414,192</u>	<u>3,496,028</u>

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 19 Creditors

		Group		Company	
	Note	2021 £	2020 £	2021 £	2020 £
<b>Due within one year</b>					
Loans and borrowings	20	237,024	-	-	-
Trade creditors		481,400	533,773	61,518	56,401
Amounts due to group undertakings	27	-	-	5,550,820	2,826,275
Social security and other taxes		145,717	128,804	35,560	18,190
Outstanding defined contribution pension costs		30,487	34,766	1,213	2,999
Other creditors		30,553	36,600	26,069	22,949
Accruals and deferred income		7,472,522	5,955,076	63,485	176,327
Corporation tax	12	416	416	-	-
		<u>8,398,119</u>	<u>6,689,435</u>	<u>5,738,665</u>	<u>3,103,141</u>
<b>Due after one year</b>					
Loans and borrowings	20	1,926,704	-	-	-
Government grants		<u>752,567</u>	<u>819,467</u>	<u>752,567</u>	<u>819,467</u>
		<u>2,679,271</u>	<u>819,467</u>	<u>752,567</u>	<u>819,467</u>

The company has no outstanding bank borrowings at 31 March 2021 and 2020. In the event of the company utilising any bank borrowings there is a historic debenture in place incorporating a fixed and floating charge.

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

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 20 Loans and borrowings

	2021 £	Group 2020 £	2021 £	Company 2020 £
<b>Current loans and borrowings</b>				
Hire purchase contracts	<u>237,024</u>	<u>-</u>	<u>-</u>	<u>-</u>

	2021 £	Group 2020 £	2021 £	Company 2020 £
<b>Non-current loans and borrowings</b>				
Finance lease liabilities	<u>1,926,704</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 21 Obligations under leases and hire purchase contracts

#### Group

#### Finance leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	237,024	-
Later than one year and not later than five years	948,096	-
Later than five years	<u>978,608</u>	<u>-</u>
	<u>2,163,728</u>	<u>-</u>

#### Operating leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	41,400	155,988
Later than one year and not later than five years	107,267	490,600
Later than five years	<u>241,267</u>	<u>262,667</u>
	<u>389,934</u>	<u>909,255</u>

The amount of operating lease payments recognised as an expense during the year was £152,939 (2020 - £571,516).

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 22 Deferred tax and other provisions

#### Group

	Deferred tax £	Lease dilapidation provision £	Other provisions £	Total £
At 1 April 2020	74,882	50,000	-	124,882
Increase (decrease) in existing provisions	(3,882)	96,582	41,000	133,700
At 31 March 2021	<u>71,000</u>	<u>146,582</u>	<u>41,000</u>	<u>258,582</u>

#### Company

	Deferred tax £
At 1 April 2020	119,390
Increase (decrease) in existing provisions	<u>(7,390)</u>
At 31 March 2021	<u>112,000</u>

#### Lease dilapidation provision

The provision included in the accounts of £75,000 (2020 - £50,000) is an estimate of the potential future dilapidation costs associated with a leasehold property that was vacated at the end of the previous financial year. The current provision is based on the latest correspondence with the landlord and expected to be settled in due course.

Further lease dilapidation provisions of £71,582 have been brought in during the financial year following a detailed review of the Group's property portfolio. This provision is based on industry averages for the remaining leasehold property.

#### Other provisions

A provision of £41,000 has been included to cover legal fees associated with a planning dispute.

### 23 Pension and other schemes

#### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £214,267 (2020 - £186,762).

Contributions totalling £30,486 (2020 - £34,766) were payable to the scheme at the end of the year and are included in creditors.

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

### Year Ended 31 March 2021

During the year the group operated two defined benefit pension schemes - the Merchant Navy Officers Pension Fund (New Section) (MNOF) and The Merchant Navy Ratings Pension Fund (MNRPF). These schemes are multi-employer schemes. The group has been unable to identify its share of the underlying assets or liabilities of these schemes and therefore has accounted for these schemes as defined contribution schemes in accordance with FRS 102.

#### *Merchant Navy Officers Pension Fund*

The main purpose of the actuarial valuation is to review the financial position of the MNOF fund relative to its statutory funding objectives and to assist the Trustee to determine the appropriate level of future contributions. The actuarial valuation is required under the terms of Clause 26.0 of the Trust Deed & Rules and Part 3 of the Pensions Act 2004.

The most recent triennial valuation was carried out at 31 March 2018. The 31 March 2018 valuation showed that the market value of the assets was £3,278 million (2015: £2,898 million) and disclosed a shortfall of £73 million (2015: £329 million). Allowing for the present value of deficit contributions due after this date from the Recovery Plans agreed at the 2009 and 2012 valuations, and for the closure of the MNOF fund to future accrual from 31 March 2016, leads to a new net deficit at 31 March 2018 of £9 million. The Trustee has confirmed that no additional deficit contributions will be collected in respect of this new net deficit.

The financial position of the Fund and the level of Participating Employers' contributions to be paid will be reviewed at the next actuarial valuation, which will be carried out at 31 March 2021.

#### *Merchant Navy Ratings Pension Fund*

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

#### *Other Schemes*

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

# Isles of Scilly Steamship Company Limited

## Notes to the Financial Statements

Year Ended 31 March 2021

### 24 Share capital

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

	No.	2021 £	No.	2020 £
Ordinary shares of £1 each	<u>1,411,306</u>	<u>1,411,306</u>	<u>1,411,306</u>	<u>1,411,306</u>

### 25 Contingent liabilities

#### Group

The group's bankers hold bonds in respect of Air BP for £8,000 (2020 - £8,000) and National Express of £2,500 (2020 - £2,500).

### 26 Non adjusting events after the financial period

On 8 July 2021, the Group sold Penzance Dry Dock (2009) Limited to a local Engineering company, Linked Solutions SW Limited, for a notional sum of £1 which prevented various closure costs arising. This will be disclosed as a discontinued operation in the 31 March 2022 year end accounts where Penzance Dry Dock (2009) Limited still traded as part of the Group until the point of disposal.

The Group received further contracted Government grant funding post year end up to 31 May 2021. This assisted the Group up until 17 May 2021 when the leisure and tourism sector started to open up in accordance with the Government's roadmap out of lockdown.

The grant funding was in place to meet the losses incurred from running a restricted service and to support the cash outflows that arose post year end. The Group remains in close contact with local representatives and the Department for Transport in relation to additional funding should the need arise.

### 27 Related party transactions

#### Key management personnel

There are deemed to be no key management personnel outside of the directors. Details of directors remuneration is provided in note 7 to the financial statements and within the strategic report.

#### Transactions with directors

Reference to transactions with directors for the year to 31 March 2021 and 2020 can be found within the strategic report.