

## ISLAND OF SARK

EXTRAORDINARY MEETING of the CHIEF PLEAS to be held on  
WEDNESDAY 19<sup>th</sup> FEBRUARY 2020 at 7.00 PM  
in the ASSEMBLY ROOM

### AGENDA

1. MATTERS ARISING from the Extraordinary Meeting of Chief Pleas held on Wednesday, 17<sup>th</sup> December 2019.
2. To CONSIDER a Report with two Propositions from the POLICY & FINANCE COMMITTEE entitled “**Agreement to Purchase and Loan Guarantee for Isle of Sark Replacement Passenger Vessel Corsaire Des Iles 2**” (copy attached or to follow).

7<sup>th</sup> February 2020

Paul Armorgie  
Deputy Speaker of Chief Pleas

#### NOTES:

1. This meeting has been called under The Reform (Sark) Law, 2008, Section 32 (2) (b) “by the Deputy Speaker, with the consent of the Seigneur.”
2. Under the Provisions of Rule 12(11) of the Rules of Procedure of the Chief Pleas of Sark the Deputy Speaker of Chief Pleas has waived the notice required and allowed this meeting to be called.
3. Anyone wishing to see any of the Reports and Supporting Papers may do so at the Committee Offices, Monday to Friday, 10.30 - 12.30 and 2 - 4.30 and at other times when the offices are open; copies may be obtained from the Committee Office. The Agenda, Reports and Supporting Papers may also be seen on the Sark Government Website at [www.gov.sark.gg](http://www.gov.sark.gg)

**POLICY & FINANCE COMMITTEE**

**Report with propositions to Extraordinary Chief Pleas, February 2020**

**AGREEMENT TO PURCHASE AND LOAN GUARANTEE FOR ISLE OF SARK REPLACEMENT PASSENGER VESSEL CORSAIRE DES ILES 2**

Members of Chief Pleas will be aware of the decision made by the Board of Directors of Isle of Sark Shipping Company Ltd to decommission and dispose of the vessel Bon Marin de Serk and to seek a replacement. Such a replacement has been found which is acceptable to the company. The vessel currently named the Corsaire des Iles 2 is operating under the French flag out of St Malo. The cost of the vessel together with essential modifications and essential spares is £750,000, and the Board have allocated the sum of £450,000 from the company cash reserves, and the bank have agreed to loan the company £300,000. The bank require that Chief Pleas undertakes to guarantee this amount.

Under the Memorandum of Understanding Chief Pleas or a committee on behalf of Chief Pleas have to sanction capital expenditure in excess of £50,000. The prime cost of the vessel is c.£630,000.

With the impending visitor season the replacement vessel is essential to maintain the service to the Island.

Detailed information received from the Company in support of the proposition is attached.

**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.

**Conseiller Peter la Trobe-Bateman  
Chairman, Policy & Finance Committee**



# 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 IRO -£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 winter maintenance cost of the Bon Marin and Sark Belle is circa £30,000 As an indication the annual general and winter 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)

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

## Options:

- Either monohull or catamaran\*\*. **Corsaire Des Iles 2 is a monohull**
- **Aluminium, Plastic, or Steel construction\*\*\*. Corsaire Des Iles 2 is Aluminium**

## Desirable but not essential:

- Beam and length suitable for access to Creux Harbour. **Corsaire Des Iles 2 meets this criteria**
- Less than 70 tonnes gross unloaded weight\*\*\*\* **Corsaire Des Iles 2 meets this criteria**
- Shallow draft. **Corsaire Des Iles 2 meets this criteria**
- Second tier access and egress points (tide in Sark) **Corsaire Des Iles 2 meets this criteria**
- 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). **Corsaire Des Iles 2 meets this criteria**

## Other:

- Marpol (International Convention for the Prevention of Pollution from Ships) compliant sewage system with pump out override to meet current Guernsey requirements. **Corsaire Des Iles 2 meets this criteria**
- Local or guaranteed availability of spare parts and servicing facilities. **Corsaire Des Iles 2 meets this criteria**

## 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. ('length of a ship', unless expressly provided otherwise, means 96 % of the total length on a water line at 85 % of the least moulded depth measured from the top of the keel, or the length from the fore side of the stem to the axis of the rudder stock on that waterline, if that be greater. In ships designed with a rake of keel the waterline on which this length is measured shall be parallel to the designed waterline)

\*\* 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.

*Note:- The "average" scenario budgets show revenues and volumes reflecting a conservative trading year with estimated actual costs showing known items, adjusted historic costs that factor in RPI/inflation increases and the finance repayments on the new vessel.*

*The "worst case" scenario budgets reflect revenues and budgets from a low volume/revenue trading year based on less than 98,000 passenger legs (average over the last 5 years has been over 102,000 passenger legs). Costs on the worst case scenario budgets show no in year cost saving over the average and include items such as disposal cost for Bon Marin and Sark Belle, rather than any potential sale revenue.*

*As shown in the notes, even in the worst case scenario the company would still be rebuilding its reserves (see notes page 14).*

# Replacement Vessel

## Funding options

### Funds available

<b>Bank balances at 30 September 2019</b>		<u><u>£900,862</u></u>
<b>Cost of Vessel*</b>	£630,000	
Modification/compliance fund available	£120,000	
<b>Estimated Project cost:</b>	<b>£750,000</b>	
<i>(including modifications to make vessel compliant to UK code)</i>		
<b>Bank Loan</b>	£300,000	
<b>Contribution from IOSS Funds to vessel purchase</b>		<u>£450,000</u>
<b>Surplus</b>		<u><u>£450,862</u></u>

### Expected net outflow to 31 March 2020:-

	Bank balances at 30 September 2018	£747,631
	Less: bank balances at 31 March 2019	£468,037
	<b>Estimated Net outflow (winter)</b>	<u>£279,594</u>
Less:	Bon Marin overhaul costs	<u>-£36,166</u>
		<b>£243,428</b>
Add:	Re-engining of Sark Venture**	<u>£100,000</u>
	<b>Expected outflows trading 2020 winter</b>	<u><u>£343,428</u></u>

<b>Cash in Bank following winter trading, Venture re-engine and replacement vessel purchase.</b>	<u><u>£107,434</u></u>
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### 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 (£)	Build*(£)
Expected cost, inclusive of modifications	£750,000	£1,250,000	£1,750,000
Contribution from IOSS	£450,000 <sup>#</sup>	£600,000	£600,000
Financing required	<b>£300,000<sup>#</sup></b>	<b>£650,000</b>	<b>£1,150,000</b>
Monthly cost over 7 years at 5.75% (base rate + 5%)	£4,346	£9,418	£16,800
<b>Annual cost</b>	<b>£52,152</b>	<b>£113,016</b>	<b>£201,600</b>
Monthly cost over 5 years at 5.75% (base rate + 5%)	£5,765	£12,491	£22,232
<b>Annual cost</b>	<b>£69,175</b>	<b>£149,892</b>	<b>£266,784</b>

### 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)	<u>£31,024</u>	
	£60,499	
Less: new vessel maintenance	<u>£15,000</u>	
		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	<u>£4,487</u>
	<u><u>£117,974</u></u>

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
					<u>£1,184,474</u>

**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		
													<b>Budget 20</b>	
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	3yr ave	just under 3 yr ave	loss of folk fest	3yr ave	3yr ave	
													<b>Budget 20</b>	
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	-3,916	
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	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	
<b>Total Gross Margin</b>	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	-3,989	-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	
<b>Total Operating Costs</b>	-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	
<b>Operating Profit/(Loss)</b>	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	
<b>Overheads</b>														
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	
<b>Total Overheads</b>	-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	
<b>Profit/(Loss) Before Tax</b>	-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 20	
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		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	-98.00	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	3yr ave	just under 3 yr ave	loss of folk fest	3yr ave	3yr ave	
													Budget 20	
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		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	-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	74,358	41,091	48,660	32,169	42,414	57,674	113,086	198,617	234,582	319,947	295,549	193,637		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 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 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.



# 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
<b>Gross Margin - Sark Passengers</b>	<b>38,619</b>	<b>14,533</b>	<b>19,095</b>	<b>10,832</b>	<b>13,261</b>	<b>20,088</b>	<b>72,590</b>	<b>98,558</b>	<b>128,579</b>	<b>198,830</b>	<b>196,892</b>	<b>120,515</b>	<b>932,392</b>
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
<b>Gross Margin - Agency Sales</b>	<b>5,809</b>	<b>1,734</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,406</b>	<b>8,371</b>	<b>35,885</b>	<b>46,359</b>	<b>38,189</b>	<b>32,850</b>	<b>34,760</b>	<b>205,364</b>
Turnover - Groupbookings	1,994	0	0	0	0	1,668	2,753	12,459	20,255	18,055	14,218	5,584	76,987
<b>Gross Margin - Groupbookings</b>	<b>1,994</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,668</b>	<b>2,753</b>	<b>12,459</b>	<b>20,255</b>	<b>18,055</b>	<b>14,218</b>	<b>5,584</b>	<b>76,987</b>
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
<b>Gross Margin - Freight</b>	<b>30,455</b>	<b>25,610</b>	<b>30,365</b>	<b>21,943</b>	<b>29,887</b>	<b>35,717</b>	<b>31,790</b>	<b>39,543</b>	<b>40,614</b>	<b>51,116</b>	<b>42,886</b>	<b>38,694</b>	<b>418,620</b>
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
<b>Gross Margin - Shore Excursions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,930</b>	<b>18,540</b>	<b>5,868</b>	<b>23,814</b>	<b>18,136</b>	<b>2,296</b>	<b>70,585</b>
<b>Gross Margin - Tender Charter Sales</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,500</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>	<b>0</b>	<b>12,000</b>
<b>Gross Margin - Manche Iles Express</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>102</b>	<b>15</b>	<b>26</b>	<b>26</b>	<b>222</b>
													<b>0</b>
<b>Total Gross Margin</b>	<b>76,878</b>	<b>41,878</b>	<b>49,460</b>	<b>32,775</b>	<b>43,148</b>	<b>58,879</b>	<b>117,434</b>	<b>206,537</b>	<b>245,278</b>	<b>333,521</b>	<b>308,509</b>	<b>201,874</b>	<b>1,716,171</b>
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
<b>Total Operating Costs</b>	<b>-71,650</b>	<b>-61,341</b>	<b>-67,086</b>	<b>-85,652</b>	<b>-82,600</b>	<b>-75,546</b>	<b>-94,320</b>	<b>-86,390</b>	<b>-93,500</b>	<b>-115,032</b>	<b>-91,341</b>	<b>-87,968</b>	<b>-1,012,425</b>
<b>Operating Profit/(Loss)</b>	<b>5,228</b>	<b>-19,463</b>	<b>-17,626</b>	<b>-52,878</b>	<b>-39,452</b>	<b>-16,667</b>	<b>23,115</b>	<b>120,148</b>	<b>151,778</b>	<b>218,489</b>	<b>217,168</b>	<b>113,907</b>	<b>703,746</b>
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
<b>Total Overheads</b>	<b>-51,572</b>	<b>-43,426</b>	<b>-49,432</b>	<b>-50,408</b>	<b>-48,106</b>	<b>-48,096</b>	<b>-52,059</b>	<b>-48,017</b>	<b>-51,049</b>	<b>-59,100</b>	<b>-54,362</b>	<b>-47,133</b>	<b>-602,760</b>
Bank Interest Receivable	0	0	400	0	0	300	0	0	300	0	0	0	1,000
<b>Profit/(Loss) Before Tax</b>	<b>-46,344</b>	<b>-62,889</b>	<b>-66,659</b>	<b>-103,285</b>	<b>-87,558</b>	<b>-64,463</b>	<b>-28,945</b>	<b>72,131</b>	<b>101,030</b>	<b>159,389</b>	<b>162,805</b>	<b>66,774</b>	<b>101,985</b>

**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)													Budget 21
<b>volume</b>														
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		982,062
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
<b>Gross Margin - Sark Passengers</b>	<b>36,685</b>	<b>13,856</b>	<b>18,322</b>	<b>10,325</b>	<b>12,637</b>	<b>19,115</b>	<b>68,924</b>	<b>93,569</b>	<b>122,077</b>	<b>188,856</b>	<b>186,918</b>	<b>114,511</b>		<b>885,795</b>
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
<b>Gross Margin - Agency Sales</b>	<b>5,496</b>	<b>1,647</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,336</b>	<b>7,926</b>	<b>33,868</b>	<b>43,780</b>	<b>35,987</b>	<b>31,019</b>	<b>32,780</b>		<b>193,839</b>
<b>Gross Margin - Groupbookings</b>	<b>1,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,505</b>	<b>2,485</b>	<b>11,261</b>	<b>18,314</b>	<b>16,301</b>	<b>12,832</b>	<b>5,059</b>		<b>69,556</b>
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
<b>Gross Margin - Freight</b>	<b>30,455</b>	<b>25,610</b>	<b>30,365</b>	<b>21,943</b>	<b>29,887</b>	<b>35,717</b>	<b>31,790</b>	<b>39,543</b>	<b>40,614</b>	<b>51,116</b>	<b>42,886</b>	<b>38,694</b>		<b>418,620</b>
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
<b>Gross Margin - Shore Excursions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,930</b>	<b>18,540</b>	<b>5,868</b>	<b>23,814</b>	<b>18,136</b>	<b>2,296</b>		<b>70,585</b>
<b>Gross Margin - Tender Charter Sales</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,500</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>	<b>0</b>		<b>12,000</b>
<b>Gross Margin - Agency Sales - Manche Iles Express</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>102</b>	<b>15</b>	<b>26</b>	<b>26</b>		<b>222</b>
<b>Total Gross Margin</b>	<b>74,435</b>	<b>41,113</b>	<b>48,687</b>	<b>32,268</b>	<b>42,524</b>	<b>57,674</b>	<b>113,055</b>	<b>198,333</b>	<b>234,256</b>	<b>319,590</b>	<b>295,318</b>	<b>193,366</b>		<b>1,650,618</b>
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	-15,807	-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
<b>Total Operating Costs</b>	<b>-73,600</b>	<b>-61,791</b>	<b>-74,536</b>	<b>-87,102</b>	<b>-83,171</b>	<b>-80,117</b>	<b>-94,891</b>	<b>-86,961</b>	<b>-94,071</b>	<b>-115,603</b>	<b>-91,912</b>	<b>-88,923</b>		<b>-1,032,677</b>
<b>Operating Profit/(Loss)</b>	<b>835</b>	<b>-20,678</b>	<b>-25,849</b>	<b>-54,835</b>	<b>-40,647</b>	<b>-22,443</b>	<b>18,164</b>	<b>111,372</b>	<b>140,185</b>	<b>203,987</b>	<b>203,406</b>	<b>104,444</b>		<b>617,941</b>
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
<b>Total Overheads</b>	<b>-51,272</b>	<b>-43,126</b>	<b>-49,132</b>	<b>-50,108</b>	<b>-47,806</b>	<b>-47,796</b>	<b>-51,759</b>	<b>-47,717</b>	<b>-50,749</b>	<b>-58,800</b>	<b>-54,062</b>	<b>-46,833</b>		<b>-599,160</b>
Bank Interest Receivable	0	0	400	0	0	300	0	0	300	0	0	0		1,000
<b>Profit/(Loss) Before Tax</b>	<b>-50,437</b>	<b>-63,804</b>	<b>-74,581</b>	<b>-104,942</b>	<b>-88,453</b>	<b>-69,939</b>	<b>-33,595</b>	<b>63,655</b>	<b>89,736</b>	<b>145,187</b>	<b>149,343</b>	<b>57,611</b>		<b>19,780</b>

**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

# Corsaire Des Iles 2

## Day Passenger Vessel

### Main characteristics



<b>NAME – REF</b>	<b>CORSAIRE DES ÎLES - 012V452</b>
<b>Type / Material</b>	Monohull / Aluminium
<b>Built / Shipyard</b>	2007
<b>Dimensions</b>	23,00 m x 6,40 m - Draft : 1,50 m
<b>Gross Tonnage</b>	105 UMS
<b>Passengers / Category</b>	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
<b>Classification</b>	Bureau Veritas
<b>Main engines</b>	Volvo D12 MH - 2 x 500 Cv (368 Kw) @ 1800 rpm Full overhaul : 06/2014
<b>Auxiliaries</b>	ZF type 350A – 1/2,636 / 2 x 5 Blades (+ 2 x 4 Blades)
<b>Bunkers</b>	GO : 8 000 L / Fresh water : 860 L / Black water : 390 L
<b>Speed / Consumption</b>	15 knots
<b>Electronics</b>	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)
<b>Miscellaneous</b>	Soundproof machine, 2 alternators 2 x 100 A Gearbox : 11/2017
<b>Inspection / Availability</b>	Available 11/2019
<b>Price</b>	750 000 € (excl. taxes)

# Corsaire Des Iles 2



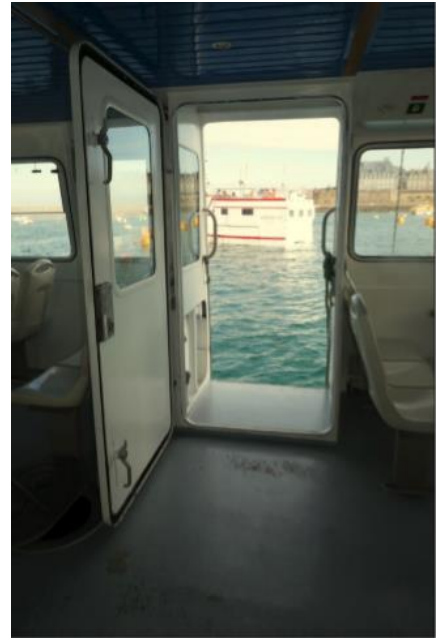


## Corsaire Des Iles 2



# Corsaire Des Iles 2











# 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 will 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 sailing 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.