Isles of Scilly
Steamship
GROUP

94TH ANNUAL Report and Financial Statements

31 MARCH 2014

Contents

Isles of Scilly Steamship GROUP

Chairman’s statement

On behalf of the Board of Directors a very warm welcome to the Isles of Scilly Steamship Company’s 94th Annual Report and Financial Statements covering the year ending 31st March 2014.

A detailed overview of the Company’s financial performance during the year is set out on pages 6 to 8 of this report. The new composition of the Company’s Board of Directors, together with accounts of its work and responsibilities, is detailed on pages 4-5 and 9-10 respectively.

The 1st April 2013 was the commencement of the first full year, during recent times, in which the Company was the sole provider of scheduled passenger and freight services between the Islands and the mainland UK. Contained in last year’s statement was an account of the preparations and capital expenditure undertaken by the Company for the anticipated increase in passenger numbers as a result of the withdrawal of commercial helicopter services to the Isles of Scilly. This investment meant that the Company was in a position to meet the demands it faced from passengers choosing to travel by sea or on any of the routes operated by Skybus, and it did so successfully throughout the busy season including the peak times such as the Bank and school holidays. The downward trend in passenger numbers travelling to the Islands over recent years continued during the period with 191,889 travelling (2013: 202,565) a decrease of 5.3%. This was accompanied by a greater than anticipated shift towards a higher proportion of passengers choosing to travel by sea; 54.7%, (2013: 41.8%).

The Company’s commercial performance reflected the challenges of adapting quickly to a larger operation and the uncertainties of a significantly changed market. The financial result was adversely affected by a number of factors and in particular the lower than anticipated demand, notably on the airside, in combination with the higher cost base incurred in respect of the investment undertaken to increase passenger capacity. Airside costs and revenues were both adversely affected also by a second successive winter of exceptional and extreme weather conditions necessitating the rescheduling of passenger and freight operations from Land’s End airport to Newquay Cornwall airport for a prolonged period; some 62 days.

As a result of these factors the Company’s earnings before interest, taxation, depreciation and amortisation, EBITDA, decreased by 19.6% (2013: 7.0% increase) to £1,226,006 (2013: £1,525,664). Operating profit decreased by 50.0% (2013: 13.5% increase) to £487,730 (2013: £975,558). Shareholders’ funds increased by 4.9% (2013: 12% increase). The proposed dividend payment of £125,453 (2013: £116,408) is payable on 3rd November 2014 at a rate of 9.5 pence per share (2013: 9 pence per share) in respect of shares on the register at 16th May 2014. The 5.5% increase (2013: 13.5% increase) reflects the Board’s progressive dividend policy and the underlying confidence of the Company’s earnings and performance.

The Company continued its programme of capital expenditure during the year investing a further £1.7 million in its assets; on the aviation side further improvements were made to Land’s End airport and enhancements to aircraft, and on the marine side investment continued in our fleet, which also expanded with the re-acquisition of the Evora, previously the Ivor B, and the achievement of ISO 9000 accreditation for the Penzance Dry Dock.

The Board of Directors is cognisant of the Company’s place in the economic and social fabric of the communities on the Islands and in Cornwall and that is a significant reason why we consider our relationship with all of the groups of people with whom we work to be a priority for us. Our stakeholders include shareholders, employees, customers, suppliers and a number of national, regional and local public and private organisations.

For a number of years we have been reporting on our involvement in initiatives designed to improve the infrastructure associated with the Group’s operations and by so doing to evolve the level, and strengthen the resilience of, the transport services we are able to offer. In this context, we look forward to the benefits that will be provided by the major project to improve St Mary’s quay and harbour that is planned to commence during the current calendar year. Work is planned for Penzance harbour also and, taken together and once complete, these schemes will allow us to plan for significant upgrades to the procedures around our marine passenger and freight operations.

In this report two years ago we detailed our position in respect of the vessel replacement process we have identified. No significant changes were made last year and nor have any been made to this process during the year under review. It is likely that the Gry Maritha and the Lyonesse Lady will be replaced before the end of 2019. Scillonian III continues to perform well on the route. The on-going maintenance and major capital investments the Company has made in this vessel since we commissioned her, most recently during the winter of 2012/2013, is likely to have formed the basis for making the vessel fit for purpose up to and beyond 2019. This factor will be a significant one in influencing the Board’s thinking on how best to achieve greatest value from this important asset; a process which will continue to be reviewed regularly.

Regarding planned investment in our aviation operations, we have been working closely with others on the strategically important project to convert to asphalt two of our four runways, together with associated improvements, at Land's End Airport. The Company had hoped to complete the first phase of these works during 2013, however, circumstances outside our control meant that this was not an option open to us. This project has now commenced following the award of a 50% ERDF grant of up to £1.3 million from the European Union. The project is designed to mitigate the water logging of the airfield experienced during previous extreme winter weather that resulted in periods of closure and operational disruption. The complete project incorporates major drainage works, runway lighting, aircraft apron and taxiway upgrades and navigational enhancements and represents a considerable additional investment in our aviation activities to those made over the last 18 months in our fleet, in our airport and in our enhanced operational expertise and capacity. Taken together with the major improvements being put in place by the Council of the Isles of Scilly at St Mary's airport we are confident that this will lead to improvements in the resilience and operational reliability on the three routes currently operated by Skybus. Together with the Executive, the Board has identified incremental improvements, including 7 day flying operations, it would like to see implemented in due course and we would expect to see increasing numbers of passengers choosing to travel by air to the Islands over the coming years as a result of these specific, as well as other generic island wide, initiatives.

The composition of Board of Directors has evolved considerably during the year under review. Two non-executive directors retired during the year; Vice-Chairman John East and Roy Duncan stood down at the 2013 AGM when both were thanked for their contribution to and participation in the Company's success and wished well for their futures. Peter Hardaker was elected by the Board as its Vice-Chairman in September 2013. Diccon Rogers joined the Board in October last year and Simon Marquis joined in June 2014. Biographies for both can be found elsewhere in this report as can an account of the work of the Nominations committee which led the process around their appointments. I am grateful to both individuals for agreeing to join our Board and am confident that the skills and experience they bring will be of enormous benefit to the Company.

Stuart Reid joined the Company as its Chief Financial Officer during the year and has subsequently been appointed Company Secretary; Stuart was introduced to shareholders during last year's AGM.

Jeff Marston's planned retirement was announced during the year and he received fulsome praise from the Board as well as from shareholders for his contribution to the Company's success during the 2013 AGM. Jeff stood down from his roles as CEO and a Director of the Company in February and, following a productive handover period, retired from the Company in June 2014. On behalf of us all I reiterate our heartfelt thanks and wish him well for the future.

Rob Goldsmith joined the Company as its Chief Executive Officer in February 2014. This followed a detailed and comprehensive process undertaken by the Board to identify and select appropriate candidates. Rob joined the Group at a particularly busy time and the Board has been impressed by his energy, commitment and ability working with his Executive team preparing the Group for the next stage of its development. Rob was appointed a Director of the Company soon after joining us and he has also accepted a Directorship of the Islands' Tourism and Business Partnership.

The Company maintained its focus on its Corporate and Social Responsibilities throughout the year. We retained our involvement with Investors in People as well as with Business in the Community and we were pleased to have played our part, for the 25th successive year, in sponsoring a spectacularly successful World Pilot Gig Championships. The Company's support of the community through our popular Travel Club reached record levels during the year.

On behalf of the Board I extend our sincere thanks to all of those who work for the Company for their hard work and dedication throughout the year. Thanks are extended also to our customers and to our shareholders for your continuing support. Finally, I thank all of my colleagues on the Board, and in particular Vice Chairman Peter Hardaker, for their engagement, support and input throughout what has been a year of considerable change.

AJ MAY
Chairman

17 July 2014

Board of Directors

ROBERT GOLDSMITH

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

ANDREW MAY

ANDREW MAY (Chairman) joined the Board in 1992. He worked in Lincolnshire and London before returning to St Mary's where he now farms and is involved in a number of diversified businesses. He is also the Chairman and a founder Director of Mainland Marketing Ltd, Chairman of the Cornwall Agri-food Council, Chairman of the Cornwall and Isles of Scilly Rural and Farming Network and Vice Chairman of the Rural Cornwall Partnership. He is the Chairman of the Group's Nominations and Remuneration Committees.

PETER HARDAKER

PETER HARDAKER (Vice-Chairman) joined the Board in 2003. He has worked in land based industries for all of his working life and in the Agricultural Supply Sector for the last 34 years of employment in Cornwall. He chairs the Rural Development Programme for England Implementation Group for Cornwall and the Isles of Scilly: he is a Director of the Cornwall Agri-food Council, Director of Cornwall College Corporation, Vice Chair of the Council of Duchy College and a Director of Kernow Grain Ltd. He sits on the Group's Audit and Remuneration Committees.

TERRY WARD

TERRY WARD lives on St Mary's; he joined the Board in 1989. He operates retail outlets on St Mary's and in the West Country.

MARK HOWARTH

MARK HOWARTH lives near Newquay, Cornwall and joined the Board in 2013. He has been in the transport business for over 40 years, working in the UK and overseas and set up his own bus company, Western Greyhound, in 1997 which has grown rapidly and is renowned for its good quality. Mark is on the Council of the Confederation of Passenger Transport (CPT), liaising with Government and Ministers and also chairs the South West Region of CPT as well as chairing the Newquay Cornwall Airport Forum.

JULIA WALDER

JULIA WALDER lives on St.Martins. She joined the board in 1998. She retired from running St Martin's Post Office and Store after many years and now concentrates running Carron Farm self-catering and the family farm.

DICCON ROGERS

DICCON ROGERS joined the Board in 2013. From a St Mary's farming family, he worked in business consultancy in central London in parallel with founding his own marine and construction contracting businesses in Scilly and mainland UK. Co-founding Keynvor Morlift Ltd in 2008, he continues the company's expansion of marine activity across subsea and surface marine construction, heavy lift, towage, salvage, and project cargo, with a particular focus on marine renewable energy. He has served as a trustee of two Scillonian charities and is currently a Steering Board director of the South West Marine Energy Park. He lives in Scilly and Falmouth.

SIMON MARQUIS

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

Isles of Scilly Steamship GROUP

PRINCIPAL ACTIVITIES

The principal activities of the company and its subsidiaries are the provision of regular sea and air services for passengers and cargo between the mainland and the Isles of Scilly.

During the year under review, the companies continued the operation of ancillary activities as follows: marine engineers, garage services, ship repairers and operation of a dry dock, operation of the inter-island launch service, operation of Land's End Aerodrome, operation of scenic flights and aeronautical engineering.

BUSINESS REVIEW

The results for the year are shown in the profit and loss account on Page 13.

The Group's turnover increased by 10.2% (2013: 7.2%) to £13,756,320. This increase was primarily due to the additional volume of passengers carried by Skybus following the cessation of scheduled helicopter operations to the Isles of Scilly at the end of October 2012.

Turnover for services by sea fell by 1.0% (2013: 9.6%) as a result of a decrease in freight volumes, despite an increase in passenger numbers travelling on Scillonian III.

Turnover for services by air rose by 30.1% (2013: 25.7%) as a result of increased passenger and freight volumes.

The decline in visitor numbers to the Isles of Scilly experienced since 2003/4 continued in the year under review. The continuing reduction in visitor numbers represents the most significant risk to the long term profitability of the Group.

Group operating profit was £487,730 (2013: £975,558) a decrease of 50.0%. The decrease is attributed to a number of factors, in particular the lower than anticipated demand in air travel combined with the higher cost base incurred in respect of the investment undertaken to increase passenger capacity. In addition, a second successive winter of extreme weather conditions resulted in the rescheduling of passenger and freight operations from Land's End Airport to Newquay Cornwall Airport. The transfer of passengers during the 62 day shut down period cost the Group £109,416. Profit before Tax decreased to £522,316 (2013: £1,069,587).

In the short term the Group faces an increase in costs of aviation parts and consumables due to a fall in manufacturing output. The Group has identified this risk and now holds an increase in aviation stock.

The Group continued its programme of significant capital expenditure in the year. This included the completion of the investment programme into the Scillonian III, Gry Maritha and Lyonesse Lady. It also included the completion of the Land's End terminal and the refurbishment of the Airport administration building which houses the fire crew and vehicles, pilots and our administration staff.

The net cash outflow from Capital expenditure was £1,536,646 (2013: £3,502,399).

The Group generated cash from its operating activities of £924,979 (2013: £2,416,110). However as a result of the capital investment programme there was a net cash decrease in the year of £639,665 (2013: £1,087,904).

Shareholder funds ended the year at £9,511,717 (2013: £9,064,769) an increase of 4.9% (2013: 12.0%)

CORPORATE GOVERNANCE

The Group is committed to high standards of corporate governance, business integrity and professionalism.

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

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

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

A minimum of 9 Board Meetings are held each year. These meetings are structured to allow open discussion and all Directors participate in discussing the Group's strategic aims and performance as well as financial and risk management. The Board is supplied with comprehensive and timely information in advance of each meeting, including financial and operational reports covering all the Group's business activities.

The Board comprises 7 Non-Executive Directors (including the Chairman) and one Executive Director. The Directors believe that the Board functions effectively and efficiently and is of an appropriate size. The Directors provide a mix of skills, experience and expertise appropriate to the size of the business and its activities.

All Board appointments are made by the Board on recommendation of the Nominations Committee.

The Chairman ensures that all Directors receive clear, accurate and timely information on all relevant matters. On appointment a Director receives a formal induction including an introductory meeting with the Chairman and Chief Executive.

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

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

REMUNERATION COMMITTEE

The Remuneration committee comprises Andrew May (Chairman) Peter Hardaker and Mark Howarth. During the year John East and Julia Walder stepped down from the committee, John East having chaired it for a number of years.

The committee's remit is to review and recommend to the Board changes to the salary and benefits payable to Executive Directors. The committee has had a relatively quiet year. The recommendations outlined in last year's report were implemented. The Chief Executive Officer gave the Board notification of his resignation during the year, consequently it was not necessary to review his salary and most benefits as had been customary in the past, to take effect from April of the new financial year. Work that is ongoing in this regard relates to quantifying the bonus payable on the basis of the agreed methodology of 1.5% of the annual increase in the group's shareholder funds to 31 March 2014.

The salary and benefits payable to the only executive director, Rob Goldsmith, in the current year were agreed by the Board on the recommendation of the Nominations committee. The Remuneration committee will be looking at appropriate review mechanisms for both salary and incentive bonus in time for implementation from April 2015.

	Salary	Fees	Benefits in kind	Other	Total 2014	Total 2013	Pension contributions 2014	Pension contributions 2013
	£	£	£		£	£	£	£
Executive Directors								
J Marston (retired)	71,500	-	15,106	8,438	**95,044**	91,851	**34,386**	48,214
Non Executive Directors								
P D Hardaker	-	6,250	-	-	**6,250**	5,402		
A J May	-	16,577	-	-	**16,577**	16,206		
J Walder	-	4,895	-	-	**4,895**	5,016		
T B Ward	-	4,877	-	-	**4,877**	4,630		
M Howarth	-	4,940	-	-	**4,940**	-		
D S Rogers	-	2,140	-	-	**2,140**	-		
Past Directors								
R W Banfield	-	-	-	-	**-**	2,250	**-**	-
J H M East	-	3,465	-	-	**3465**	6,945	**-**	-
H R Duncan	-	2,502	-	-	**2,502**	5,016		
	71,500	45,646	15,106	8,438	**140,690**	137,316	**34,386**	48,214

Mr. Marston's benefit in kind relates to the provision of a fully expensed car.

The Company compensated Mr. Marston for holiday not taken and this is shown under other remunerations.

NOMINATIONS COMMITTEE

The Nominations Committee comprises Andrew May (Chairman) and Peter Hardaker. During the year John East and Jeff Marston stepped down from the committee and Terry Ward was seconded to it. At the year end there was a vacancy on the committee. The committee has a wide remit which includes; (i) reviewing the Board's structure, size and composition (ii) identifying and nominating candidates to fill Board vacancies (iii) reviewing the time commitment required from non-executive directors to fulfil their responsibilities and to consider performance evaluation (iv) to formulate succession plans for executive and non-executive directors and (v) to recommend changes to the membership of the Audit, Nominations and Remuneration committees to the Board.

The committee was active during the year meeting frequently. Its work centred on the process around the appointment of the Company's new Chief Executive Officer (CEO) and non-executive directors. The committee considered the professional and personal qualities desirable in CEO candidates before looking at the role and responsibilities attached to the position. It then considered a detailed job description. The committee recommended the use of specialist recruitment consultants and agreed the process surrounding the identification and selection of candidates. It was then closely involved in the selection and final interview process prior to recommending Rob Goldsmith's appointment as CEO, and subsequently as a director during the current year, to the Board. In respect of non-executive directors the committee followed its established process which resulted in the appointment of Diccon Rogers during the year. The selection process was well advanced in respect of Simon Marquis at the year end and he was appointed in June of the current year.

The committee recommended changes to the membership of the Audit and Remuneration committees during the period which were accepted by the Board.

AUDIT COMMITTEE

During the year, John East stepped down as a Director of the group and thus Chair of the Audit Committee. A review was carried out and Peter Hardaker was appointed Chair and the committee now comprises of Peter Hardaker (Chairman); Terry Ward and Diccon Rogers. The committee has a broad commercial knowledge and leadership experience to carry out their responsibilities in line with good governance. Skill levels will continue to be reviewed.

The committee's principle role is to monitor the integrity of the financial statements of the Company and any formal announcement relating to the Company's performance; review the Company's internal financial controls and monitor and review the effectiveness of the Company's internal audit function. It also considers and recommends to the Board, the appointment of external auditors for approval by shareholders at the AGM. The Chairman and/or the Chief Executive are invited to attend audit meetings as and when appropriate.

The Audit Committee has formally met on two occasions during the year, 26th June 2013 and 20th February 2014 but its influence and work continues throughout the year. On 26th June, the accounts for year ending 31st March 2013 were reviewed and recommended for approval by the Board. The audit letter which indicated no material errors and few actions was reviewed and action agreed. At the meeting on 20th February, the Audit timetable was finalised, Audit priorities set, including matters for special attention. The Company's recently developed Risk Register was reviewed, this being considered an integral element in fulfilling our responsibilities. The Audit letter actions agreed at the previous meeting were reviewed and have been resolved to our satisfaction.

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

By order of the Board

Hugh Town
St Mary's
Isles of Scilly

S Reid
Company Secretary

17 July 2014

The Directors present their annual report and financial statements of the Group for the year ended 31st March 2014.

DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year were:

	Committees
H R Duncan (retired September 2013)	A
J H M East (retired September 2013)	A, R, N
P D Hardaker (Vice Chairman)	A, R, N
M Howarth	R
J Marston (retired February 2014)	N
A J May (Chairman)	R, N
D S Rogers	A
Mrs. J. M. Walder	-
T B Ward	A, 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.

The Chairman and Chief Executive may be invited to attend meetings of the audit and remuneration committees when appropriate.

The interests of the Directors in the ordinary shares of the Company as at 31st March 2014 are set out below. There have been no changes between these interests between 1stApril 2014 and 17th July 2014.

	2014	**2013**
H R Duncan	26,968	25,807
J H M East	4,043	3,869
P D Hardaker	3,186	3,049
J Marston	35,881	34,336
A J May	61,303	58,663
Mrs. J. M. Walder	20,577	19,691
T B Ward	16,816	16,506
D S Rogers	411	-

DIVIDEND

The Directors recommend the payment of a final dividend of £125,453 (2013: £116,408), 9.5p (2013: 9p) per share (or a scrip issue of 1 share for every £2.40 of dividend). This is based on shareholding at 16 May 2014 and will be paid on 3 November 2014.

AUDITORS

In accordance with section 485 of the Companies Act 2006, a resolution proposing that Francis Clark LLP be re-appointed as auditors of the Company will be put to the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit and loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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.

STATEMENT OF DISCLOSURE TO AUDITOR

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board

Hugh Town
St Mary's
Isles of Scilly

S Reid
Company Secretary

17 July 2014

Independent auditor's report to the shareholders of Isles of Scilly Steamship Company Limited

We have audited the financial statements of Isles of Scilly Steamship Company Limited for the year ended 31 March 2014 set out on pages 14 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2014 and of the group's profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Andrew Greenwood Allen BSc FCA(Senior Statutory Auditor)
for and on behalf of Francis Clark LLP, Statutory Auditor

Lowin House
Tregolls Road
TRURO
TR1 2NA

4 August 2014

Group profit and loss account

Group profit and loss account

For the year ended 31 March 2014

	Notes	**2014** **£**	2013 £
Turnover	*2*	**13,756,320**	12,485,719
Cost of sales before exceptional item		**13,286,883**	(11,443,550)
Gross profit		**469,437**	1,042,169
Other operating income		**18,293**	31,366
Operating profit before exceptional item		**487,730**	1,073,535
Cost of sales – exceptional item	*3*	**-**	(97,977)
Operating profit	*4*	**487,730**	975,558
Other interest receivable and similar income		**34,586**	94,029
Profit on ordinary activities before taxation		**522,316**	1,069,587
Taxation	*5*	**(13,238)**	2,574
Profit on ordinary activities after taxation and profit for the financial year	*17*	**509,078**	1,072,161

All activities are classed within the group as continuing during the years ended 31 March 2014 or 2013.

There are no recognised gains or losses in the above years other than those passing through the profit and loss account.

Note of group historical cost profits and losses

Note of group historical cost profits and losses

For the year ended 31 March 2014

	2014	2013
	£	£
Reported profit on ordinary activities before taxation	**522,316**	1,069,587
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**-**	-
Historical cost profit on ordinary activities before taxation	**522,316**	1,069,587
Historical cost profit retained after taxation	**509,078**	1,072,161

Balance sheet

Balance sheet

As at 31 March 2014

		The Company		The Group	
		2014	2013	**2014**	2013
	Notes	**£**	£	**£**	£
Fixed assets					
Intangible assets	*7*	**-**	-	**-**	35,999
Tangible assets	*8*	**2,978,990**	2,605,472	**9,341,588**	8,582,799
Investments	*9*	**264,788**	264,787	**-**	-
		3,243,778	2,870,259	**9,341,588**	8,618,798
Current assets					
Stocks	*10*	**-**	-	**1,280,933**	818,770
Debtors	*11*	**3,275,696**	2,520,988	**1,485,471**	2,113,754
Cash at bank and in hand		**2,866,368**	3,587,447	**2,981,955**	3,621,620
		6,142,064	6,108,435	**5,748,359**	6,554,144
Creditors: amounts falling due within one year	*12*	**(3,291,316)**	(3,313,581)	**(5,299,230)**	(5,829,173)
Net current assets		**2,850,748**	2,794,854	**449,129**	724,971
Total assets less current liabilities		**6,094,526**	5,665,113	**9,790,717**	9,343,769
Provisions for liabilities and charges	*13*	**-**	-	**(279,000)**	(279,000)
Net assets		**6,094,526**	5,665,113	**9,511,717**	9,064,769
Capital and reserves					
Called up share capital	*15*	**1,320,561**	1,293,422	**1,320,561**	1,293,422
Share premium account		**27,139**	-	**27,139**	
Profit and loss account	*16*	**4,746,826**	4,371,691	**8,164,017**	7,771,347
Shareholders' funds	*17*	**6,094,526**	5,665,113	**9,511,717**	9,064,769

These financial statements were approved by the Board of directors on 17 July 2014 and were signed on its behalf by:

R Goldsmith
Director

Company Registration No. 00165746

Group cash flow statement
For the year ended 31 March 2014

	Notes	£	2014 £	£	2013 £
Net cash inflow from operating activities	*22*		**924,979**		2,416,110
Returns on investments and servicing of finance					
Interest received		**34,586**		102,387	
Net cash inflow from returns on investments and servicing of finance			**34,586**		102,387
Taxation					
Corporation tax paid		**(446)**		(528)	
			(446)		(528)
Capital expenditure					
Payments to acquire tangible fixed assets		**(1,656,314)**		(3,710,553)	
Receipts from sales of tangible fixed assets		**119,668**		208,154	
Net cash outflow from capital expenditure			**(1,536,646)**		(3,502,399)
Equity dividends paid			**(62,138)**		(103,474)
Decrease in cash in the year	*23*		**(639,665)**		(1,087,904)

Notes

(forming part of the financial statements)

1 **Accounting policies**

1.1 ***Accounting convention***

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain assets.

1.2 ***Turnover***

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

1.3 ***Goodwill and other intangible assets***

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

1.4 ***Tangible fixed assets and depreciation***

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

Freehold properties	50 years (straight line)
Aircraft engines and major components	number of hours flown (straight line)
Leasehold properties	over the period of the lease (straight line)
Plant and equipment	At various rates appropriate to the relevant asset (straight line)

1.5 ***Investments***

Investments are included in the financial statements at cost less amounts written off for permanent diminution in value.

1.6 ***Stocks***

Stocks and work in progress are stated at the lower of cost and net realisable value after provision has been made for obsolete and slow-moving stock. For work in progress cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

1.7 ***Taxation***

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.8 ***Assets acquired under mortgage loans and hire purchase agreements***

Where assets are acquired under a mortgage or hire purchase agreement which gives rights approximating to ownership, the amount representing the outright purchase price of such assets is included in tangible fixed assets. The capital element of future repayments is treated as a liability and the interest is charged to the profit and loss account over the period of the mortgage or hire purchase agreement.

All other leases are accounted for as ‘operating leases’ and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes
(forming part of the financial statements)

1.9 ***Consolidation***

The consolidated financial statements incorporate the financial statements of Isles of Scilly Steamship Company Limited and its subsidiary undertakings. The financial statements of all group companies are made up to 31 March 2014. In accordance with the exemptions granted under Section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the company only has not been presented.

1.10 ***Pension costs***

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17 (Revised). Defined benefit pension funds have been accounted for as defined contribution schemes since these are multi-employer schemes and the company has been unable to identify its share of the underlying assets or liabilities of these funds.

1.11 ***Ship maintenance***

When the ships are dry-docked for overhaul, the costs of these overhauls are charged against the profit and loss account as incurred.

Other repair or service costs are also charged against the profit and loss account as incurred.

1.12 ***Financial instruments***

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not hold or issue derivative financial instruments for speculative purposes. The derivatives are not included at fair value in the accounts.

2 **Turnover**

The analysis of turnover by activity is as follows:

	2014	2013
	£	£
Services by sea	**5,116,269**	5,170,378
Services by air	**7,602,851**	5,843,656
Other non-transport activities	**1,037,200**	1,471,685
	13,756,320	12,485,719

3 **Exceptional item**

The group incurred a cost of £Nil (2013: £97,977) in respect of the Merchant Navy Officers Pension Fund during the year.

4 **Operating profit**

	2014	2013
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation of tangible assets	**702,277**	538,106
Loss/(Profit) on sale of tangible fixed assets	**75,580**	(148,500)
Amortisation of intangible fixed assets	**35,999**	12,000
Rental of other assets - operating leases	**353,917**	214,845
Hire of plant and machinery - rentals payable under operating leases	**40,939**	38,025
Auditors remuneration	**11,950**	11,950

Notes

(forming part of the financial statements)

5 **Taxation**

	2014	2013
	£	£
Current tax charge		
UK Corporation Tax - current year	**438**	526
- prior year	**-**	-
	438	526
Deferred tax (credit)/charge	**12,800**	(3,100)
	13,238	(2,574)
Factors affecting the tax credit for the year		
Profit on ordinary activities before taxation	**522,316**	1,069,587
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2013: 20%)	**104,463**	213,917
Effects of:		
Non deductible expenses	**(15,093)**	20,739
Depreciation	**140,455**	107,057
Capital allowances	**(111,668)**	(91,223)
Tax losses arising	**60,823**	25,568
Profit of business not subject to taxation	**(178,980)**	(276,058)
Tonnage tax	**438**	526
	(104,025)	(213,391)
Current tax charge	**438**	526

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.

Notes
(forming part of the financial statements)

6 Dividends

	2014	2013
	£	£
Prior year final dividend	**116,408**	103,474

The directors propose a final ordinary dividend of £125,453 (2013: £116,408) for the year ended 31 March 2014. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 10 September 2014.

7 Intangible fixed assets –Group

	Goodwill	Other intangible assets	Total
	£	£	£
Cost			
At 1 April 2013 and 31 March 2014	58,000	1,999	59,999
Amortisation			
At 1 April 2013	23,200	800	24,000
Charge for the period	34,800	1,199	35,999
At 31 March 2014	58,000	1,999	59,999
Net book value			
At 31 March 2014	-	-	-
At 31 March 2013	34,800	1,199	35,999

Notes

(forming part of the financial statements)

8 **Tangible fixed assets - Company**

	Assets in the course of construction	Plant and equipment	Short leasehold property	Freehold property	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2013	1,182,421	44,646	364,476	1,346,900	2,938,443
Additions	427,869	-	-	-	427,869
Disposals	-	-	-	-	-
Transfers	(1,610,290)	-	-	1,610,290	-
At 31 March 2014	-	44,646	364,476	2,957,190	3,366,312
Depreciation					
At 1 April 2013	-	10,995	128,546	193,430	332,971
On disposals	-	9,138	13,007	32,206	54,351
Charge for year	-	-	-	-	-
At 31 March 2014	-	20,133	141,553	225,636	387,322
Net book value					
At 31 March 2014	**-**	**24,513**	**222,923**	**2,731,554**	**2,978,990**
At 31 March 2013	1,182,421	33,651	235,930	1,153,470	2,605,472

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

Freehold property includes property revalued by £321,366 (2013: £321,366) at 31 March 1991 at open market value. On a historical cost basis the property has an original cost of £121,384 (2013: £121,384) with depreciation charged of £36,415 (2013: £36,415) to date.

Included in freehold property is land with a cost of £735,123 (2013: £735,123) which has not been depreciated.

Notes
(forming part of the financial statements)

Tangible fixed assets (continued) – Group

	Assets in the course of construction	Plant and equipment	Short leasehold property	Freehold property	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2013	1,182,421	15,314,767	541,124	1,346,902	18,385,214
Additions	427,869	1,228,445	-	-	1,656,314
Disposals	-	(319,163)	-	-	(319,163)
Transfers	(1,610,290)	-	-	1,610,290	-
At 31 March 2014	-	16,224,049	541,124	2,957,192	19,722,365
Depreciation					
At 1 April 2013	-	9,308,337	300,648	193,430	9,802,415
On disposals	-	(123,915)	-	-	(123,915)
Charge for year	-	652,519	17,552	32,206	702,277
At 31 March 2014	-	9,836,941	318,200	225,636	10,380,777
Net book value					
At 31 March 2014	**-**	**6,387,108**	**222,924**	**2,731,556**	**9,341,588**
At 31 March 2013	1,182,421	6,006,430	240,476	1,153,472	8,582,799

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

Included in freehold property is land with a cost of £735,123 (2013: £735,123) which has not been depreciated.

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

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

Notes

(forming part of the financial statements)

9 Fixed asset investments - Company

	Shares in subsidiary undertakings	**Total**
	£	**£**
Cost		
At 1 April 2013	264,787	**264,787**
Additions	1	**1**
31 March 2014	264,788	**264,788**

Details of subsidiary undertakings are as follows:

	Percentage of allotted ordinary share capital	
	2014	2013
Isles of Scilly Skybus Limited Principal activity - provision of freight and passenger air services between the mainland and the Isles of Scilly.	**100%**	100%
Land's End Airport Limited Principal activity - operation of Lands End Aerodrome	**100%**	100%
Isles of Scilly Shipping Company Limited Principal activity – provision of passenger and cargo services by sea between the mainland and the Isles of Scilly	**100%**	100%
Lyonesse Shipping Company Limited Principal activity – leasing of ships	**100%**	100%
Lyonesse Air Transport Limited Dormant	**100%**	100%
Penzance Dry Dock (2009) Limited Principal activity –operation of a dry dock	**100%**	100%
Nike Engineering Limited Principal activity – mechanical and marine engineering	**100%**	100%
Isles of Scilly Shipping (Guernsey) Limited Principal activity – offshore crew management	**100%**	-

10 Stocks

	The Company		The Group	
	2014	2013	**2014**	2013
	£	£	**£**	£
Fuel	**-**	-	**109,003**	97,803
Engineering spares and workshop	**-**	-	**1,058,629**	678,663
Consumables and goods for resale	**-**	-	**113,301**	42,304
	-	-	**1,280,933**	818,770

Notes

(forming part of the financial statements)

11 **Debtors**

	The Company		The Group	
	2014	2013	**2014**	2013
	£	£	**£**	£
Amounts falling due within one year:				
Trade debtors	**-**	-	**1,049,393**	1,351,062
Amounts owed by group undertakings	**2,469,841**	1,492,991	**-**	-
Prepayments and accrued income	**25,846**	71,645	**182,643**	316,950
Other debtors	**135,007**	311,352	**253,435**	432,942
Deferred tax asset (see below)	**-**	-	**-**	12,800
	2,630,696	1,875,988	**1,485,471**	2,113,754
Amounts falling due in more than one year:				
Amounts owed by group undertakings	**645,000**	645,000	**-**	-
	3,275,696	2,520,988	**1,485,471**	2,113,754

Deferred tax asset – group	**Deferred taxation**
	£
Balance at 1 April 2013	12,800
Profit and loss account	(12,800)
Balance at 31 March 2014	**-**

Deferred tax is provided at 20% (2013: 20%) analysed over the following timing differences:

	2014	2013
	£	£
Unutilised losses carried forward	**-**	12,800

Notes
(forming part of the financial statements)

12 Creditors: amounts falling due within one year

	The Company		The Group	
	2014	2013	**2014**	2013
	£	£	**£**	£
Trade creditors	**56,146**	72,676	**764,890**	1,572,440
Amount owed to group undertakings	**3,150,448**	3,042,414	**-**	-
Corporation tax	**-**	-	**438**	526
Other taxes and social security	**16,931**	10,004	**123,303**	53,137
Other creditors	**4,470**	6,982	**17,968**	6,982
Accruals and deferred income	**63,321**	181,505	**4,392,631**	4,196,088
	3,291,316	3,313,581	**5,299,230**	5,829,173

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

13 Provisions for liabilities and charges - Group

	Deferred taxation
	£
Balance at 1 April 2013	279,000
Profit and loss account	-
Balance at 31 March 2014	**279,000**

Deferred tax is analysed over the following timing differences:

	Fully provided	
	2014	2013
	£	£
Accelerated capital allowances	**505,000**	516,000
Unutilised losses carried forward	**(226,000)**	(237,000)
	279,000	279,000

If revalued assets were realised at their net book value at the year end the potential corporation tax liability for the company and group would have been £Nil (2013: £Nil).

Notes

(forming part of the financial statements)

14 Pension schemes

During the year the group operated two defined benefit pension schemes – the Merchant Navy Officers Pension Fund (New Section) (MNOPF) and The Merchant Navy Ratings Pension Fund (MNRPF). These schemes are multi-employer schemes. The group has been unable to identify its share of the underlying assets or liabilities of these schemes and therefore has accounted for these schemes as defined contribution schemes in accordance with FRS 17.

Merchant Navy Officers Pension Fund

The most recent actuarial valuation for the purposes of Regulations 14 and 30 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 for the MNOPF was carried out on 31 March 2012. The Projected Unit funding method was used and assets valued at their stated market value. The assumptions which have the most effect on the results of the MNOPF valuation are those relating to future investment returns and changes in mortality rates.

The valuation showed that the market value of the assets was £2,169 million and disclosed a shortfall of £492million. Interest is being charged on the deficit at 6.3% to the date of collection of the deficit of 30 June 2013. The company's share of this deficit is £97,977 and this was paid by the company in June 2013.

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

Merchant Navy Ratings Pension Fund

The most recent published actuarial valuation for the purpose of Regulation 14 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 for the MNRPF was carried out at 31 March 2011. The results of the valuation carried out as at 31 March 2014 are not yet available. The projected unit method was used. The assumptions which have the most effect on the results of the MNRPF valuation are those relating to the valuation rate of interest, rate of salary escalation and Section 148 order revaluation and the rate of future pension increases.

The 2011 valuation disclosed a shortfall of £212 million on an ongoing basis.

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

The deficit is proposed to be repaid by the members of the fund over a period of 13 years to 31 March 2021. The company's share of this deficit has not been accurately determined. During the year the company was charged £Nil (2013: £Nil) towards the deficit.

Other Schemes

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

Pension Cost Charge

The total pension cost charge for the period represents contributions payable by the group to the funds and amounted to £154,384 (2013: £241,427). Contributions amounting to £11,938 (2012: £116,252) were payable to the funds at the year end and are included in creditors. The respective figures of the company are £39,815 of contributions (2013: £155,760) and £3,954 in creditors (2013: £104,959).

Notes

(forming part of the financial statements)

15 Share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
1,320,561 Ordinary shares of £1 each	**1,320,561**	1,293,422

27,139 ordinary shares were issued in the year at £2 per share in lieu of dividend.

16 Reserves

	The Company		**The Group**	
	Share Premium	Profit & Loss Account	Share Premium	Profit & Loss Account
	£	£	£	£
At 31 March 2013	-	4,371,691	-	7,771,347
Profit for the financial year	-	491,543	-	509,078
Dividends	-	(116,408)	-	(116,408)
Issue of ordinary shares	27,139	-	27,139	-
At 31 March 2014	27,139	4,746,826	27,139	8,164,017

17 Reconciliation of movements in shareholders' funds

	The Company		**The Group**	
	2014	2013	**2014**	2013
	£	£	**£**	£
Profit for the financial year	**491,543**	699,802	**509,078**	1,072,161
Dividends	**(116,408)**	(103,474)	**(116,408)**	(103,474)
	375,135	596,328	**392,670**	968,687
New share capital subscribed	**27,139**	-	**27,139**	-
Premium on issue of shares	**27,139**	-	**27,139**	-
Net addition to shareholders' funds	**429,413**	596,328	**446,948**	968,687
Opening shareholders' funds	**5,665,113**	5,068,785	**9,064,769**	8,096,082
Closing shareholders' funds	**6,094,526**	5,665,113	**9,511,717**	9,064,769

18 Related party transactions

During the period services supplied by the group, where directors had an interest, amounted to £51,090 (2013: £47,183), the balance owing to the group, in respect of these transactions at 31 March 2014 was £16,900 (2013: £21,954). Dividends paid during the year to directors amounted to £16,034 (2013: £13,229).

Notes

(forming part of the financial statements)

19 **Contingent liabilities**

The Group and Company

The bankers hold bonds in respect of Air BP for £8,000 (2013: £8,000) and National Express of £2,500 (2013: £2,500).

The Company

The company has agreed to support the operation of its subsidiary companies Land's End Airport Limited, Nike Engineering Limited and Penzance Dry Dock (2009) Limited for the foreseeable future by providing working capital via inter-company loan accounts.

20 **Commitments - Group**

Operating leases

Annual commitments under operating leases:

	Other		Land and buildings	
	2014	2013	**2014**	2013
	£	£	**£**	£
Operating lease which expires in;				
less than one year			**110,000**	-
2-5 years	**272,386**	272,386	**-**	110,000

Capital commitment

	2014	2013
	£	£
Authorised but not contracted for	**-**	165,261

Commitments – Company

Capital commitment

	2014	2013
	£	£
Authorised but not contracted for	**-**	165,261

21 **Financial instruments**

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not hold or issue derivative financial instruments for speculative purposes. The derivatives are not included at fair value in the accounts. The principal sums of US dollars committed to be purchased under forward contract agreements between the year end and 24 December 2014, and fair values at the balance sheet date were as follows:

United States Dollars ($)	**2014**	2013
Principal (USD$)	**418,500**	-
Fair value (GBP£)	**251,125**	-

Notes

(forming part of the financial statements)

22 Reconciliation of operating profit to net cash inflow from operating activities

	2014 £	2013 £
Operating profit	**487,730**	975,558
Depreciation	**702,277**	538,106
Amortisation	**35,999**	12,000
Loss/(Profit) on sale of tangible fixed assets	**75,580**	(148,500)
(Increase)/decrease in stocks	**(462,163)**	54,024
Increase/(decrease) in debtors	**615,411**	(851,403)
(Decrease)/increase in creditors	**(529,855)**	1,836,325
Net cash inflow from operating activities	**924,979**	2,416,110

23 Reconciliation of net cash flow to movement in net funds

	2014 £	2013 £
Decrease in cash (note 24)	**(639,665)**	(1,087,904)
Movement in net funds in the year resulting from cash flows	**(639,665)**	(1,087,904)
Net funds at 1 April 2013	**3,621,620**	4,709,524
Net funds at 31 March 2014	**2,981,955**	3,621,620

24 Analysis of changes in net funds

	At 1 April 2013 £	Cashflow £	At 31 March 2014 £
Cash at bank and in hand	3,621,620	(639,665)	**2,981,955**

25 Control

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

Notes

(forming part of the financial statements)

26 Staff numbers and costs

The average number of persons employed by the group during the year was as follows:

	2014	2013
Directors	**8**	8
Employees	**182**	164
	190	172

The aggregate payroll costs of these persons were as follows:

	2014 £	2013 £
Wages and salaries	**4,304,009**	3,821,434
Social security costs	**379,647**	365,825
Other pension costs	**115,071**	241,427
	4,798,727	4,428,686

27 Remuneration of directors

	2014 £	2013 £
Directors' emoluments	**175,076**	185,530

Retirement benefits are accruing to 1 director (2013: 1) under defined contribution pension schemes.

Isles of Scilly
Steamship
GROUP

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