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OFFICIAL REPORT

OF THE

EXTRAORDINARY MEETING OF CHIEF PLEAS OF THE ISLAND OF SARK

HANSARD

Assembly Room, Sark, Wednesday, 19th February 2020

All published Official Reports can be found on the official Island of Sark Chief Pleas website www.gov.sark.gg

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Appendix 16

Present:

Seigneur
Maj. C M Beaumont Esq.

Deputy Speaker of Chief Pleas
P Armorgie Esq.

Prévôt
K N Adams

Greffier
T J Hamon

Treasurer
S Hudson

Constable
A Diaper

Conseillers:

Alan Blythe
Peter La Trobe-Bateman
Christopher Nightingale
Anthony Ventress
Paul Williams
Sandra Williams
John Guille
Christopher Drillot
Amanda de Carteret
Ellen Lalor
Rodney Lalor

Business transacted

Appendix 16

Extraordinary Meeting of Chief Pleas

Chief Pleas met at 7 p.m.

[THE SPEAKER *in the Chair*]

PRAYER
The Greffier

ROLL CALL
The Greffier

The Greffier: There are 11 Conseillers, the Seigneur and the Deputy Speaker of Chief Pleas present.

The Deputy Speaker: Very good, thank you. Good evening everyone.

Apologies received

The Deputy Speaker: The Lieutenant Governor is unable to attend the Meeting this evening due to other commitments.

I have received apologies for absence this evening from Conseillers Simon Couldridge, Phil Long, Helen Plummer and William Raymond.

Declarations of interest received

The Deputy Speaker: I have to announce good news that all the Conseillers' declarations of interest have now been received by the Greffier, so thank you very much indeed for completing those.

Procedural –
Electronic devices

The Deputy Speaker: I would now say, in accordance with the Rules of Procedure, I would remind all present that mobile phones, cameras, recording devices and other electronic equipment is switched off now, less for those allowed to Chief Pleas Members in accordance with Rule 18.

Business of the Day

1. Matters Arising from the Extraordinary Meeting of Chief Pleas held on Wednesday, 17th December 2019 – None

The Deputy Speaker: So we move on to Agenda Item 1, Matters Arising from the Extraordinary Meeting of Chief Pleas held on Wednesday, 17th December 2019. Are there any matters arising from that Meeting?

No, okay.

2. Agreement to Purchase and Loan Guarantee for Isle of Sark Replacement Passenger Vessel *Corsaire Des Iles 2* – Policy and Finance Committee Report considered – Propositions carried

To consider a Report with two Propositions from the Policy and Finance Committee entitled 'Agreement to Purchase and Loan Guarantee for Isle of Sark Replacement Passenger Vessel Corsaire Des Iles 2'.

Proposition 1:
That Chief Pleas approves the purchase of the vessel currently named Corsaire des Iles 2, by Isle of Sark Shipping Company Ltd, for the price of Euros 740,000.

Proposition 2:
That Chief Pleas authorises the Chairman of the Policy and Finance Committee to execute a guarantee to the lending bank to Isle of Sark Shipping Company Ltd in an amount of £300,000.

The Deputy Speaker: We will move on to Agenda Item 2, to consider a Report with two Propositions from the Policy and Finance Committee entitled 'Agreement to Purchase and Loan Guarantee for Isle of Sark Replacement Passenger Vessel *Corsaire Des Iles 2*'.

I would like to ask Conseiller Sam La-Trobe Bateman to introduce the Report.

Conseiller La Trobe-Bateman: Thank you very much.

Not much to add, really, to this Report. I hope you have all read the business case that has come from Sark Shipping. It is quite detailed. I think it covers most of their potential risks for purchasing a new vessel like this. It is a second-hand vessel, but it is, I think we all agree, a necessity. We need this boat for the season.

The purpose really for this Chief Pleas is for us to guarantee the loan. The company does have enough money to cover the whole purchase of the boat but feel that actually, if they use all that money, it leaves them in a pretty delicate position, should something unforeseen happen. So, by going to the bank and getting a loan, it keeps the business a lot more afloat.

So they are essentially asking for a loan of £300,000. They are putting in £350,000, so the total cost is £750,000 for this new boat. That includes quite a large sum for updates for necessities to bring it up to bring it up to code for the MCA. At the moment it is currently licensed under the French flag, and by bringing it here it has to come to the MCA, which is the

UK authority. I think that there will be a few changes, so that £135,000 which they have got for contingency in there is to do any of that.

So we are asked for a £300,000 guarantee. This does not have to be ring-fenced out of our reserves; it just has to be made available, should they default – which I cannot see them doing.

That is pretty much all I have got to waffle about for that.

One thing I would quickly draw your attention to is the draft timetable. I know this a bit off-topic for the loan, but this is a draft and I think that you should all study it and make sure that everybody on the Island studies it and gets back to Sark Shipping, because when the boat is here and tested, it will probably be amended slightly. They are aiming to get the boat, if everything goes well with the category, with the MCA inspections, to be in operation for 1st May.

Thank you.

The Deputy Speaker: Thank you very much.

Are there any questions from the floor? Would anyone like to put any questions to Conseiller La Trobe-Bateman?

Conseiller Sandra Williams, thank you.

Conseiller Sandra Williams: I would just like to clarify, Sam, that the Isle of Sark Shipping are contributing £450,000, not £300,000? (**Conseiller La Trobe-Bateman:** Sorry, yes.) That is fine. And that we are being asked to guarantee the loan of £300,000; which is the £750,000.

And also, if I could confirm that yes, Conseiller La Trobe-Bateman is right, we have had lots of debating going on over the last few weeks about the schedule. We have moved things around already on the schedule, to try and suit everybody. We have had meetings with the carters, the Shipping Committee, and we feel that what we have put forward is workable.

So yes, that is an interesting point. Thank you.

The Deputy Speaker: Very good. Are there any other comments or questions from the floor regarding the Report? No?

In which case we will go to the vote, if we may. So Proposition 1 is that Chief Pleas approves the purchase of the vessel currently named *Corsaire des Iles 2*, by the Isle of Sark Shipping Company Ltd, for the price of Euros 740,000. Could we have a show of hands for those in favour, please? And those against? **Carried unanimously.**

Moving on to Proposition 2, that Chief Pleas authorises the Chairman of the Policy and Finance Committee to execute a guarantee to the lending bank to the Isle of Sark Shipping Company Ltd in an amount of £300,000. Those in favour? Those against? **Carried unanimously.**

Thank you very much indeed.

That, ladies and gentlemen, completes the business of the evening. Thank you very much indeed.

Greffier.

PRAYER

The Greffier

Chief Pleas closed at 7.08 p.m.

14th April 2020

Dear Rafael,

Please take this letter as confirmation that;

- The Bank may rely on the £300k Chief Pleas guarantee dated 06/04/2020 to support the loan evidenced by the facility agreement between IOSS and the Bank dated 18/02/2020, which will be partially drawn (up to £200,000), notwithstanding that the full conditions on which the loan had been agreed have not been able to be completed: which includes but is not limited to the charge over the vessel to be purchased

- It is accepted that the Bank is still to take a charge over the vessel as security and that this will be completed within a reasonable timeframe as soon as practically possible.

- Chief Pleas also acknowledges that the vessel has already been purchased and that the proposed drawdown of the loan facility is to release funding to the IOSS to support ongoing cashflow requirements

Yours sincerely

_____

XXXXXXXX Name
XXXXXXXX Position
On Behalf of
The Chief Pleas of the Island of Sark

Date: _____

_____

XXXXXXXX Name
XXXXXXXX Position
On Behalf of
The Isle of Sark Shipping Company Limited

Date: _____

IOSS objectives, schedule and the impact on the financial forecast.

Following instructions received from the ROS the clear stated prime objective for the Company was:

- ***To maintain the lifeline cargo service at the most economical operating cost.***
- ***To ensure the long term financial viability of the Company, to operate within the financial forecast, saving costs wherever achievable in order to maintain or reduce the negative financial position projected in the forecast.***

This approach and the forecast was also agreed with the lender (the bank)

At this stage the outlook was that we were to expect no passenger revenue until the beginning of 2021 when modelling our operating budgets.

In the last 14 days that situation changed with the relaxation of Bailiwick travel restrictions which will enable the Company to resume carrying passenger although potential volumes will be limited to Bailiwick residents only.

Due to the uncertainty over the level of demand and in order to keep in line with our prime objectives (still in place) it was decided that it would be prudent to phase in the schedule rather than commit to a full schedule that may/could lead to the Company committing to services that could lead to further losses.

We have therefore published a "core" schedule that with early demand indications we are fairly confident they will contribute to a positive financial position rather than lead to a negative financial position against the forecast. The schedule covers what are historical high demand days and times and gives certainty and the opportunity for staying visitors (who tend to book further in advance) the chance to book accommodation and travel. In order to ensure we do not commit to loss making services the less high demand services (0800/0900, 1700/1800 1145/1245) will be added to the schedule as demand dictates. Day trip bookings, particularly in the case of Guernsey residents tend to be booked at very short notice and are highly weather dependant/influenced.

We do appreciate that we are also a "community" operator and have a responsibility to support Sark local businesses and the Sark economy in general. Therefore as a secondary objective our goal will also be to ensure we fulfil all demand by increasing schedules or offering fares and products where and when we have or are likely to achieve our financial target.

To this end we have decreased fares as far as is prudent to encourage volume and we will continue to offer promotions where we see space is not being filled by demand.

The following pages give detail of the upcoming schedules and the strategy underlying the plan currently in place.

If the ROS wish to update our objectives to include operating a full service from this point we are more than happy to discuss the options and the potential impact it may have on the financial forecasts. *Any changes that could lead to a negative impact will also need to be cleared by the lender (bank).*

We are also conscious of the fact that if salary co-funding is reduced or withdrawn by SOG this would significantly increase our operating costs and marginal break even point.

For this reason and to provide contingency against weather issues or operational problems any revenue we can bank at this stage gives a cushion against any unforeseen/unplanned additional expenditure or revenue reduction.

Estimated potential volume from Guernsey resident only market

Potential market estimate

Average "normal" market size	**Visitor**	140,000
	GY resident	50,000
	Total	**190,000**
Average "normal" volume		50,000
Percentage market penetration		**26%**
Potential Market - no visitors		**50,000**
Estimated maximum potential volume @26%		**13,000**

		Volume	revenue @ £18 net yield	Marginal cost above forecast* - based on operating core schedule	Variance	*remainder June to 1st week Sept variance to forecast*	Marginal cost above forecastWith additional sailings Mon,Wed, Fri Sat	Variance	*remainder June to 1st week Sept variance to forecast*
Monthly target @26% of potential market		**4,333**	**£78,000**	£18,750	£59,250	***£177,750***	£25,750	**£52,250**	***£156,750***
Weekly target @26% of potential market		**1,000**	**£18,000**	£3,750	£14,250		£5,150	£12,850	
Daily		**200**	**£3,600**	£750	£2,850				
Monthly target @12.5% of potential market		**2,167**	**£39,000**	£18,750	£20,250	***£60,750***	£25,750	**£13,250**	***£39,750***
Weekly target @12.5% of potential market		**500**	**£9,000**	£3,750	£5,250		£5,150	£3,850	
Daily		**100**	**£1,800**	£750	£1,050				
Based on current demand	Day	**49**	**£882**	£750	£132				
	Week	245	**£4,410**	£3,750	£660				
	Month	1225	**£22,050**	£18,750	£3,300	***£9,900***	£25,750	-£3,700	***-£11,100***

- additional rotations (0800/0900 & 1700/1800 costed At £350/operating day (20 passengers @£18 yield)
- **Cost estimates include SOG co-funding. If co-funding arrangements alter or cease there will be a significant impact on operating cost**

Schedule 15th June - 12th July

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Depart Guernsey		cargo passengers only by request		cargo passengers only by request		*0800**	
						*1730**	*1700**
	0900		0945		0945	0945	0945
	1530		1530		1530	1500	1500
Depart Sark						*0900**	
	1000		1045		1045	1045	1045
	1630		1630		1630	1630	1600
						*1830**	*1800**

Notes

** sailings in grey italic give times for additional rotations that will be added if required to meet demand*

Wednesdays And Fridays - unchanged from previous published schedule

Tuesdays and Thursdays - remain cargo only for the period, however, following feedback and some enquiries we have opened the sailings to customers booking holidays in Sark

Mondays - There has been feedback that a longer day in Guernsey is required by Sark residents. Sailing x Sark moved to 1000. If there is little demand or the earlier departure x Guernsey appears to be reducing x Guernsey demand this timing will be reviewed ***(see further considerations)***

Saturdays - times maintained as for Mon And Fri. if demand dictates additional rotations will be added (additional rotations to increase capacity cost less than half the price of putting on a mirror sailing - 20 additional passengers required to cover the marginal cost rather than 40)

Sundays - return time brought forward to 1600 x Sark. The Sunday sailing returning to Guernsey has a high proportion of returning weekend break passengers, with the variable capacity this demand can/does compromise the space available for day trippers from Guernsey, an additional pm rotation to cater for the return demand and open up availability for dx will be added when/if required.

Long Days – x Guernsey and Sark With normal demand and free choice apart from Saturdays our carrying records show on average only 10% of the daily am passenger volume chooses to travel on the early sailing (0800) The split between the pm return sailings is 60% 1600 to 40% 1800 and during the school holidays the split is appx 50-50. **We are monitoring the demand and adding additional rotation if there is demand**.

Fares x Guernsey				
	Day return (Mon, Wed, Fri)	Day Return (Sat, Sun)	Period return	Single
Adult	£19.90	£27.00	£31.50	£16.00
Child*	£10.00	£12.00	£16.00	£8.00
Infant**	Free	Free	Free	Free

Fares for Day trips x Guernsey have been reduced to **£19.90** to encourage volume reduction has been matched for Sark originating DX

Fares x Sark			
	Day return	Period return	Single
Adult	£18.65	£31.50	£16.00
Child*	£8.00	£16.00	£8.00
Infant**	Free	Free	Free

Schedule 15th June - 12th July

For consideration:-

There has been some feedback despite the earlier sailing on the Monday that there is demand for the historical longer day x Guernsey to provide additional volume and X Sark for a longer day for Sark residents.

Additional rotations cost appx £ 350 extra on each of the operating days in fuel and crew cost. At our current net yields the break even passenger load to cover the rotations would be 20 passengers /40 passenger legs.

Currently demand x Guernsey has not exceeded the Covid limited capacity (86) and the potential capacity will increase by 94 pax per sailing from the 20th June.

However, we do appreciate that we are also a community operator and on current revenue performance and the steady albeit fairly low demand we could publish a set day(s) additional rotation on one of Mon, Wed, Fri. Saturday we would add as demand dictates.

In addition given the current circumstances and the marginal numbers of Sark resident day trippers during this period (15th June to 12th July) we will reduce the fare for Sark originating short day trip passengers to **£10 return/adult and £5 return /child.**

Weather/technical re-schedules/cancellations - Until such time as visitors are allowed into Guernsey demand is limited to local residents. Guernsey residents do not have the need/requirement to travel within a holiday time span and are therefore more flexible to changes of dates and schedules. We are also cognisant of the potential negative impact of local residents travelling to Sark on marginal weather days and that impact on the potential negative atitude it would/could have on the passengers which could negatively influence their desire travelling again. In this period and given the limited market size we feel it is essential to encourage more than one off visits. In a weather cancellation Viking would be used for the transfer of staying customers to and from Sark.

Contingency - If there were to be a technical issue with the Sark Belle we have a spare engine that can be fitted in 72 hours. DX pax would be transferred and/or the Herm Trident would be chartered. For any stranded passengers. Viking would be used to transfer staying visitors to maintain the service until the return of the Belle unless the out of service was greater than 3 days in which case Trident would be chartered.

Venture/New Vessel: As indicated earlier we are planning with contractors booking their services to finish outstanding work on the Venture. However, MCA are still not travelling to undertake surveys at the present moment. We are in contact with Bureau Veritas in the UK and France and are making some progress towards getting the new vessel flagged and certified to operate. Progress is slow but is progressing. – we will keep ROS informed.

Summer/School Holidays Schedule

Schedule 13th July - 6th September

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Depart Guernsey	*0800**	cargo - if pax rotation required Dep Gy 0800 * passenger rotation TBC - 1100/1200 & 1700/1800	0800	cargo - if pax rotation required Dep Gy 0800 * passenger rotation TBC - 1100/1200 & 1700/1800	*0800**	0800	
	0945		0945		0945	0945	0945
	1500		1500		1500	1500	1500
	1700*		1700		1700*	1700	1700*
	*0900**		0900		*0900**	0900	
	1045		1045		1045	1045	1045
Depart Sark	1600		1600		1600	1600	1600
	1800*		1800		1800*	1800	1800*

Notes ** sailings will be added as demand dictates.*
Tuesday & Thursday *is under review, cargo sailings are in the system and taking bookings if requested passenger sailings will be added if required at a later date.*

The above schedule has been loaded into the reservations system and is on sale along with the present fares. The schedule will be promulgated to businesses and other stakeholders early next week.

Schedule may be adjusted further as demand from local market develops , e.g. the addition of Tuesday and Thursday passenger rotations

Bookings/travelled to date – to date NO Passengers have been turned away due to lack of availability

Guernsey Sark AM					
	Period	Same Day	Period Return	single	Total
Mon	01-Jun-20	22	5	4	31
Tue	02-Jun-20	0	0	0	0
Wed	03-Jun-20	40	10	1	51
Thu	04-Jun-20	0	0	0	0
Fri	05-Jun-20	0	23	0	23
Sat	06-Jun-20	17	13	0	30
Sun	07-Jun-20	14	0	0	14
Mon	08-Jun-20	42	4	2	48
Tue	09-Jun-20	0	2	0	2
Wed	10-Jun-20	9	20	1	30
Thu	11-Jun-20	0	0	0	0
Fri	12-Jun-20	7	31	2	40
Sat	13-Jun-20	19	11	0	30
Sun	14-Jun-20	2	4	0	6
Mon	15-Jun-20	0	11	0	11
Tue	16-Jun-20	0	5	0	5
Wed	17-Jun-20	2	6	0	8
Thu	18-Jun-20	0	4	0	4
Fri	19-Jun-20	9	30	2	41
Sat	20-Jun-20	14	44	0	58
Sun	21-Jun-20	1	2	0	3
Mon	22-Jun-20	0	6	0	6
Tue	23-Jun-20	0	2	0	2
Wed	24-Jun-20	0	2	0	2
Thu	25-Jun-20	0	14	0	14
Fri	26-Jun-20	5	17	0	22
Sat	27-Jun-20	0	14	0	14
Sun	28-Jun-20	0	3	0	3
Mon	29-Jun-20	0	4	0	4
Tue	30-Jun-20	0	2	0	2
Wed	01-Jul-20	0	19	0	19
Thu	02-Jul-20	0	10	0	10
Fri	03-Jul-20	0	15	0	15
Sat	04-Jul-20	7	4	0	11
Sun	05-Jul-20	0	4	0	4
Mon	06-Jul-20	0	12	0	12
Tue	07-Jul-20	0	0	0	0
Wed	08-Jul-20	0	0	0	0
Thu	09-Jul-20	0	0	0	0
Fri	10-Jul-20	0	8	0	8
Sat	11-Jul-20	22	0	0	22
Sun	12-Jul-20	0	0	0	0
		232	361	12	605

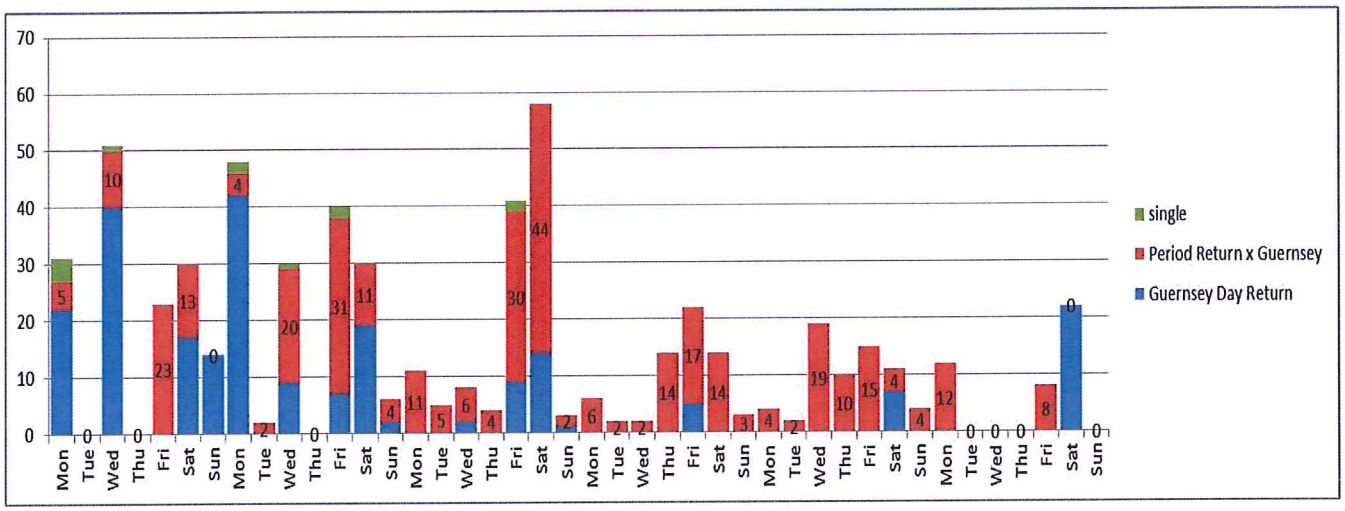
Sark Guernsey AM					
	Period	Same Day	Period Return	single	Total
Mon	01-Jun-20	2	0	4	6
Tue	02-Jun-20	0	0	0	0
Wed	03-Jun-20	4	5	0	9
Thu	04-Jun-20	0	0	0	0
Fri	05-Jun-20	0	0	1	1
Sat	06-Jun-20	6	4	3	13
Sun	07-Jun-20	1	22	4	27
Mon	08-Jun-20	2	16	5	23
Tue	09-Jun-20	0	0	0	0
Wed	10-Jun-20	10	7	3	20
Thu	11-Jun-20	0	0	1	1
Fri	12-Jun-20	5	5	0	10
Sat	13-Jun-20	2	5	0	7
Sun	14-Jun-20	0	19	1	20
Mon	15-Jun-20	3	16	0	19
Tue	16-Jun-20	0	0	0	0
Wed	17-Jun-20	3	1	0	4
Thu	18-Jun-20	0	5	0	5
Fri	19-Jun-20	1	2	0	3
Sat	20-Jun-20	0	4	0	4
Sun	21-Jun-20	0	23	0	23
Mon	22-Jun-20	0	10	0	10
Tue	23-Jun-20	0	3	0	3
Wed	24-Jun-20	0	10	0	10
Thu	25-Jun-20	0	2	0	2
Fri	26-Jun-20	1	0	0	1
Sat	27-Jun-20	0	0	0	0
Sun	28-Jun-20	0	2	0	2
Mon	29-Jun-20	0	7	0	7
Tue	30-Jun-20	0	5	0	5
Wed	01-Jul-20	0	4	0	4
Thu	02-Jul-20	0	0	0	0
Fri	03-Jul-20	0	2	0	2
Sat	04-Jul-20	0	5	0	5
Sun	05-Jul-20	0	7	0	7
Mon	06-Jul-20	0	5	0	5
Tue	07-Jul-20	0	0	0	0
Wed	08-Jul-20	0	6	0	6
Thu	09-Jul-20	0	0	0	0
Fri	10-Jul-20	0	0	0	0
Sat	11-Jul-20	0	0	0	0
Sun	12-Jul-20	0	10	0	10
		40	212	22	274

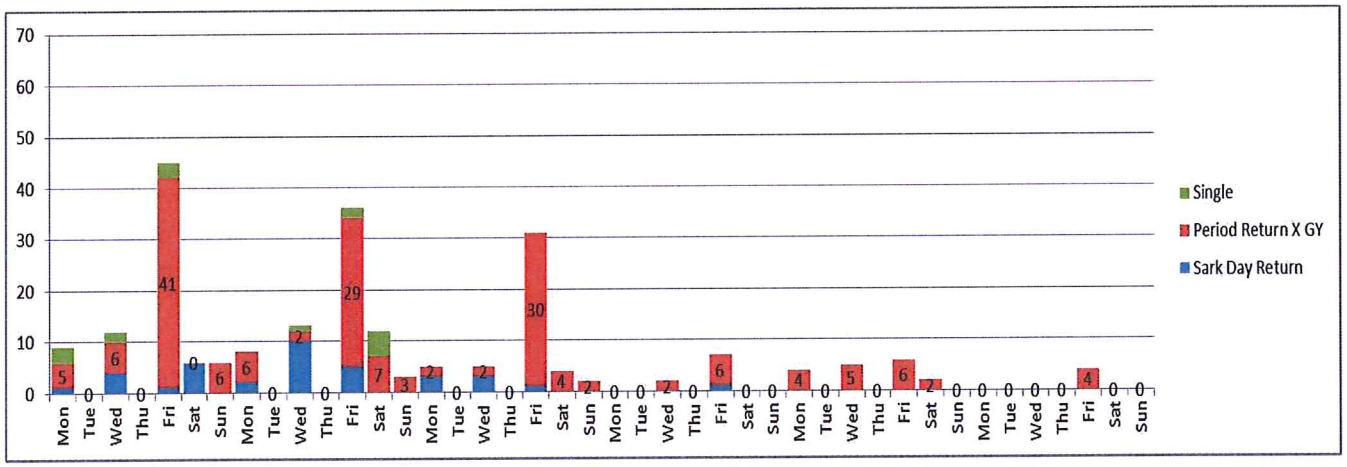
Guernsey Sark PM					
	Period	Same Day	Period Return	single	Total
Mon	01-Jun-20	1	5	3	9
Tue	02-Jun-20	0	0	0	0
Wed	03-Jun-20	4	6	2	12
Thu	04-Jun-20	0	0	0	0
Fri	05-Jun-20	1	41	3	45
Sat	06-Jun-20	6	0	0	6
Sun	07-Jun-20	0	6	0	6
Mon	08-Jun-20	2	6	0	8
Tue	09-Jun-20	0	0	0	0
Wed	10-Jun-20	10	2	1	13
Thu	11-Jun-20	0	0	0	0
Fri	12-Jun-20	5	29	2	36
Sat	13-Jun-20	0	7	5	12
Sun	14-Jun-20	0	3	0	3
Mon	15-Jun-20	3	2	0	5
Tue	16-Jun-20	0	0	0	0
Wed	17-Jun-20	3	2	0	5
Thu	18-Jun-20	0	0	0	0
Fri	19-Jun-20	1	30	0	31
Sat	20-Jun-20	0	4	0	4
Sun	21-Jun-20	0	2	0	2
Mon	22-Jun-20	0	0	0	0
Tue	23-Jun-20	0	0	0	0
Wed	24-Jun-20	0	2	0	2
Thu	25-Jun-20	0	0	0	0
Fri	26-Jun-20	1	6	0	7
Sat	27-Jun-20	0	0	0	0
Sun	28-Jun-20	0	0	0	0
Mon	29-Jun-20	0	4	0	4
Tue	30-Jun-20	0	0	0	0
Wed	01-Jul-20	0	5	0	5
Thu	02-Jul-20	0	0	0	0
Fri	03-Jul-20	0	6	0	6
Sat	04-Jul-20	0	2	0	2
Sun	05-Jul-20	0	0	0	0
Mon	06-Jul-20	0	0	0	0
Tue	07-Jul-20	0	0	0	0
Wed	08-Jul-20	0	0	0	0
Thu	09-Jul-20	0	0	0	0
Fri	10-Jul-20	0	4	0	4
Sat	11-Jul-20	0	0	0	0
Sun	12-Jul-20	0	0	0	0
		37	174	16	227

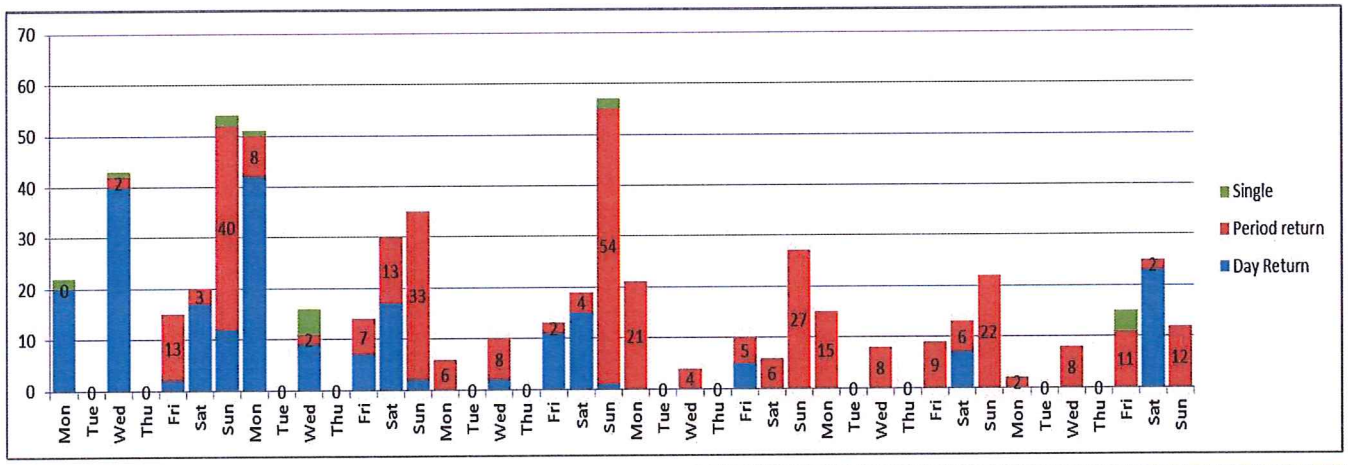
Sark Guernsey PM					
	Period	Same Day	Period Return	single	Total
Mon	01-Jun-20	20	0	2	22
Tue	02-Jun-20	0	0	0	0
Wed	03-Jun-20	40	2	1	43
Thu	04-Jun-20	0	0	0	0
Fri	05-Jun-20	2	13	0	15
Sat	06-Jun-20	17	3	0	20
Sun	07-Jun-20	12	40	2	54
Mon	08-Jun-20	42	8	1	51
Tue	09-Jun-20	0	0	0	0
Wed	10-Jun-20	9	2	5	16
Thu	11-Jun-20	0	0	0	0
Fri	12-Jun-20	7	7	0	14
Sat	13-Jun-20	17	13	0	30
Sun	14-Jun-20	2	33	0	35
Mon	15-Jun-20	0	6	0	6
Tue	16-Jun-20	0	0	0	0
Wed	17-Jun-20	2	8	0	10
Thu	18-Jun-20	0	0	0	0
Fri	19-Jun-20	11	2	0	13
Sat	20-Jun-20	15	4	0	19
Sun	21-Jun-20	1	54	2	57
Mon	22-Jun-20	0	21	0	21
Tue	23-Jun-20	0	0	0	0
Wed	24-Jun-20	0	4	0	4
Thu	25-Jun-20	0	0	0	0
Fri	26-Jun-20	5	5	0	10
Sat	27-Jun-20	0	6	0	6
Sun	28-Jun-20	0	27	0	27
Mon	29-Jun-20	0	15	0	15
Tue	30-Jun-20	0	0	0	0
Wed	01-Jul-20	0	8	0	8
Thu	02-Jul-20	0	0	0	0
Fri	03-Jul-20	0	9	0	9
Sat	04-Jul-20	7	6	0	13
Sun	05-Jul-20	0	22	0	22
Mon	06-Jul-20	0	2	0	2
Tue	07-Jul-20	0	0	0	0
Wed	08-Jul-20	0	8	0	8
Thu	09-Jul-20	0	0	0	0
Fri	10-Jul-20	0	11	4	15
Sat	11-Jul-20	23	2	0	25
Sun	12-Jul-20	0	12	0	12
		232	353	17	602

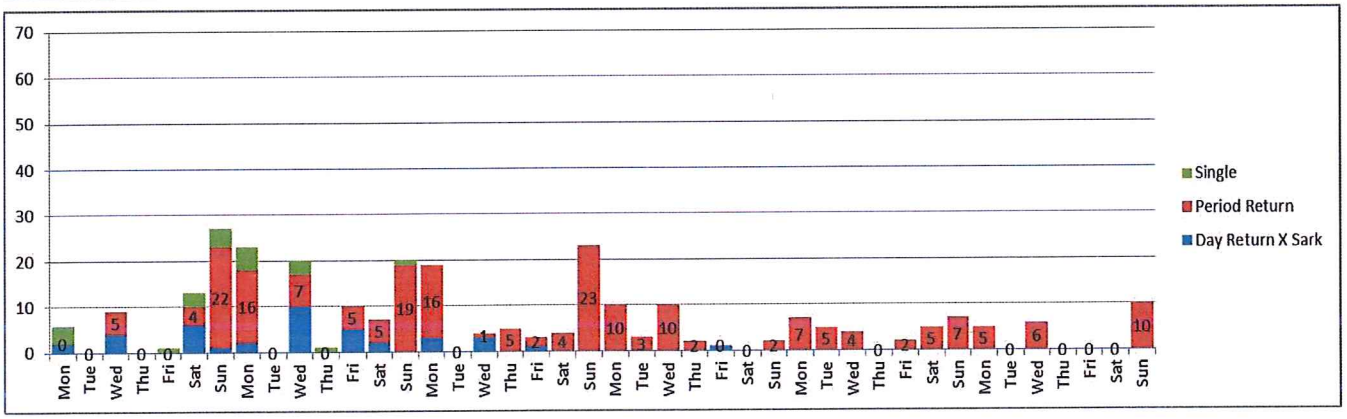
Appendix 18

Bookings/travelled to date – to date NO Passengers have been turned away due to lack of availability









Appendix 18

From: Paul Burnard <Paul.Burnard@SarkShipping.gg>
Sent: 20 April 2020 15:31
To: Policy & Finance <policy.finance@sarkgov.co.uk>; 'shipping@sarkgov.co.uk' <shipping@sarkgov.co.uk>
Subject: FW: Permission to speak to Chief Pleas

From: Rito, Duarte (Local Banking, RBS International) [mailto:duarte.rito@natwestint.com]
Sent: 20 April 2020 14:31
To: Paul Burnard
Cc: 'Conseiller William Raymond'; Smith, Mike (Local Banking, RBS International)
Subject: RE: Permission to speak to Chief Pleas

Dear Paul & William,

I refer to my discussions with you both. We all acknowledge the extremely challenging times faced by so many across the Bailiwick.

The Bank is concerned with the apparent disconnect between the Board and Chief Pleas as shareholder. It is very important that a cohesive approach by all to ensure a successful journey ahead.

Short term support has been requested to cover wages.

For clarification purposes, the Bank recognises that the Company faces immediate short term cash-flow pressures which, in essence, were created by funds being utilised to purchase the new vessel (at a time when no-one could have predicted the full extent of the corona virus pandemic). A drawdown of the agreed Bank facility, when all conditions are met, will go some way towards alleviating a proportion of these liquidity challenges. Due to current restrictions both locally and in France, would suggest it could take up to 3months before this loan is drawn.

In the interim period, the Bank has been and is receptive to exploring some further assistance subject to the support of, and ratification by, Chief Pleas as a key stakeholder. A proposal outlined in the 'Letter of Comfort' was aligned to a partial drawdown of £200,000 secured by a Chief Pleas Guarantee pending the mortgage over the Vessel Corsaire des Iles being completed releasing further funds in accordance with the terms and conditions of the Loan Agreement.

The Bank has been advised that the Chief Pleas does not support this proposal and it would be helpful to understand why. Given this approach, the Bank is unwilling to increase its exposure.

I can, however, confirm that an application has been received for the Disruption Guarantee Scheme and the Bank will work through this and the associated viability assessment criteria. This is not an overnight process. It will take between 4 and 5 working days for this to be considered by the Bank's Credit Committee. If agreed, there will be period of time required to produce documentation. Given the quantum (ie above £250,000), it is likely that a Chief Pleas guarantee will be required as part of any terms if approved.

In the meantime, both the Board and Chief Pleas should explore a collaborative approach to safeguard the business, its key workers and Sark's vital transport links.

Yours sincerely

Rafael

Rafael Rito | Business Manager | Business & Premier Banking | NatWest International | Guernsey
Personal & Business Banking | RBS International | 2nd Floor | 1 Glategny Esplanade, St Peter Port | Guernsey GY1 4BQ
Tel: +44 1481 703893 (int. 45014) | Email: Duarte.rito@natwestint.com

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From: Paul Burnard [mailto:Paul.Burnard@SarkShipping.gg]
Sent: 17 April 2020 16:38
To: Rito, Duarte (Local Banking, RBS International)
Cc: 'Conseiller William Raymond'; 'Treasurer Sarah Hudson'
Subject: Permission to speak to Chief Pleas

–

–

Hi Rafael

We have just had a conversation with Chief Pleas regarding the letter of comfort, in regard to which they would like some clarification/amendment.

I therefore confirm that, should you be able to, you have permission to speak with Sarah Hudson and/or William Raymond.

Kind regards

Paul Burnard
Executive Director
The Isle of Sark Shipping Co. Limited

01481-724059; 07781-112336

paul.burnard@sarkshipping.gg

Isle of Sark Shipping
www.sarkshippingcompany.com

The Isle of Sark Shipping Company Limited
White Rock
St Peter Port, Guernsey
Channel Islands, GY1 2LN
Company registration no: 1735

Tel: +44 1481 724059

3rd[t] April 2020

To Whomever it May Concern

Reference:- Urgent financial support for the Isle of Sark Shipping Company Limited.

The Isle of Sark Shipping Company Limited is a Guernsey registered company employing 16 full time year round Guernsey local staff supplying lifeline passenger and cargo services to and from Sark.

The passenger transport service supplied by the company is also a key and integral part of the Guernsey tourist industry acting in effect as a major "local attraction" offering transport to and from Sark for both visitors and local residents.

We carry up to 53,000 passengers a year and an average of 4,800 tonnes of cargo. The passenger part of the business is extremely 'seasonal', with 48,000 passengers being carried between April and October, representing 90% of annual passenger volume. The cargo volumes are slightly less seasonal, with 65% of the total cargo being shipped between April and October.

As the numbers above illustrate the company's survival is entirely dependent on revenues, particularly passenger revenues, generated between April and October. Our average passenger ticket revenue is £1.2 million p.a. and in line with the passenger volume 90% of this (£1.08 million) is generated between April and October. Annual cargo shipments contribute a further £425,000 of revenue.

However, because of the nature of the business our standing and operating costs tend to be spread across the whole of the year. Under normal circumstances, the company suffers a loss in the region of £300,000 during the winter season (Oct – Mar). This is however exceeded by the summer season profit, and we usually end up with an annual net profit of circa £200,000 before depreciation. (The company's financial year-end is 30 September).

As you will appreciate in the current circumstances we have just come through the winter season and we are now primarily relying on our financial reserves to continue operating whilst the lockdown continues and passenger revenues are virtually non-existent. To exacerbate matters further this year the company had undertaken two major investments: The purchase of a more modern passenger vessel to replace the "Bon Marin de Serk" and "Sark Belle", and a re-engining project to extend the life of the "Sark Venture".

The Management and Directors have forecast, as far as possible, the financial situation that we will find ourselves in over the next few months and have concluded that without direct financial support or guarantees the survival of the company is in doubt if the passenger volumes do not recover in July. *(The financial forecasts and cost saving options are included in the appendix).*

The current situation is extremely challenging for all companies and particularly those in the transport sector; both sea and air carriers face unprecedented financial challenges. The Isle of Sark Shipping Company Limited shares these mutual challenges but additionally as a lifeline cargo supplier for the residents of Sark our services are essential. We cannot cease services, furlough staff and close down the operation to maximise cost savings.

In view of the circumstances that we find ourselves in the Company is formally applying for financial assistance from the States of Guernsey to enable us to continue to operate now and in the future.

We are more than happy to discuss any options, requirements or packages that may be available. However, we must stress that we cannot guarantee the financial viability and therefore the continued operation of the lifeline service beyond the end of June unless a package of support can be achieved.

We look forward to your early and positive response.

Yours sincerely,

Yan Milner
Managing Director
Isle of Sark Shipping Co Ltd.

Email: yan@sarkshipping.gg
Mob: **07781 161744**

ISLE OF SARK SHIPPING

Summary of Bank Balance/(Overdraft) at 30 September 2020 under various Options

Type of Operation:	Freight Only	Passenger Service w.e.f. May
Staffing Options		
A Retain all staff on a 38 hour week	(217,525)	(27,306)
B Retain all staff on a 30 hour week	(155,206)	35,013
C Make 4 staff redundant in June, retaining others on a 38 hour week	(199,987)	(9,768)

Summary of Bank Balance/(Overdraft) at 31 March 2021 under various Options

	Freight Only	Passenger Service w.e.f. May
Staffing Options		
A Retain all staff on a 38 hour week	(671,773)	(409,755)
B Retain all staff on a 30 hour week	(547,136)	(285,117)
C Make 4 staff redundant in June, retaining others on a 38 hour week	(584,608)	(322,589)

Board Recommendations

1 Adopt Option B as the staffing model, thus (a) avoiding redundancies and (b) enabling the Company to react quickly in the event of current operating restrictions being relaxed at short notice;

2 Without financial support of no less than £550,000, the Company should cease trading by no later than 30 June 2020, as it will then not be in a position to pay its debts as they fall due.

ISLE OF SARK SHIPPING						
Pandemic Cash Flow Forecast - Freight Only						
	OPTION A	OPTION A	OPTION B	OPTION B	OPTION C	OPTION C
	April 2020 to Sept 2020	October 2020 to March 2021	April 2020 to Sept 2020	October 2020 to March 2021	April 2020 to Sept 2020	October 2020 to March 2021
INCOME						
Freight Income	120,000	120,000	120,000	120,000	120,000	120,000
Mail contract	7,644	7,644	7,644	7,644	7,644	7,644
Total Income (X)	127,644	127,644	127,644	127,644	127,644	127,644
EXPENSES						
Freight only						
Fuel	7,200	7,200	7,200	7,200	7,200	7,200
Crane Hire & harbour dues	12,940	12,940	12,940	12,940	12,940	12,940
Quay expenses	14,801	14,801	14,801	14,801	14,801	14,801
Company costs						
Health & Safety	0	3,000	0	3,000	0	3,000
Wage costs (net of States subsidy - until September only)	208,325	313,698	149,864	255,237	167,760	248,381
Employer Social Security	20,704	20,704	16,846	16,846	11,072	16,393
Refund bookings made for 2020 season	22,776		22,776		22,776	
Vessel Maintenance	3,000	3,000	3,000	3,000	3,000	3,000
Winter refit costs	0	15,000	0	15,000	0	15,000
Completion of Works on Venture	5,000		5,000		5,000	
Work required to bring Corsaire des Iles into service for 2021 season	0	100,000	0	100,000	0	100,000
Accountancy fee	0	5,000	0	5,000	0	5,000
Redundancy Costs	0		0		32,658	
Life Raft Hire & Lifejackets	4,216		4,216		4,216	
Directors fees	6,000	6,000	6,000	6,000	6,000	6,000
Printing and Stationery	600	600	600	600	600	600
Advertising	3,000	3,000	3,000	3,000	3,000	3,000
Rent	19,000	19,000	19,000	19,000	19,000	19,000
Other Property Costs - Utilities etc	4,500	4,500	4,500	4,500	4,500	4,500
Finance Overhead and Bank Costs	1,800	1,800	1,800	1,800	1,800	1,800
Bank loan repayments	25,950	25,950	25,950	25,950	25,950	25,950
Insurance	42,000		42,000		42,000	
Vehicle Expenses	600	600	600	600	600	600
Training, Uniforms etc	0	2,000	0	2,000	0	2,000
Telephone & Postage	3,600	3,600	3,600	3,600	3,600	3,600
Computer Expenses	13,500	13,500	13,500	13,500	13,500	13,500
Other Overheads	6,000	6,000	6,000	6,000	6,000	6,000
Total Payments (Y)	425,512	581,893	363,193	519,574	407,974	512,265
Net Outflow (Y-X)	(297,868)	(454,249)	(235,549)	(391,930)	(280,330)	(384,621)
Bank Balance/(Overdraft) brought forward	(142,060)	(217,525)	(142,060)	(155,206)	(142,060)	(199,987)
Quarter 1 ETI & Social Security	(50,637)		(50,637)		(50,637)	
February supplier accounts	(6,960)		(6,960)		(6,960)	
Bank loan funds (net of related costs)	280,000		280,000		280,000	
Bank Balance/(Overdraft) carried forward	(217,525)	(671,773)	(155,206)	(547,136)	(199,987)	(584,608)

ISLE OF SARK SHIPPING						
Pandemic Cash Flow Forecast - Passengers w.e.f. May						
	OPTION A	OPTION A	OPTION B	OPTION B	OPTION C	OPTION C
	April to Sept 2020	October 2020 to March 2021	April to Sept 2020	October 2020 to March 2021	April to Sept 2020	October 2020 to March 2021
INCOME						
Freight Income	142,000	120,000	142,000	120,000	142,000	120,000
Mail contract	7,644	7,644	7,644	7,644	7,644	7,644
Passenger Income	210,000	90,000	210,000	90,000	210,000	90,000
Total Income (X)	359,644	217,644	359,644	217,644	359,644	217,644
EXPENSES						
Freight only						
Fuel	18,700	15,000	18,700	15,000	18,700	15,000
Crane Hire & harbour dues	15,170	12,940	15,170	12,940	15,170	12,940
Quay expenses	17,352	14,801	17,352	14,801	17,352	14,801
Company costs						
Health & Safety	0	3,000	0	3,000	0	3,000
Wage costs (net of States subsidy - until September only)	208,325	313,698	149,864	255,237	167,760	248,381
Employer Social Security	20,704	20,704	16,846	16,846	11,072	16,393
Refund bookings made for 2020 season	22,776		22,776		22,776	
Winter refit costs	0	15,000	0	15,000	0	15,000
Work required to bring Corsaire des Iles into service for 2021 season	0	100,000	0	100,000	0	100,000
Accountancy fee	0	5,000	0	5,000	0	5,000
Passenger dues	12,600	5,400	12,600	5,400	12,600	5,400
Security on Board	1,250	250	1,250	250	1,250	250
Vessel maintenance	6,000	6,000	6,000	6,000	6,000	6,000
Completion of works on Venture	5,000		5,000		5,000	
Credit card charges (1.5% of passenger income)	3,150	1,350	3,150	1,350	3,150	1,350
Redundancy Costs	0		0		32,658	
MCA re certifying passenger vessel	5,000		5,000		5,000	
Life Raft Hire & Lifejackets	4,216		4,216		4,216	
Directors fees	6,000	6,000	6,000	6,000	6,000	6,000
Printing and Stationery	600	600	600	600	600	600
Advertising	3,000	3,000	3,000	3,000	3,000	3,000
Rent	19,000	19,000	19,000	19,000	19,000	19,000
Other Property Costs - Utilities etc	4,500	4,500	4,500	4,500	4,500	4,500
Finance Overhead and Bank Costs	1,800	1,800	1,800	1,800	1,800	1,800
Bank loan repayments	25,950	25,950	25,950	25,950	25,950	25,950
Insurance	42,000	0	42,000	0	42,000	0
Vehicle Expenses	600	600	600	600	600	600
Training, Uniforms etc	0	2,000	0	2,000	0	2,000
Telephone & Postage	4,100	4,000	4,100	4,000	4,100	4,000
Computer Expenses	13,500	13,500	13,500	13,500	13,500	13,500
Other Overheads	6,000	6,000	6,000	6,000	6,000	6,000
Total Payments (Y)	467,293	600,093	404,974	537,774	449,755	530,465
Net Outflow (Y-X)	(107,649)	(382,449)	(45,330)	(320,130)	(90,111)	(312,821)
Bank Balance/(Overdraft) brought forward	(142,060)	(27,306)	(142,060)	35,013	(142,060)	(9,768)
Quarter 1 ETI & Social Security	(50,637)		(50,637)		(50,637)	
February supplier accounts	(6,960)		(6,960)		(6,960)	
Bank loan funds (net of related costs)	280,000		280,000		280,000	
Bank Balance/(Overdraft) carried forward	(27,306)	(409,755)	35,013	(285,117)	(9,768)	(322,589)

Isle of Sark Shipping

Schedule to financial forecasts

Two basic realistic forecasts have been prepared. These each include three staffing options.

1 Freight only service, with income and expenditure based on January 2020 figures.

2 Passenger Sailings resume in May on a limited basis, increasing to peak passenger revenue of £50k in July & August and an associated increase in monthly freight income to a peak of £26k.

3 Both forecasts have then been extended to illustrate the winter trading deficit, which has historically been in the region of £300k. This will increase significantly over the 20/21 winter, due to the need to spend c.£100k on re-fitting MV Corsaire des Iles prior to bring it into service for the 2021 season.

The staffing Options are:

Option A Retain all permanent staff at current hours
Option B Reduce all permanent staff to 30 hours per week.
Option C Retain only sufficient staff to operate freight and a reduced passenger service (redundancies in June).

Relevant Assumptions

1 No cruise ship or tour business for 2020.
2 Passenger dues remain payable as per budget - c. 6% of passenger turnover.
3 The States of Guernsey Payroll Support continues to the end of September.

Bank Loan

NatWest has agreed to lend the company £300k to part fund the purchase of MV Corsaire des Iles. The company has already paid the full cost of the vessel, which is why it is currently overdrawn in the sum of £142,060 at 31 March 2020. The bank is awaiting receipt of a signed guarantee document from Sark Chief Pleas before releasing the funds, which will be released net of charges and bank disbursements. The net inflow to the Company has therefore been estimated at £280,000.

The loan is repayable over 5 years, by monthly instalments of £4,325 and a final lump sum of c. £95k.

Other Financial Observations

Whilst the States has agreed to defer payment of rent and Employer Social Security, they have been included in the forecast because they will need paying at some time.

Possible income from the Sale of Bon Marin and/or Sark Belle have not been included in the forecast – in the current circumstances, it would be imprudent to include it.

Board Recommendations

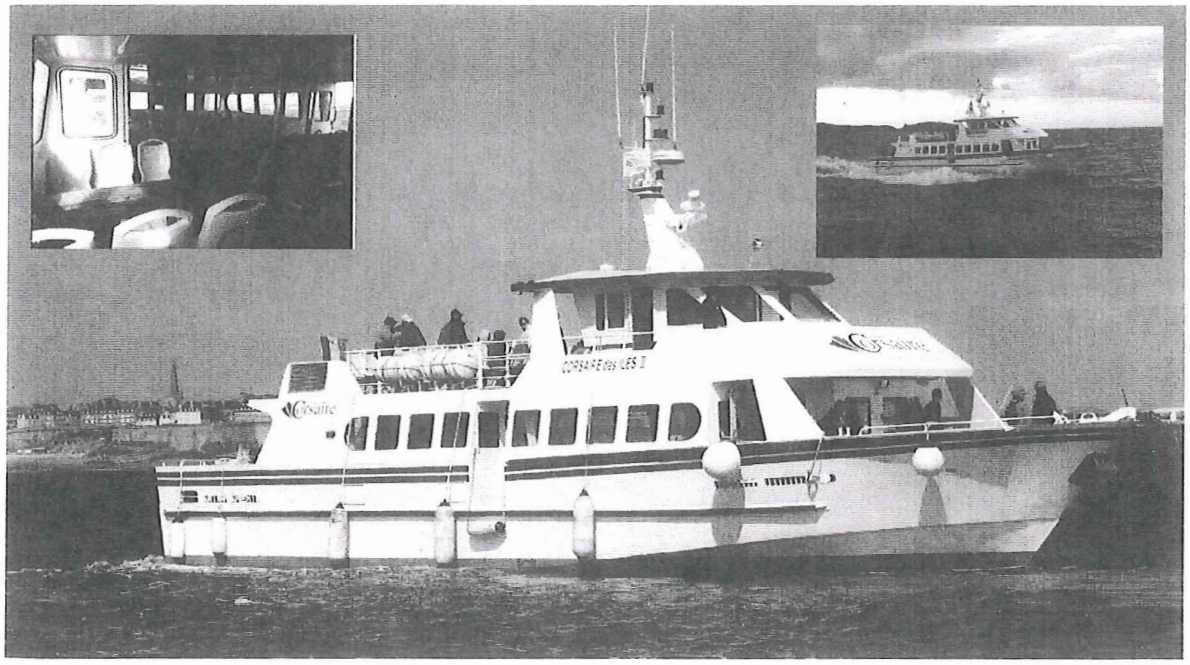
1. Adopt Option B as the staffing model, thus (a) avoiding redundancies and (b) enabling the Company to react quickly in the event of current operating restrictions being relaxed at short notice;
2. Without financial support of no less than £550,000, the Company will cease trading by no later than 30 June 2020, as it will then not be in a position to pay its debts as they fall due.

Issued on 3 April 2020 on behalf of the Board of Directors, the entire board having agreed the schedule and appendices, by:-

Yan Milner	Paul Burnard
Managing Director	Finance Director

Isle of Sark Shipping

Business Case



Purchase of MV Corsaire des Iles 2

Conseiller Briefing Document

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Replacement Vessel (Corsaire des Iles 2)
Executive Summary

The passenger volumes and consequential revenue has varied by no more than +/- 3% over the last several years albeit with an overall small positive gain in revenue and volume.

In the last 4 years the company has increased its marketing and promotional activities fairly significantly and there is evidence of positive growth in the passenger volumes against a shrinking Guernsey visitor market. However, we are in a position of relative stasis rather than significant positive growth.

Operating costs continue to increase as the vessels age and reliability of the individual vessels becomes less certain. A replacement, more modern, more efficient, faster vessel with capacity to exceed the current demand would change the dynamics of the company.

The Company is cognisant of the vital importance of maintaining a reliable ferry service to and from Sark and the importance of maintaining and ideally growing passenger volumes.

With a replacement vessel there would be the opportunity to adjust the schedule to offer more convenient timing and faster crossings, we believe this would give us the opportunity to increase our market share and better compete with Herm as a convenient and easy to access destination.

There are a number of sustainable cost benefits relating to operating a new vessel.

Reducing the fleet from four vessels to three will yield crew cost savings. *(not currently budgeted but could be £60 - £80K)*

There will be significant savings to be made in the area of general and annual maintenance, conservatively the saving on maintenance is estimated in the region of -£40,000 - £45,000.
The average general and annual maintenance cost of the Bon Marin and Sark Belle is circa £150,000 as an comparison the annual general and annual maintenance cost for the Sark Viking is just over half the cost of the older vessels.

The Bon Marin de Serk has been permanently withdrawn from service. The vessel has been placed with a broker but to date there have been no firm offers. In the event of a sale not being achieved by the end of February 2020 the vessel will be offered for scrap. Prior to the withdrawal the vessel was fully depreciated on the IOSS balance sheet and currently has no book value with the Company. The company is currently NOT being charged lay by or mooring fees.
(we could operate the service with the two remaining vessels, as was the case prior to the purchase of the Sark Belle, but the risk to revenue and volume is considered to be significant.)

Passenger/customer expectations of the service are higher than ever and we are offering a service with vessels and passage times that are 1980's style rather than 2020's.

To bring cost efficiencies and take the company forward, with a real chance of increasing volume/revenue, the only option is change.

However, Isle of Sark Shipping operate a "Lifeline" route and it is vitally important that we do not put the Company and its services at risk by making a wrong decision and/or straining the Company's financial viability.

The Company has identified a potential replacement Vessel – "Corsaire des Iles 2" – that is currently operating out of St Malo. The vessel meets virtually all of our identified criteria and is currently on the market within our price range.
(further details and photographs of the vessel are contained in the body of the document)

Continued

Replacement Vessel (Corsaire des Iles 2)
Executive Summary - continued

After full consideration the Company has the following recommendations

Recommendations:

- **It is the recommendation of the Directors that we plan to purchase a replacement vessel for the service and dispose of the Bon Marin de Serk and the Sark Belle within the next 12 months.**

- **Financially a new build, even at the lower end of the cost estimate would be in the region of £1.75 - £2.0 million pounds. It is considered by the Board that a loan of this magnitude may be beyond the scope of IOSS and would also constitute a risk to the viability of the Company. For this reason we believe that a new build is NOT a financially viable option at this time.**

- **Given the above we recommend that we pursue, as a matter of urgency, the purchase of "Corsaire des Iles 2" – (subject to independent valuation and survey/certification) as a replacement vessel for the Bon Marin de Serk and Sark Belle.**

Notes:

- *Hull and machinery surveys have been carried out and no serious issues have been highlighted.*

- *Bureau Veritas plan review has not highlighted any serious non compliances against class build.*

- *Verification survey will be required in order to obtain "Partial Survey Certification.*

- *Should the purchase of this particular vessel fall through we would ask Chief Pleas to authorise the Board to go out into the market to find a similarly priced vessel to the same specification.*

- *However, at this date and given the required timeline for a purchase if the current purchase option falls through it would be unlikely that the Company would be able to identify and complete purchase on a vessel before the end of the 2020 season.*

- *Although from a capacity/demand perspective the service could operate with Sark Venture and Sark Belle there would be some significant risk given the age and reliability of the vessels.*

Background

Abstract

The Isle of Sark Shipping Company fleet consists of four vessels. All the vessels are fully owned with no remaining finance/loans outstanding.

Due to their age, with the exception of the "Sark Viking", the vessels are all getting more and more expensive to maintain and less economical to operate.

As the fleet ages there is greater risk of out of service time each year relating to age and mechanical reliability. In the past two years the "Sark Belle" was been unavailable for service for 15 days, during the last season, the Sark Venture 10 days January 2019, and the Bon Marin was unavailable for 28 days before finally being taken out of service for over 3 months. This was followed by a further 6 months (November 18 – May 19) of out of service time following a scheduled 5 year survey in 2018/19. Due to a latent defect in the main engines on the Bon Marin and the single compartment wooden deck structure the MCA (Marine and Coastguard Agency) advised that the Bon Marin would not be re-licenced for 2020. All of these issues with the vessels are despite ongoing general and preventative maintenance.

The Company is cognisant of the vital importance of maintaining a reliable ferry service to and from Sark and the importance of maintaining and ideally growing passenger volumes. In view of these circumstances the Company began a review of the fleet and consequently a vessel replacement project.

The timing of the project is in some ways beneficial as well as timely. The Company has for the past 4 years seen small but steady passenger volume/revenue increases, steady cargo revenues and reductions in operating cost along with efficiency savings. Five years ago the Company had just recorded two years of operating losses and consequent reductions of the balance sheet and ten years ago finances were still recovering from the purchase of the Sark Viking. The current financial stability and the cumulative increase of funds available on the balance sheet have meant that the bank has been comfortable to offer a loan and the Company also has funds to contribute to the purchase.

To obtain a replacement vessel there are two options:
Build a new vessel to IOSS requirements and specification
or
Buy a second-hand vessel and modify it to meet the route requirements and IOSS specifications

Both of the above options have been investigated - an outline of the options considered follow in the next section.

Option Identification and Selection

The Company had four options:

1. - Do nothing

To continue to operate with the older vessels would only be a short term option.
Although we are confident that we could manage the service requirements the Board and Management Team would not recommend the "Do nothing" option as being a sustainable solution.

2. - Charter

The option to charter a vessel is not a long term solution and will only be considered as a contingency part of the other options. **We have had indications that chartering a small vessel will be difficult to virtually impossible..**

There are two options available to obtain a new/replacement passenger vessel. The Company can either commission to build a new vessel or buy a suitable vessel on the second hand market.

3. - Build

IOSS have had a specification and build estimate for a 200- 250 seat catamaran from "Damen" – The quote was in the region of £3 to £3.5 million depending on the full specification. This is for a "turn key solution" fully certified and ready to operate on delivery. This option was considered to be beyond our financial limits and has not been pursued further.

The scoping study commissioned at the behest of P&F listed estimated build costs of circa £1.3 million for a 100 pax capacity launch (£2.6 for the pair) The cost of a vessel similar to "Star Riviera" is circa £2.6 - £3.0 million depending on the final specification. The "Corsaire des Iles" build cost would be in the region of £2 million. It is unclear if this indication was inclusive of design, yard tendering, Tendering review, Yard contract, Build supervision and acceptance to Class. – The quote for these services from Longitude is in the region of £180 - £200K.- not including IOSS resource time and cost.

Mer et Design (Philippe Subrerro) - who have supplied designs for Granville - Chausey route (Vedettes Jolie France), St Malo – Chausey (Corsair) Perros Guirec (Armor Navigation) Quiberon and more. He has indicated – referencing recent builds he has been involved with - that the build cost to our specification would be circa £2 million + (again add the £180-£200K) He would not recommend a steel construction.

We have also been in contact with "Incat Crowther" (Ed Dudson) They are a leading design company for these vessels and larger. However, they have none of their current passenger vessel designs operating in or around UK or northern France. Although they would be willing to contract with us to supply a design and recommend a yard We would need to supply/contract yard supervision, acceptance etc.
Considering our requirements they would also recommend an Aluminium mono-hull design and quotation for a similar design recently built and supplied in Spain was circa £2 million.
Asked if we could build in steel at a lower cost the response was yes – if we built "like for like, probably not if we wanted anything close to the specification we outlined.

In reviewing the current estimates to build it is the view of the Board that a new build is outside of prudent financial boundaries of the Company. There is also a serious time constraint and inevitably with a new build a risk of cost overrun and we would be commissioning an unproven design (Condor Liberation risk)

Option Identification and Selection
Continued

4. – Buy

In view of the conclusion that a build is not affordable we have investigated the second hand market.

Unfortunately the UK market does not appear to have any vessels that would fit our scope or price range.

We have been in contact with brokers and Company contacts in France where there are several similar operations that operate vessels that fit our criteria.

"Corsaire des Iles 2" is the second vessel that has come under serious consideration. To re-flag a French vessel to the UK(Guernsey) requires a significant amount of paperwork and confirmation of vessel certification. The first vessel identified that was available was the "Star Riviera" however due to the age of the vessel we were unable to easily obtain the required paperwork, this combined with the relatively high asking price (1.25 million Euro) resulted in the Company withdrawing from the purchase.

The "Corsaire des Iles 2" is owned and operated by Corsaire St. Malo. The parent company is Armor Navigation who operate ferries in and around Perros Guirec. The vessel was built in 2007 by Ocea shipyard. (Brief vessel specifications page 17) The vessel meets our scope/criteria and the owners have accepted a preliminary offer, subject to finance and survey, of **€740,000** (appx. £630,000).

IOSS have contracted Bureau Veritas to carry out a plan review and survey in order to obtain a "Partial Declaration of Survey" which is required as part of the change of flag.

The Company has also commissioned independent hull and machinery surveys to ensure that the vessel is fit for purpose, has no hidden issues and so that we can assess and cost any work that may be required to bring the vessel up to code.

New/Replacement Vessel Specification

Following consultation with the Masters we agreed on the following general specification for a replacement vessel:

Essential:

- Load line length of less than 24m*.
- Vessel should be capable of and certified to minimum of operation in 2m to 2.5m significant wave height.
- Covered (all weather) passenger capacity of 150 -180 total capacity of up to 200.
- Operating speed of 15- 20 Knots. (24 Knts max)
- Twin engine conventional shafts and rudders.
- Must have the capability to dry out. (@under 60 tonnes vessel can be lifted by Harbour cranes or at Marine and General.)
- Multiple access and egress points (forward, amidships and aft)

Options:

- Either monohull or catamaran**.

Desirable but not essential:

- Beam and length suitable for access to Creux Harbour.
- Less than 70 tonnes gross unloaded weight****
- Shallow draft.
- Second tier access and egress points (tide in Sark)
- Modular/removable luggage pods. none - but could be fitted if required.
- Main engines with less than 750KW output (to comply with local code – above this output we will require additional training and qualification for Masters and Engineers).

Other:

- Marpol (International Convention for the Prevention of Pollution from Ships) compliant sewage system with pump out override to meet current Guernsey requirements.
- Local or guaranteed availability of spare parts and servicing facilities.

Notes:-

** 24m load line length is a marine calculation rather than a measure of length. To meet the Guernsey Small Commercial Vessel Code and for us to use our current crew the vessel needs to be below 24m.*

*** a catamaran is likely to give more passenger capacity for length.*

**** For fuel efficiency and to meet some of the desirable but not essential requirements Aluminium or Plastic would be the preferred alternative.*

***** less than 70 tonnes would allow the vessel to be lifted out of the water in Guernsey.*

Replacement Vessel
Funding

The Company is extremely conscious of its responsibilities as a lifeline operator and the impact any disruption to the service could have on the economy of Sark and the livelihood of the residents.

It is therefore vitally important that not only are services maintained in the present but they are as far as one can predict maintained in the future.

A shipping operation is expensive to operate and the Company has identified some specific high expenses that are coming up now or will come up in the short term e.g. re-engining and refurbishment of the Sark Venture £170k (including refurbishment of gearboxes, cabin etc.) and the introduction in Guernsey of a compulsory company pension scheme - that could add over 6% to our annual salary costs. In the medium term the Company IT and reservations system will require replacement, and the telephone system is coming towards the end of its useful life and not least the Sark Viking main engines will be due for major overhaul or replacement in the next 3 to 5 years. We are also cognisant of the outstanding loan of £254,000 from Chief Pleas that is due for repayment/review in 2021.

In spite of having funds currently available to make the purchase the Company will be requesting a bank loan of up to £300,000 in order to ensure that we retain a sufficient cushion of cash on the balance sheet for contingencies. The repayment schedule for the loan has been calculated to be well within the Company's ability to service from general revenue. The repayments against the loan are shown in the budget examples. As is normal practice the bank will require a guarantor for the loan. Chief Pleas are the sole shareholders with a considerable influence on the company as shown by the MOU and SLA and therefore the bank would expect that Chief Pleas Sark act as the guarantor.
This is NOT Sark making the loan but merely ensuring that the loan is covered should the Company be in default.

It is for these reasons that the Board has taken a risk averse approach and is limiting the spend, and borrowing to well within our means to repay and enable the Company to operate through the winter without relying on overdraft and still be able to afford for contingencies.

The following 7 pages outline the funding options/amounts that have been considered and the impact on the next two years operating budget showing average and worst case scenario.

Replacement Vessel
Funding options

Funds available

Bank balances at 30 September 2019		**£900,862**
Cost of Vessel*	£630,000	
Modification/compliance fund available	£120,000	
Estimated Project cost:	**£750,000**	
Bank Loan	£300,000	
Contribution from IOSS Funds to vessel purchase		£450,000
Surplus		**£450,862**

Expected net outflow to 31 March 2020:-

Bank balance at 30 September 2019	£747,644
Less bank balance at 31 March 2020	£468,050
Estimated Net outflow (winter)	£279,594
[illegible]	-£36,166
	£243,428
Re-engining of Sark Venture**	£100,000
Expected outflows trading 2020 winter	**£343,428**

Cash in Bank following winter trading, Venture re-engine and replacement vessel purchase.	**£107,434**

Notes:

* Cost of Vessel - the vessel cost is €740,000, Sterling estimate is based on current exchange rate.

**Re-engining of Sark Venture - Capital cost £100,000, budgeted project cost including gearbox service and refurbishment £70,000 – total £170,000 (£70,000 is shown in operating budget

Financing

Replacement Vessel

	Buy (£)	Buy (£)
Expected cost, inclusive of modifications	£750,000	£1,250,000
Contribution from IOSS	£450,000#	£600,000
Financing required	**£300,000#**	**£650,000**
Monthly cost over 7 years at 5.75% (base rate + 5%)	£4,346	£9,418
Annual cost	**£52,152**	**£113,016**
Monthly cost over 5 years at 5.75% (base rate + 5%)	£5,765	£12,491
Annual cost	**£69,175**	**£149,892**

Notes:

** We have investigated the option to build a vessel to IOSS/Sark specification.*
We have made contact with "Incat Crowther" and are in contact with Philippe Subrero from "Mer et Design"
There is also a risk of financial overspend (Viking lesson) and an unproven design (Condor Liberation lesson)
The £1.75 build price shown in the table above is based on a very basic £1.5million build with some contingency for Contracting professional assistance to undertake drawing up documentation and yard supervision. (We have a quote from "Longitude Engineering" to undertake these services for circa £180K).
Given the cost, timeline and risk the Board is of the opinion that with our current finances and resources a build could be a serious risk to the financial viability of the Company and therefore would not recommend this option.

*# Although the purchase could very nearly be fully financed by IOSS we are cognisant that it is the nature of the business that we have a cash reserve. We are also conscious of the Chief Pleas **£254K** loan repayment date and therefore would wish to ensure that we can make the repayment as requested whilst retaining a financial cushion for any trading contingencies.*
The £450,000 also includes the £120,000 contingency for required modifications.

Sources of repayment

Annual maintenance savings:-

Bon Marin (5 year average)	£29,475	
Belle (5 year average)	£31,024	
	£60,499	
Less: new vessel maintenance	£15,000	
		345,499 ?

Crew cost savings

1 full time crew less £40,000

Reduced peak season operating hours:-

14 hours per week for 13 weeks for all crew = 546 hours each per skipper, engineer & 3rd hand

Skipper	£21.45	£11,712
Engineer	£15.81	£8,632
Third Hand	£14.00	£7,644

Employers Social Security on crew cost savings	£4,487
	£117,974

As per annual accounts year ended 30 September	Profit	Depreciation	Impairment	Exceptional legal fees & dismissal claim	Cash generated from trading
2015	£79,663	£134,609			£214,272
2016	£113,664	£126,447			£240,111
2017	£33,408	£128,255	£58,741	£32,790	£253,194
2018	£7,480	£125,260	£38,691	£40,500	£211,931
2019	£161,478	£103,488			£264,966
					£1,184,474

ANNUAL AVERAGE CASH GENERATED **£236,895**

Financial Year 2019/20 Draft Budget (Average revenue performance) including New Vessel Financials

	October	November	December	January	February	March	April	May	June	July	August	September	Budget 20
Budget 19	4,000	1,097	1,478	893	1,079	1,838	6,008	11,988	16,654	21,917	22,285	12,500	101,737
Actual	3,687	1,287	1,368	1,176	1,146	1,633	6,753	13,945	15,633	24,533	22,984	12,427	106,572
Variance	-313	190	-110	283	67	-205	745	1,957	-1,021	2,616	699	-73	4,835
Budget 20	3,700	1,189	1,439	890	1,100	1,750	6,500	12,558	16,000	22,500	22,600	12,500	102,726
Variance	13	-98	71	-286	-46	117	-253	-1,387	367	-2,033	-384	73	-3,846
Volume change logic	continued downward trend loss of grp and weather	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	just under 3 yr ave	loss of folk fest	3yr ave	3yr ave	
													Budget 20
Turnover - Sark Passengers	42,582	15,734	20,474	11,732	14,311	21,752	78,805	110,872	144,128	220,758	219,031	132,898	1,033,078
Cost of Sales - Sark Passengers	-3,963	-1,201	-1,376	-901	-1,051	-1,664	-6,215	-12,314	-15,549	-21,928	-22,139	-12,383	-100,683
Gross Margin - Sark Passengers	**38,619**	**14,533**	**19,095**	**10,832**	**13,261**	**20,088**	**72,590**	**98,558**	**128,579**	**198,830**	**196,892**	**120,515**	**932,392**
Turnover - Agency Sales	6,411	1,739	0	0	0	1,406	9,177	42,504	54,207	46,759	38,425	41,190	241,819
Cost of Sales - Agency Sales	-602	-5	0	0	0	0	-806	-6,619	-7,848	-8,570	-5,575	-6,430	-36,455
Gross Margin - Agency Sales	**5,809**	**1,734**	**0**	**0**	**0**	**1,406**	**8,371**	**35,885**	**46,359**	**38,189**	**32,850**	**34,760**	**205,364**
Turnover - Groupbookings	1,994	0	0	0	0	1,668	2,753	12,459	20,255	18,055	14,218	5,584	76,987
Cost of Sales - Group Bookings	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Margin - Groupbookings	**1,994**	**0**	**0**	**0**	**0**	**1,668**	**2,753**	**12,459**	**20,255**	**18,055**	**14,218**	**5,584**	**76,987**
Turnover - Freight	30,733	25,888	30,643	22,221	30,165	35,995	32,068	39,821	40,892	51,394	43,144	38,972	421,936
cost of Sales	-278	-278	-278	-278	-278	-278	-278	-278	-278	-278	-258	-278	-3,316
Gross Margin - Freight	**30,455**	**25,610**	**30,365**	**21,943**	**29,887**	**35,717**	**31,790**	**39,543**	**40,614**	**51,116**	**42,886**	**38,694**	**418,620**
Turnover - Shore Excursions	0	0	0	0	0	0	2,430	27,133	11,045	36,193	28,666	4,924	110,592
Cost of Sales	0	0	0	0	0	0	-500	-8,593	-5,177	-12,379	-10,730	-2,628	-40,007
Gross Margin - Shore Excursions	**0**	**0**	**0**	**0**	**0**	**0**	**1,930**	**18,540**	**5,868**	**23,814**	**18,136**	**2,296**	**70,585**
Gross Margin - Tender Charter Sales	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,500**	**3,500**	**3,500**	**3,500**	**0**	**12,000**
Gross Margin - Agency Sales - Manche Iles Express	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**53**	**102**	**15**	**26**	**26**	**222**
													0
Total Gross Margin	**76,878**	**41,878**	**49,460**	**32,775**	**43,148**	**58,879**	**117,434**	**206,537**	**245,278**	**333,521**	**308,509**	**201,874**	**1,716,171**
Vessel Depreciation	**-7,311**	**-7,311**	**-7,311**	**-7,311**	**-13,561**	**-13,561**	**-13,561**	**-13,561**	**-13,561**	**-13,561**	**-13,561**	**-13,561**	**-137,732**
Vessel Overhaul and Repair	**-3,939**	**-5,606**	**-4,455**	**-77,024**	**-11,924**	**-21,774**	**-9,558**	**-3,359**	**-3,330**	**-3,373**	**-3,265**	**-4,461**	**-154,718**
Other Operating Costs	**-56,867**	**-44,941**	**-57,337**	**-57,334**	**-54,003**	**-56,099**	**-72,472**	**-70,741**	**-77,880**	**-99,369**	**-75,786**	**-71,601**	**-794,429**
Total Operating Costs	**-68,167**	**-57,858**	**-69,103**	**-141,669**	**-79,488**	**-91,434**	**-95,591**	**-87,661**	**-94,771**	**-116,303**	**-92,612**	**-89,623**	**-1,086,879**
Operating Profit/(Loss)	**8,711**	**-15,980**	**-19,643**	**-108,895**	**-36,340**	**-32,555**	**21,844**	**118,877**	**150,507**	**217,218**	**215,897**	**112,252**	**629,292**
Overheads													
Administration and General	-36,888	-29,181	-35,153	-36,261	-30,839	-31,272	-37,069	-33,865	-35,641	-44,602	-39,521	-33,396	-423,688
Advertising, Printings, Sales& Marketing	-680	-680	-490	-500	-3,620	-2,584	-872	-779	-1,785	-779	-1,208	-770	-14,747
Establishment (rent rates etc)	-5,503	-5,513	-5,737	-5,595	-5,595	-6,188	-6,066	-5,321	-5,571	-5,667	-5,581	-4,915	-67,252
Legal and Professional	-2,636	-2,187	-2,187	-2,187	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-72,813
Total Overheads	-45,707	-37,561	-43,567	-44,543	-48,006	-47,996	-51,959	-47,917	-50,949	-59,000	-54,262	-47,033	-578,500
Bank Interest Receivable	0	0	400	0	0	300	0	0	300	0	0	0	1,000
Profit/(Loss) Before Tax	-36,996	-53,541	-62,811	-153,437	-84,346	-80,251	-30,116	70,960	99,859	158,218	161,634	65,219	51,791

Note:

- *All revenue is recorded in the month of travel and does not include advance purchase revenue
- ** The overhaul costs include £70K exceptional spend for Venture refurbishment in addition to the £100K capital spend that is shown on the balance sheet.
- *** Legal and professional Includes monthly finance repayments on 300K vessel loan
- Includes full year depreciation and operating costs for Sark Belle.

The Operating Budget shown above represent a conservative volume/revenue estimate with most months based on a 3yr average so as to minimise the effects of weather impact on revenue planning in any particular year.

If trading matches the budget, Including depreciation the contribution to the balance sheet will be **+£195,523**

Financial Year 2019/20 Draft Budget (low revenue/volume predicted costs – no savings) including new vessel financials

Draft Budget

Worst case (-5% volume/revenue cost as per 2020 budget showing no savings/cost control)

Budget 19	4000.00	1097.00	1478.33	893.00	1079.00	1838.00	6008.00	11988.00	16654.00	21917.00	22285.00	12500.00	Budget 20 101737.33
Actual	3687.00	1287.00	1368.00	1176.00	1146.00	1633.00	6753.00	13945.00	15633.00	24533.00	22984.00	12427.00	106572.00
Variance	-313.00	190.00	-110.33	283.00	67.00	-205.00	745.00	1957.00	-1021.00	2616.00	699.00	-73.00	4834.67
Budget 20	3700.00	1189.00	1439.00	890.00	1100.00	1750.00	6500.00	12558.00	16000.00	22500.00	22600.00	12500.00	102726.00
Budget 20 worst case -5%	3515.00	1129.55	1367.05	845.50	1045.00	1662.50	6175.00	11930.10	15200.00	21375.00	21470.00	11875.00	97589.70
Variance	13.00	-58.00	71.00	-286.00	-46.00	117.00	-253.00	-1387.00	367.00	-2033.00	-384.00	73.00	-3846.00
Variance worst case - 5%	-485.00	32.55	-111.28	-47.50	-34.00	-175.50	167.00	-57.90	-1454.00	-542.00	-815.00	-625.00	-4147.63
Volume change logic	continued downward trend loss of grp and weather	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	3yr ave	just under 3 yr ave	loss of folk fest	3yr ave	3yr ave	
Turnover - Sark Passengers	40,196	14,923	19,609	11,039	13,527	20,704	74,859	105,341	136,936	209,814	208,082	126,355	Budget 20 981,386
Cost of Sales - Sark Passengers	-3,618	-1,090	-1,314	-813	-1,000	-1,588	-5,935	-11,772	-14,859	-20,958	-21,164	-11,844	-95,956
Gross Margin - Sark Passengers	**36,578**	**13,834**	**18,295**	**10,226**	**12,527**	**19,115**	**68,924**	**93,569**	**122,077**	**188,856**	**186,918**	**114,511**	**885,430**
Turnover - Agency Sales	6,098	1,652	0	0	0	1,336	8,732	40,487	51,628	44,557	36,594	39,210	230,294
Cost of Sales - Agency Sales	-572	-5	0	0	0	0	-775	-6,334	-7,522	-8,213	-5,343	-6,160	-34,925
Gross Margin - Agency Sales	**5,526**	**1,647**	**0**	**0**	**0**	**1,336**	**7,957**	**34,152**	**44,107**	**36,343**	**31,251**	**33,050**	**195,369**
Turnover - Groupbookings	1,800	0	0	0	0	1,505	2,485	11,261	18,314	16,301	12,832	5,059	69,556
Gross Margin - Groupbookings	**1,800**	**0**	**0**	**0**	**0**	**1,505**	**2,485**	**11,261**	**18,314**	**16,301**	**12,832**	**5,059**	**69,556**
Turnover - Freight	30,733	25,888	30,643	22,221	30,165	35,995	32,068	39,821	40,892	51,394	43,144	38,972	421,936
Cost of Sales - Freight	-278	-278	-278	-278	-278	-278	-278	-278	-278	-278	-259	-278	-3,316
Gross Margin - Freight	**30,455**	**25,610**	**30,365**	**21,943**	**29,887**	**35,717**	**31,790**	**39,543**	**40,614**	**51,116**	**42,886**	**38,694**	**418,620**
Turnover - Shore Excursions	0	0	0	0	0	0	2,430	27,133	11,045	36,193	28,866	4,924	110,592
Cost of Sales - Shore Excursions	0	0	0	0	0	0	-500	-8,593	-5,177	-12,379	-10,730	-2,628	-40,007
Gross Margin - Shore Excursions	**0**	**0**	**0**	**0**	**0**	**0**	**1,930**	**18,540**	**5,868**	**23,814**	**18,136**	**2,296**	**70,585**
Gross Margin - Tender Charter Sales	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,500**	**3,500**	**3,500**	**3,500**	**0**	**12,000**
Gross Margin - Agency Sales - Manche Iles Express	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**53**	**102**	**15**	**26**	**26**	**222**
Total Gross Margin	**74,358**	**41,091**	**48,660**	**32,169**	**42,414**	**57,674**	**113,086**	**198,617**	**234,582**	**319,947**	**295,549**	**193,637**	**0 1,651,783**
Vessel and Operating Asset Depreciation	-7,311	-7,311	-7,311	-7,311	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-137,732
Vessel Overhaul and Repairs	-3,989	-5,606	-4,455	-77,024	-11,924	-21,774	-9,558	-3,359	-3,330	-3,573	-3,465	-4,661	-152,718
Other Operating Costs	-56,867	-44,941	-57,337	-57,334	-54,003	-56,099	-72,472	-70,741	-77,880	-99,369	-75,786	-71,601	-794,429
Total Operating Costs	-68,167	-57,858	-69,103	-141,669	-79,488	-91,434	-95,591	-87,661	-94,771	-116,503	-92,812	-89,823	-1,084,879
Operating Profit/(Loss)	**6,191**	**-16,767**	**-20,443**	**-109,501**	**-37,074**	**-33,760**	**17,495**	**110,956**	**139,811**	**203,444**	**202,737**	**103,814**	**566,904**
Overheads													
Administration and General	-36,688	-28,981	-34,953	-36,061	-30,639	-31,072	-36,869	-33,665	-35,441	-44,402	-39,321	-33,196	-421,288
Sales & Marketing	-680	-680	-490	-500	-3,620	-2,584	-872	-779	-1,785	-779	-1,208	-770	-14,747
Establishment	-5,503	-5,513	-5,737	-5,595	-5,595	-6,188	-6,066	-5,321	-5,571	-5,667	-5,581	-4,915	-67,252
Financial and Professional	-2,636	-2,187	-2,187	-2,187	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-72,813
Total Overheads	-45,507	-37,361	-43,367	-44,343	-47,806	-47,796	-51,759	-47,717	-50,749	-58,800	-54,062	-46,833	-576,100
Bank Interest Receivable	0	0	400	0	0	300	0	0	300	0	0	0	1,000
Profit/(Loss) Before Tax	-39,316	-54,128	-63,410	-153,843	-84,880	-81,256	-34,264	63,240	89,363	144,644	148,675	56,981	-8,196

Note:

- Budget shows -5% revenue volume with no cost saving.
- *All revenue is recorded in the month of travel and does not include advance purchase revenue
- ** The overhaul costs include £70K exceptional spend for Venture refurbishment in addition to the £100K capital spendthat is shown on the balance sheet.
- *** Legal and professional Includes monthly finance repayments on 300K vessel loan
- Includes full year depreciation and operating costs for Sark Belle.

The Operating Budget shown above represent a worst case scenario volume/revenue estimate with no cost saving
Despite the -£8196 loss there will be a +**£137,132** contribution to the balance sheet accounting for the depreciation applied.

Appendix 21

Financial Year 2020/21 Draft Budget including New Vessel Financials

No adjustments made for revenue or cost increases - expect cost/revenue neutral

Budget 21													Budget 2021
Passenger volume	3,700	1,189	1,439	890	1,100	1,750	6,500	12,558	16,000	22,500	22,600	12,500	102,726
Turnover - Sark Passengers	42,289	15,652	20,444	11,584	14,198	21,752	78,805	110,872	144,128	220,758	219,031	132,898	1,032,412
Cost of Sales - Sark Passengers	-3,777	-1,141	-1,376	-852	-1,048	-1,664	-6,215	-12,314	-15,549	-21,928	-22,139	-12,383	-100,385
Gross Margin - Sark Passengers	**38,619**	**14,533**	**19,095**	**10,832**	**13,261**	**20,088**	**72,590**	**98,558**	**128,579**	**198,830**	**196,892**	**120,515**	**932,392**
Turnover - Agency Sales	6,411	1,739	0	0	0	1,406	9,177	42,504	54,207	46,759	38,425	41,190	241,819
Cost of Sales - Agency Sales	-602	-5	0	0	0	0	-806	-6,619	-7,848	-8,570	-5,575	-6,430	-36,455
Gross Margin - Agency Sales	**5,809**	**1,734**	**0**	**0**	**0**	**1,406**	**8,371**	**35,885**	**46,359**	**38,189**	**32,850**	**34,760**	**205,364**
Turnover - Groupbookings	1,994	0	0	0	0	1,668	2,753	12,459	20,255	18,055	14,218	5,584	76,987
Gross Margin - Groupbookings	**1,994**	**0**	**0**	**0**	**0**	**1,668**	**2,753**	**12,459**	**20,255**	**18,055**	**14,218**	**5,584**	**76,987**
Turnover - Freight	30,733	25,888	30,643	22,221	30,165	35,995	32,068	39,821	40,892	51,394	43,144	38,972	421,936
Cost of Sales	-278	-278	-278	-278	-278	-278	-278	-278	-278	-278	-258	-278	-3,316
Gross Margin - Freight	**30,455**	**25,610**	**30,365**	**21,943**	**29,887**	**35,717**	**31,790**	**39,543**	**40,614**	**51,116**	**42,886**	**38,694**	**418,620**
Turnover - Shore Excursions	0	0	0	0	0	0	2,430	27,133	11,045	36,193	28,866	4,924	110,592
Cost of Sales - Shore Excursions	0	0	0	0	0	0	-500	-8,593	-5,177	-12,379	-10,730	-2,628	-40,007
Gross Margin - Shore Excursions	**0**	**0**	**0**	**0**	**0**	**0**	**1,930**	**18,540**	**5,868**	**23,814**	**18,136**	**2,296**	**70,585**
Gross Margin - Tender Charter Sales	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,500**	**3,500**	**3,500**	**3,500**	**0**	**12,000**
Gross Margin - Manche Iles Express	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**53**	**102**	**15**	**26**	**26**	**222**
													0
Total Gross Margin	**76,878**	**41,878**	**49,460**	**32,775**	**43,148**	**58,879**	**117,434**	**206,537**	**245,278**	**333,521**	**308,509**	**201,874**	**1,716,171**
Vessel Chartered by IOSS													
Vessel and Operating Asset Depreciation	-13,561	-13,561	-13,561	-13,561	-13,340	-13,340	-13,340	-13,340	-13,340	-13,340	-13,340	-13,340	-160,964
Vessel Overhaul and Repairs	-2,722	-2,839	-3,188	-21,757	-15,257	-6,107	-8,508	-2,309	-2,280	-2,323	-2,215	-3,027	-72,532
Other Operating Costs	-55,367	-44,941	-50,337	-50,334	-54,003	-56,099	-72,472	-70,741	-77,880	-99,369	-75,786	-71,601	-778,929
Total Operating Costs	-71,650	-61,341	-67,086	-85,652	-82,600	-75,546	-94,320	-86,390	-93,500	-115,032	-91,341	-87,968	-1,012,425
Operating Profit/(Loss)	**5,228**	**-19,463**	**-17,626**	**-52,878**	**-39,452**	**-16,667**	**23,115**	**120,148**	**151,778**	**218,489**	**217,168**	**113,907**	**703,746**
Overheads													
Administration and General	-36,988	-29,281	-35,253	-36,361	-30,939	-31,372	-37,169	-33,965	-35,741	-44,702	-39,621	-33,496	-424,888
Sales & Marketing	-680	-680	-490	-500	-3,620	-2,584	-872	-779	-1,785	-779	-1,208	-770	-14,747
Establishment	-5,503	-5,513	-5,737	-5,595	-5,595	-6,188	-6,066	-5,321	-5,571	-5,667	-5,581	-4,915	-67,252
Financial and Professional	-8,401	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-95,873
Total Overheads	-51,572	-43,426	-49,432	-50,408	-48,106	-48,096	-52,059	-48,017	-51,049	-59,100	-54,362	-47,133	-602,760
Bank Interest Receivable	0	0	400	0	0	300	0	0	300	0	0	0	1,000
Profit/(Loss) Before Tax	-46,344	-62,889	-66,659	-103,285	-87,558	-64,463	-28,945	72,131	101,030	159,389	162,805	66,774	101,985

Note:

- First complete trading year with new vessel.
- All revenue is recorded in the month of travel and does not include advance purchase revenue
- Depreciation includes full 12 months on new vessel and 4 months on Sark Belle.
- Includes £7k contingency against Sark Belle
- Legal and professional Includes monthly finance repayments on 300K vessel loan.

Financial Year 2020/21 Draft Budget (Worst Case Scenario) including New Vessel Financials

Draft Budget

Worst case (-5% volume/revenue cost as per 2020 budget showing no savings/cost control- ticket price revenue increase to offset cost increase)

volume													Budget 21
Budget 20 worst case -5%	3,515	1,130	1,367	846	1,045	1,663	6,175	11,930	15,200	21,375	21,470	11,875	97,590
Variance worst case - 5%	-485	33	-111	-48	-34	-176	167	-58	-1,454	-542	-815	-625	-4,148
Turnover - Sark Passengers	40,489	15,005	19,639	11,187	13,640	20,704	74,859	105,341	136,936	209,814	208,082	126,355	982,052
Cost of Sales - Sark Passengers	-3,804	-1,150	-1,317	-862	-1,003	-1,588	-5,935	-11,772	-14,859	-20,958	-21,164	-11,844	-96,257
Gross Margin - Sark Passengers	**36,685**	**13,856**	**18,322**	**10,325**	**12,637**	**19,115**	**68,924**	**93,569**	**122,077**	**188,856**	**186,918**	**114,511**	**885,795**
Turnover - Agency Sales	6,098	1,652	0	0	0	1,336	8,732	40,487	51,628	44,557	36,594	39,210	230,294
Cost of Sales - Agency Sales	-602	-5	0	0	0	0	-806	-6,619	-7,848	-8,570	-5,575	-6,430	-36,455
Gross Margin - Agency Sales	**5,496**	**1,647**	**0**	**0**	**0**	**1,336**	**7,926**	**33,868**	**43,780**	**35,987**	**31,019**	**32,780**	**193,839**
Gross Margin - Groupbookings	**1,800**	**0**	**0**	**0**	**0**	**1,505**	**2,485**	**11,261**	**18,314**	**16,301**	**12,832**	**5,059**	**69,556**
Turnover - Freight	30,733	25,888	30,643	22,221	30,165	35,995	32,068	39,821	40,892	51,394	43,144	38,972	421,936
Cost of Sales - Freight	-278	-278	-278	-278	-278	-278	-278	-278	-278	-278	-258	-278	-3,316
Gross Margin - Freight	**30,455**	**25,610**	**30,365**	**21,943**	**29,887**	**35,717**	**31,790**	**39,543**	**40,614**	**51,116**	**42,886**	**38,694**	**418,620**
Turnover - Shore Excursions	0	0	0	0	0	0	2,430	27,133	11,045	36,193	28,866	4,924	110,592
Cost of Sales - Shore Excursions	0	0	0	0	0	0	-500	-8,593	-5,177	-12,379	-10,730	-2,628	-40,007
Gross Margin - Shore Excursions	**0**	**0**	**0**	**0**	**0**	**0**	**1,930**	**18,540**	**5,868**	**23,814**	**18,136**	**2,296**	**70,585**
Gross Margin - Tender Charter Sales	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,500**	**3,500**	**3,500**	**3,500**	**0**	**12,000**
Gross Margin - Agency Sales - Manche Iles Express	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**53**	**102**	**15**	**26**	**26**	**222**
Total Gross Margin	**74,435**	**41,113**	**48,687**	**32,268**	**42,524**	**57,674**	**113,055**	**198,333**	**234,256**	**319,590**	**295,318**	**193,366**	**1,650,618**
Vessel Chartered by IOSS													
Vessel and Operating Asset Depreciation	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-13,561	-162,732
Vessel Overhaul and Repairs	-3,172	-3,289	-3,638	-16,207	-15,607	-10,457	-8,858	-2,659	-2,630	-2,673	-2,565	-3,761	-75,516
Other Operating Costs	-56,867	-44,941	-57,337	-57,334	-54,003	-56,099	-72,472	-70,741	-77,880	-99,369	-75,786	-71,601	-794,429
Total Operating Costs	-73,600	-61,791	-74,536	-87,102	-83,171	-80,117	-94,891	-86,961	-94,071	-115,603	-91,912	-88,923	-1,032,677
Operating Profit/(Loss)	**835**	**-20,678**	**-25,849**	**-54,835**	**-40,647**	**-22,443**	**18,164**	**111,372**	**140,185**	**203,987**	**203,406**	**104,444**	**617,941**
Overheads													
Administration and General	-36,688	-28,981	-34,953	-36,061	-30,639	-31,072	-36,869	-33,665	-35,441	-44,402	-39,321	-33,196	-421,288
Sales & Marketing	-680	-680	-490	-500	-3,620	-2,584	-872	-779	-1,785	-779	-1,208	-770	-14,747
Establishment	-5,503	-5,513	-5,737	-5,595	-5,595	-6,188	-6,066	-5,321	-5,571	-5,667	-5,581	-4,915	-67,252
Financial and Professional	-8,401	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-7,952	-95,873
Total Overheads	-51,272	-43,126	-49,132	-50,108	-47,806	-47,796	-51,759	-47,717	-50,749	-58,800	-54,062	-46,833	-599,160
Bank Interest Receivable	0	0	400	0	0	300	0	0	300	0	0	0	1,000
Profit/(Loss) Before Tax	-50,437	-63,804	-74,581	-104,942	-88,453	-69,939	-33,595	63,655	89,736	145,187	149,343	57,611	19,780

Note:

- Budget shows -5% revenue volume with no cost saving.
- *All revenue is recorded in the month of travel and does not include advance purchase revenue.
- **Legal and professional Includes monthly finance repayments on 300K vessel loan.
- Includes £7K contingency against non sale of Sark Belle.

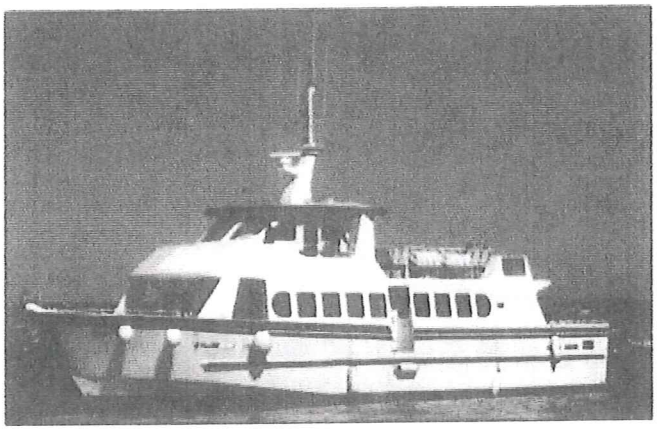
The Operating Budget shown above represent a worst case scenario volume/revenue estimate with no cost saving

Appendix 21

Corsaire Des Iles 2

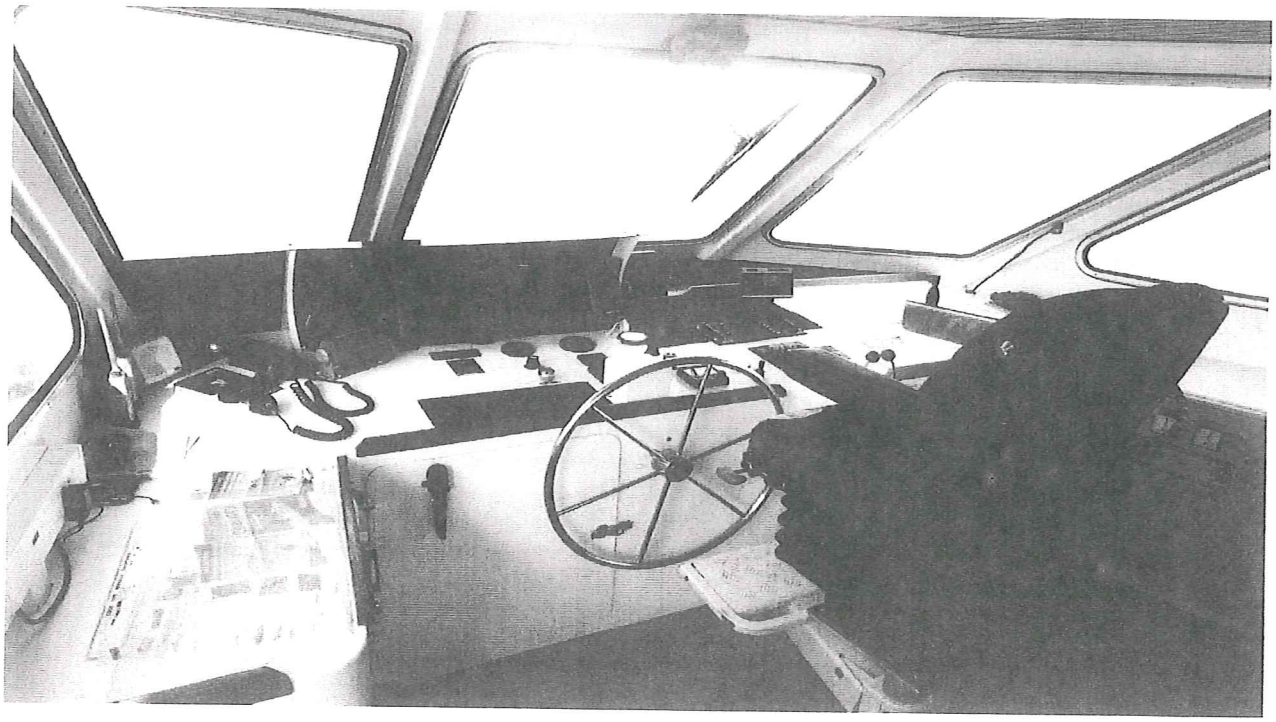
Day Passenger Vessel

Main characteristics



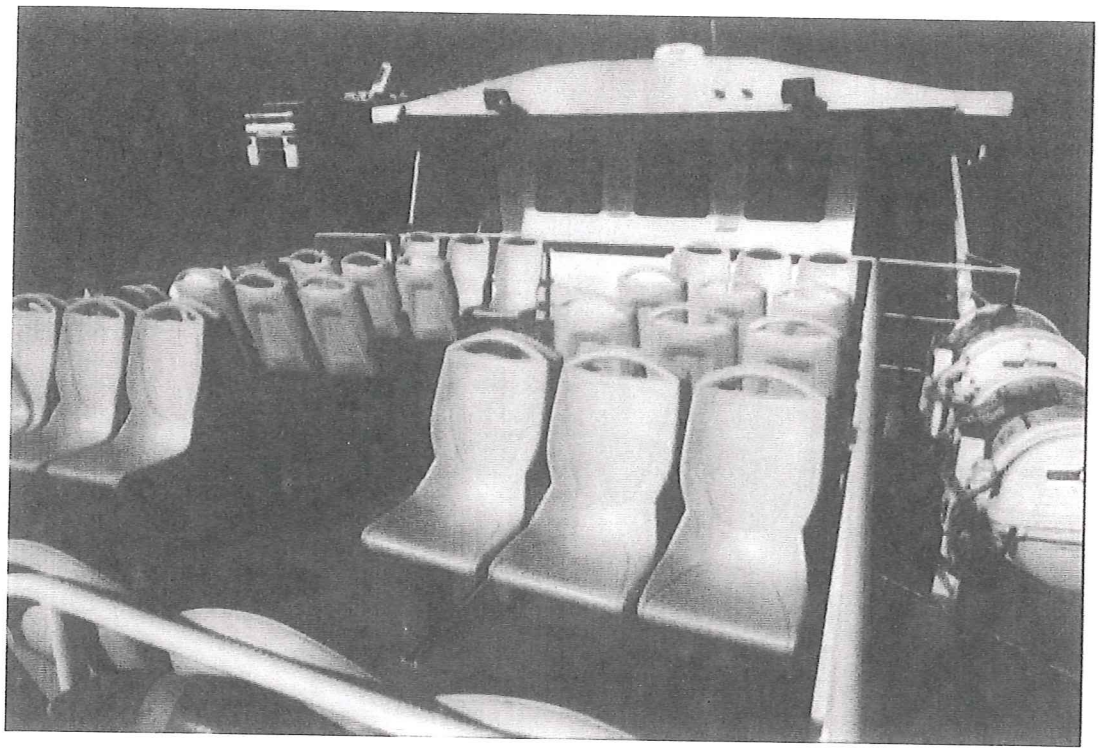
NAME – REF	CORSAIRE DES ÎLES - 012V452
Type / Material	Monohull / Aluminium
Built / Shipyard	2007
Dimensions	23,00 m x 6.40 m - Draft 1,50 m
Gross Tonnage	105 UMS
Passengers / Category	3rd category - 150 passengers / 3 WC (1 Disabled WC) Upper deck 32 - Lounge 86 – Aft deck 32 4th category - 157 passengers Upper deck 32 - Salon 86 Aft deck 32 Shelter deck 7
Classification	Bureau Veritas
Main engines	Volvo D12 MH - 2 x 500 Cv (368 Kw) @ 1800 rpm Full overhaul 06/2014
Auxiliaries	ZF type 350A – 1/2,636 / 2 x 5 Blades (+ 2 x 4 Blades)
Bunkers	GO 8 000 L / Fresh water 860 L / Black water 390 L
Speed / Consumption	15 knots
Electronics	2 PORTABLE VHF ICOM / VHF ASN COBRA / VHF ASN FURUNO HS2721 / FURUNO RADAR / FURUNO SOUNDER FCV620 / FURUNO GPS GP32 / NAVNET C-Map / Invasion & fire alarm / Cameras (Lounge & Machine), BOUYER intercom / BOUYER sono (Upper deck, lounge, aft deck)
Miscellaneous	Soundproof machine, 2 alternators 2 x 100 A Gearbox 11/2017
Inspection / Availability	Available 11/2019
Price	750 000 € (excl. taxes)

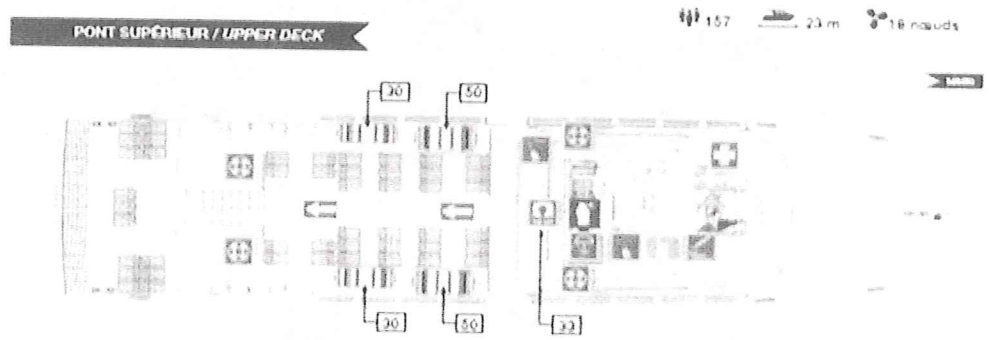
Corsaire Des Iles 2

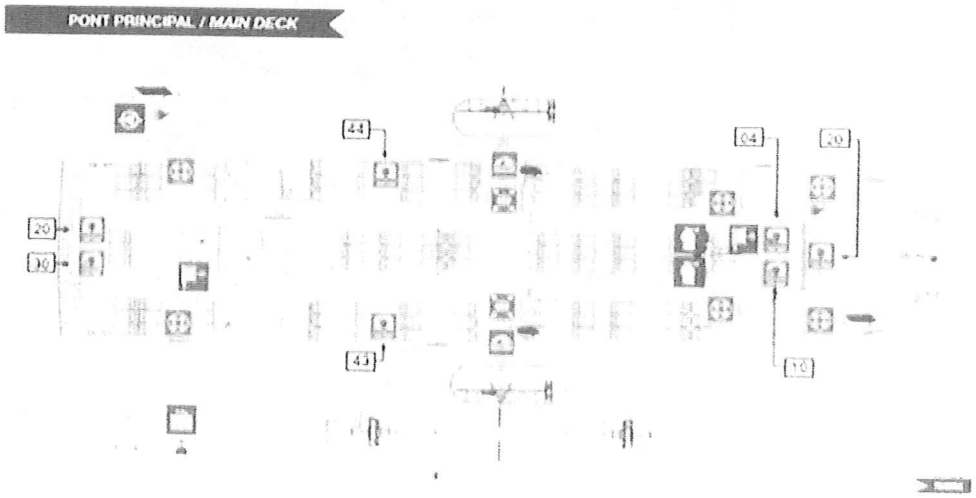


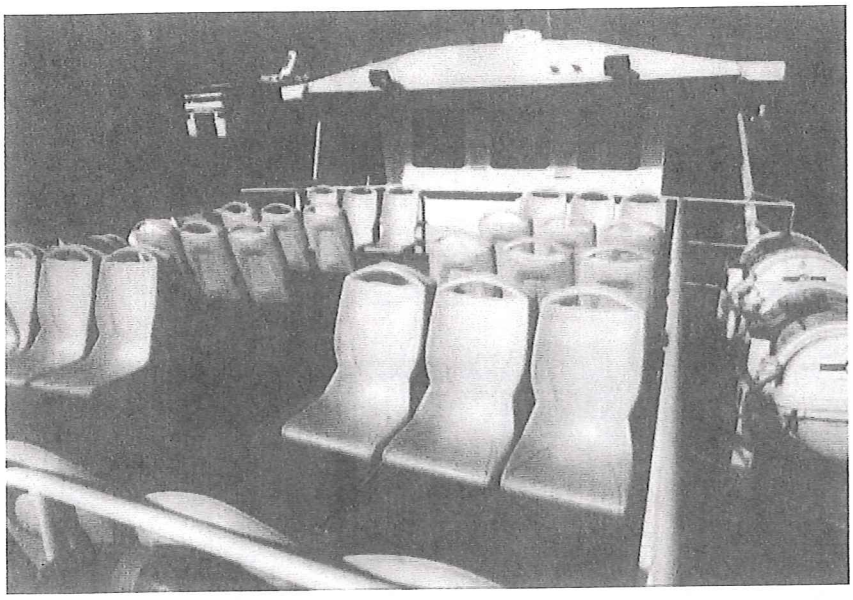
Corsaire Des Iles 2

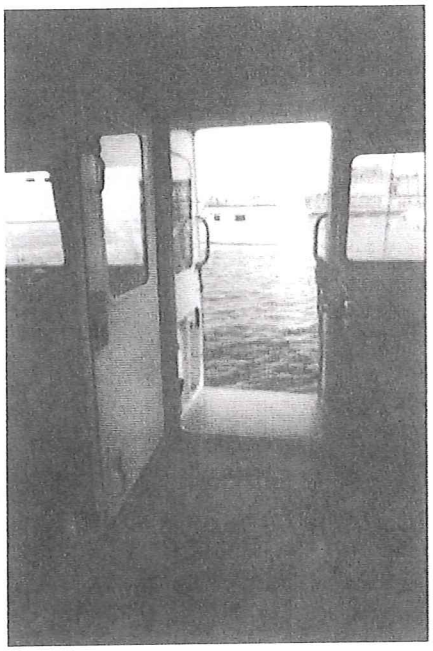
Corsaire Des Iles 2

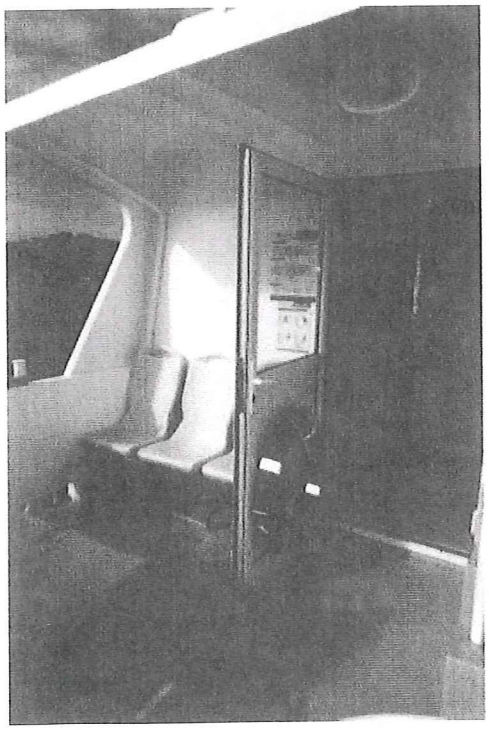


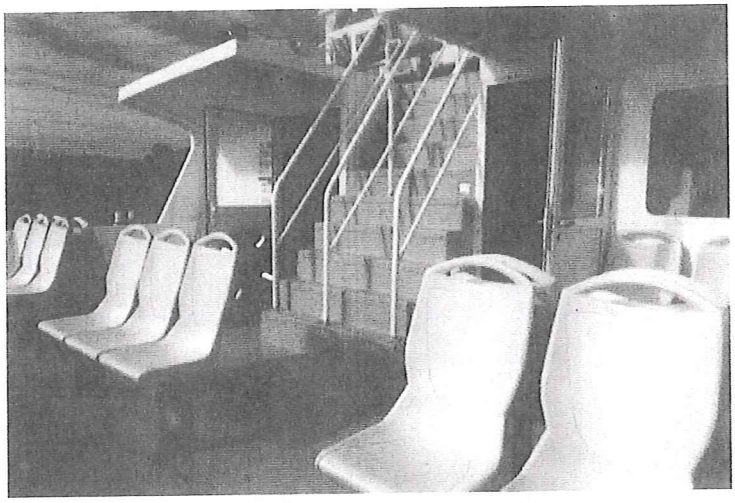


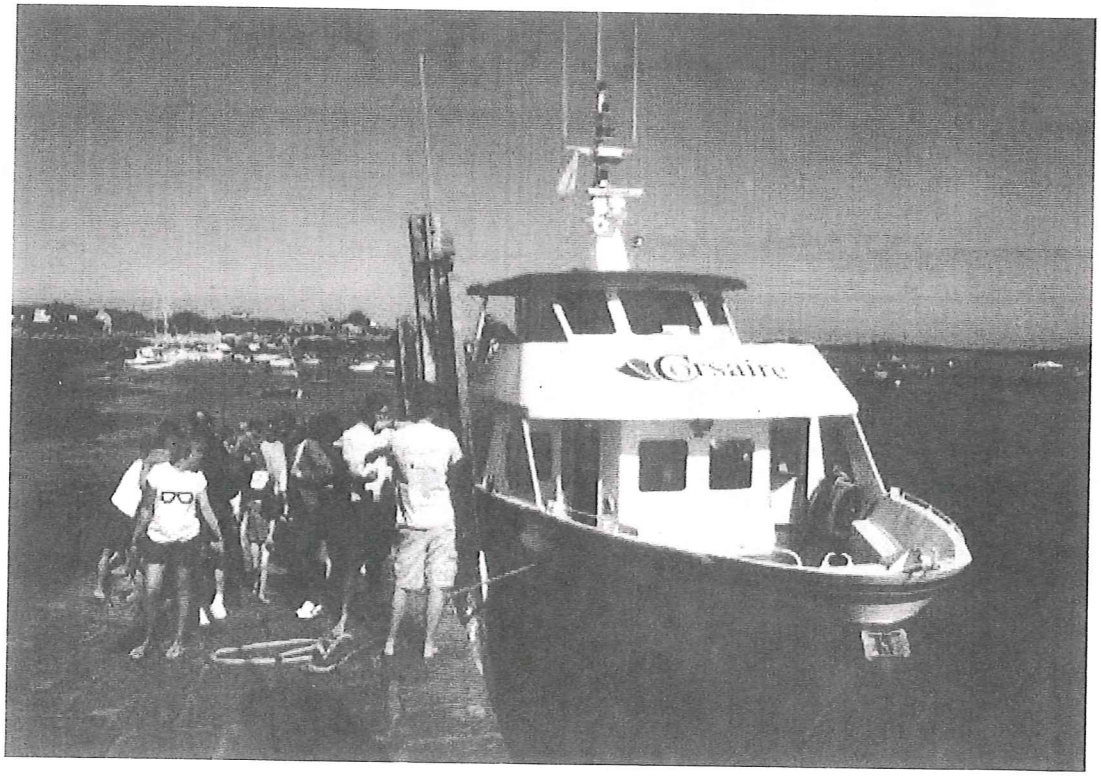












Appendix 21

Q & A

Question - Why do we need to replace the passenger vessels now?

Answer - The current passenger vessels are getting older, less reliable and more expensive to maintain year by year. The average cost of operating the Bon Marin de Serk and the Sark Belle is £30,000/ year. This compares to approximately half this amount for the Sark Viking.

Question – Why are we buying a second hand vessel rather than buying/building a new vessel?

Answer – There are two reasons that the Company has chosen this approach. Fundamentally the cost of specifying and building a new vessel would most importantly be beyond the current ability of the Company to finance and secondly the lead time (at least 18 months) would risk disruption to the service. In addition we will be purchasing a vessel that is of proven design, fits our requirements, and is at a cost that is affordable and still allows the Company to accrue capital to cover winter costs and contingencies.

Question – Why not keep one of the other vessels and replace the Sark Venture?

Answer – Sark Venture is the most capable winter operating vessel and also provides back up for the cargo service. We are currently replacing the main engines to ensure we maximise the reliability of the Sark Venture and minimise the cost of ongoing maintenance.

Question – How will we maintain the summer service with only two rather than three passenger vessels?

Answer – Prior to the purchase of the Sark Belle the Company operated with two passenger vessels (Sark Venture and Bon Marin de Serk) the purchase and subsequent retention of the third vessel (Sark Belle) was driven as a result of an extended mechanical breakdown involving the Bon Marin de Serk. The long out of service time was partly due to the age of the vessel mechanics and the lack of strategic spares available.

It is our intention to obtain a number of strategic spare parts for the replacement vessel (including a spare main engine) to ensure that we are confident that any downtime will be kept to a minimum. The vessel is also of straightforward construction and mechanical design that will allow us to undertake any work required using on Island support rather than relying on UK or European contractors. Replacing the main engines of the Sark Venture will also reduce the risk of downtime on that vessel.

Having reviewed and analysed peak passenger demand over the previous 5 years we are also comfortable that the capacity of the replacement vessel combined with the back up capacity provided by the Sark Venture provides sufficient capacity to meet demand even in the busiest periods and still allow for potential growth.

Question – How will we maintain the winter service with the replacement vessel and the Sark Venture?

Answer - In the past two years we have in effect operated the winter service with only two vessels one of which was the Sark Belle. We have analysed the demand and given the very low volumes we are confident that the winter service can be operated without risk of major disruption using the replacement vessel, Sark Venture, and Sark Viking. (it is likely that the replacement vessel with have a similar weather limitation to both the Venture and the Bon).

Q & A - continued

Question – Will the replacement vessel effect a change in the timetable and will this affect Sark residents and visitors?

Answer – The replacement vessel has an economic service speed of 15knots (35 minutes journey time maximum speed 18 Knots). The shorter crossing times will allow the Company to schedule the first Guernsey departure at a later and more attractive time for the visitor without compromising the current arrival times and length of day in Guernsey for the Sark resident.

Operationally the proposed schedule and fleet structure will be easier to manage than the current operational schedule where we are dealing with three boats with three different speeds and capacities. Having a faster vessel with greater "covered" capacity will make the operation easier.

Although we will not confirm the summer schedule until such time as we have the replacement vessel we will also be modelling a number of options to best use the shorter rotation times and larger capacity to maximise efficiency and encourage additional volume.

The arrival times in Sark and in Guernsey during the winter season are likely to remain unchanged as they will be based on Venture and Viking passage times. The proposed summer season schedules are shown on page 24

Question – Will fares or other costs need to increase when the replacement vessel is purchased?

Answer – The business plan financials for the replacement vessel has been built on cost saving and efficiencies rather than the need to increase revenue. (passenger ticket prices or cargo charges) to cover the repayments on the loan. Ticket prices, if possible, will be restricted to RPI in line with the usual arrangements. We have modelled cash flow budgets on an average and "worst case" passenger/volume scenario and even with volumes below 100,000 passenger legs (50,000 passengers) the Company calculates that it would be able to service the loan. We will also continue to operate the special fares and promotions.

Question – The faster rotation times (just over 1.5 hours rather than 2 hours) may prove challenging for the Carters when delivering luggage and goods and returning for the arrival of the next rotation?

Answer – Following consultation the third am rotation Guernsey- Sark – Guernsey will be timed to leave 15 minutes later than originally scheduled to give the carters time to make deliveries and collections. *(see schedule on page 25)*

Question – Long Term Loan

Chief Pleas has provided a long term loan of £254,788 which is due for repayment on 31 August 2021. Will this be repaid?

Answer – Following the purchase of the replacement, keeping aside cash required for winter trading and assuming that a portion of the £120k put aside for modifications to bring the vessel into UK code is spent; IOSS will have a contingency cushion of £100,000 plus any unspent money from the £120K . This will put the company in a position to repay the loan in full in 2021 without any adverse impact on the company's finances.

Question – When

When will the new vessel enter service?

Answer – We are hoping that the purchase will go through in early to mid February dependent on finance and survey being satisfactory. There will be surveys to undertake and there is likely that some work may be required to obtain a UK passenger certificate; we will also undertake sea trials and crew training to ensure that the vessel is ready for service. If all goes to plan the target date would be end of April.

Draft Schedule

Corsaire des Iles 2 has a service speed of 15 knots giving rotation times of 1H45 rather than 2 hours allows for later start times, additional sailings, or a combination of both.. As with the current schedule turnaround times could be variable according to volumes (passengers loaded to and from the vessel) and the additional speed in hand would enable us to maintain a schedule that is attractive to day trippers and staying visitors. The finance costs for the replacement vessel have been calculated using conservative volumes/revenues. However, we are optimistic that the schedule and the reduced crossing times will encourage additional passenger numbers.

	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Dep GY		#0700		#0700	#0700		
Dep GY	0900		0900		0900	0900	
Dep GY	1030	1030	1030	1030	1030	1030	0945
Dep GY	1200	1200	1200	1200	1200	1200	1115
Dep GY	1545	1545	1545	1545	1545	1545	1500
Dep GY	1715	1715	1715	1715	1715	1715	1630
Dep SK		#0915		#0915	#0915		
Dep SK	0945		0945		0945	0945	
Dep SK	1115	1115	1115	1115	1115	1115	1030
Dep SK	1300	1300	1300	1300	1300	1300	1200
Dep SK	1630	1630	1630	1630	1630	1630	1545
Dep SK	1800	1800	1800	1800	1800	1800	1715

NOTES:

- **0800** Guernsey departure moved to **0900** – currently on average only between 10% & 12% of IOSS am carryings travel out to Sark on the early sailing Visitors are reluctant to take the early am departure despite the lower fare applied. Moving the 0800 sailing to 0900 should encourage more passenger volume. The 0945 departure from Sark will arrive only 15 minutes later than the previous 0900 departure.
- **1000** sailing moved to **1030** – Sailing is still at a peak time and the arrival in Sark will be close to the previous arrival time of 1100. **1115** Sark departure time will arrive earlier than the previous schedule 1100 Sark departure.
- **1145** Guernsey departure moved to **1200** - Guernsey departure moved 15 minutes however, shorter crossing time gives earlier arrival in Sark which should encourage more passenger volume. **1245** departure from Sark moved to **1300** to allow more time for carters collection/delivery. Arrival time Guernsey will be 15 minutes earlier than previous schedule.
- **1500** Guernsey departure moved to **1545** – arrival time in Sark only +15 minutes, 45 minute delay to previous 1500 Guernsey departure allows more time for connections with both air and ferry journeys. Gives more day trip time for Sark residents.
- **1600** Sark departure moved to **1630** – this will give a small increase in the stayover time in Sark for Day trippers. The transit time for the new vessel will result in the same 1700 arrival time in Guernsey
- **1700** Guernsey Departure moved to **1715**- The additional 15 minutes will allow more time for flight or ferry connections.
- **1800** Sark Guernsey departure maintained, shorter crossing time gives an earlier arrival in Guernsey which makes the siling more attractive to returning visitors.

The Sark Venture will be used if and when additional capacity is required and will operate outside the published scheduled times.

Retention of the Venture enables the Company to retain Cruise excursion and tendering income without impacting the scheduled service.

Winter service would be operated primarily by the Venture but the replacement/new vessel would be available throughout if there was demand.

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From: Paul Burnard [mailto:Paul.Burnard@SarkShipping.gg]
Sent: 17 April 2020 16:38
To: Rito, Duarte (Local Banking, RBS International)
Cc: 'Conseiller William Raymond'; 'Treasurer Sarah Hudson'
Subject: Permission to speak to Chief Pleas

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Hi Rafael

We have just had a conversation with Chief Pleas regarding the letter of comfort, in regard to which they would like some clarification/amendment.

I therefore confirm that, should you be able to, you have permission to speak with Sarah Hudson and/or William Raymond.

Kind regards

Paul Burnard
Executive Director
The Isle of Sark Shipping Co. Limited

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Mike Smith
Senior Relationship Director

Local banking

RBSI & NatWest International Corporate & Commercial

Mob 07781 128010

From: Paul Burnard [mailto:Paul.Burnard@SarkShipping.gg]
Sent: 22 April 2020 19:28
To: Smith, Mike (Local Banking, RBS International)
Cc: Rito, Duarte (Local Banking, RBS International)
Subject: RE: IOSS funding

Hi Mike

Thank you for your call earlier; I am encouraged by your willingness to work towards supporting the company at this difficult time.

Yan & I are currently working on the revised forecasts and expect to get them to you by this time next week.

In the meantime, Chief Pleas met this morning (I thought it was this evening) and did not approve the signing of the Letter of Comfort.

One of our board has had an 'off the record' chat with a member of Chief Pleas who indicated that there was a willingness to sign a letter, but not in its current form.

I understand that one of the obstacles to signing is the 3rd bullet point, which is being interpreted by some as meaning that the drawdown is to meet operational expenses.

Would it therefore be possible to amend the wording to read ".....the proposed drawdown of the loan facility is to repay to IOSS part of the money which it has already spent on purchasing the vessel."?

Whilst it cannot be guaranteed, that may be sufficient to persuade them to sign.

Kind regards