Isle of Sark Shipping Company Limited
Public Meeting
April 2018
Paul Burnard & Yan Milner

“To ensure the sustainable provision of safe, reliable, friendly and efficient passenger and cargo shipping services for the residents of Sark and visitors to it”
Presentation contents

1) Introduction
2) IOSS financial performance 2016-17 and 2017-18 Year to Date
3) IOSS operational performance 2016-17 and 2017-18 Year to Date
4) IOSS Summer and Future Plans
5) Questions

Please can we keep questions to the end if possible.

“To ensure the sustainable provision of safe, reliable, friendly and efficient passenger and cargo shipping services for the residents of Sark and visitors to it”
To ensure the sustainable provision of safe, reliable, friendly and efficient passenger and cargo shipping services for the residents of Sark and visitors to it.

## IOSS financial performance

**Results for year ended 30th September 2017**

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover</th>
<th>Operating Costs</th>
<th>Overheads</th>
<th>Net Profit/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>£1,823,414</td>
<td>£1,543,189</td>
<td>£623,769</td>
<td>-£343,544</td>
</tr>
<tr>
<td>2013</td>
<td>£1,820,920</td>
<td>£1,304,045</td>
<td>£555,469</td>
<td>-£38,594</td>
</tr>
<tr>
<td>2014</td>
<td>£1,884,594</td>
<td>£1,286,083</td>
<td>£545,486</td>
<td>£53,025</td>
</tr>
<tr>
<td>2015</td>
<td>£1,836,963</td>
<td>£1,209,907</td>
<td>£547,393</td>
<td>£79,663</td>
</tr>
<tr>
<td>2016</td>
<td>£1,911,990</td>
<td>£1,269,739</td>
<td>£528,587</td>
<td>£113,664</td>
</tr>
<tr>
<td>2017</td>
<td>£1,910,684</td>
<td>£1,251,426</td>
<td>£625,850</td>
<td>£92,149</td>
</tr>
</tbody>
</table>

### Diagram:

![Graph showing financial performance over years](image-url)
**LIQUIDITY AT 30 SEPTEMBER 2017**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, Bank &amp; Debtors</td>
<td>£243,177</td>
<td>£259,245</td>
<td>£317,572</td>
<td>£536,709</td>
<td>£799,320</td>
</tr>
<tr>
<td>Less: liabilities</td>
<td>£502,710</td>
<td>£326,838</td>
<td>£173,716</td>
<td>£156,338</td>
<td>£219,869</td>
</tr>
<tr>
<td>Surplus/Deficit</td>
<td>-£259,533</td>
<td>-£67,593</td>
<td>£143,856</td>
<td>£380,371</td>
<td>£579,451</td>
</tr>
</tbody>
</table>
To ensure the sustainable provision of safe, reliable, friendly and efficient passenger and cargo shipping services for the residents of Sark and visitors to it

BUDGET 2017-18 vs. ACTUAL 2016-17

<table>
<thead>
<tr>
<th></th>
<th>Budget 2017-18</th>
<th>Actual Year End 30.9.17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>£1,849,551</td>
<td>£1,910,684</td>
</tr>
<tr>
<td>Operating costs</td>
<td>£1,324,309</td>
<td>£1,251,426</td>
</tr>
<tr>
<td>Overheads</td>
<td>£605,119</td>
<td>£625,850</td>
</tr>
<tr>
<td>Net Profit/(Loss)</td>
<td><strong>-£79,877</strong></td>
<td><strong>£33,408</strong></td>
</tr>
</tbody>
</table>

Q&A

- Financial year 2017/18 Budget negative final result is due to conservative revenue estimates and the cost estimates for 3 vessels undergoing compulsory 5 year MCA surveys.
- The Company will actively work to achieve a better than budget result.
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### Performance Year to Date
#### 2017/18

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers</td>
<td>5,162</td>
<td>5,131</td>
<td>31</td>
</tr>
<tr>
<td>Turnover</td>
<td>323,075</td>
<td>319,175</td>
<td>3,900</td>
</tr>
<tr>
<td>Operating costs</td>
<td>(516,648)</td>
<td>(589,950)</td>
<td>73,302</td>
</tr>
<tr>
<td>Overheads</td>
<td>(243,419)</td>
<td>(301,257)</td>
<td>57,838</td>
</tr>
<tr>
<td>Net Loss</td>
<td>£(436,992)</td>
<td>£(572,032)</td>
<td>£135,040</td>
</tr>
</tbody>
</table>

**Q&A**

- The financial results to date are showing a positive position in relation to the Budget (see previous slide) however, there is a timing issue with some of the costs. Yard fees for 2 of the 5 year surveys were budgeted for March but will not be shown until the April accounts (-£35K and there are some outstanding legal fees to be put through. A more realistic position against budget is in the region of +£25K against budget

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Note: Figures above are passenger legs (to Sark and from Sark)

Commentary:
- Passenger volume is encouraging when considered against the background of Guernsey staying visitor numbers being down 7% (2016 = 182116 and 2015 = 195115) and the unsettled weather during peak season
- Reduced fare child promotion continues to encourage travel

"To ensure the sustainable provision of safe, reliable, friendly and efficient passenger and cargo shipping services for the residents of Sark and visitors to it"
Despite the decrease in volume in comparison to 2015/16 there has been an encouraging increase in ticket revenue. This is an indication that the price point for fares is to some extent elastic and that the market size can be increased or maintained whilst maintaining fare levels (Yield).
Day trip traffic decreased. The most significant impact was adverse weather in July and August.

- Cruise ship excursion volumes increased
- Staying visitor (period return) numbers increased

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The base cargo tonnage is now at a similar level to that experienced in the early 2000s. This is likely to represent the base cargo for Sark i.e. with limited capital projects, the current population and a limited number of seasonal workers.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Cargo Tonnage</th>
<th>Charter Cargo Tonnage</th>
<th>Base Cargo Tonnage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>4223</td>
<td>463</td>
<td>3760</td>
</tr>
<tr>
<td>2016</td>
<td>4988</td>
<td>968</td>
<td>4020</td>
</tr>
<tr>
<td>2015</td>
<td>4185</td>
<td>0</td>
<td>4185</td>
</tr>
<tr>
<td>2014</td>
<td>3839</td>
<td>257</td>
<td>3582</td>
</tr>
</tbody>
</table>

Notes: Tonnage totals do not include Sark Electricity Company fuel shipped

The large charter volume in 2016/17 was related to construction projects in Sark - the underlying base cargo remaining in the region of 3,500 to 4,000 metric tonnes.

The company continues to ship scrap metals and other recycling from Sark to Guernsey at a reduced rate. (approx 150 tonnes per annum)

We have also introduced a significantly reduced “back freight” rate for Sark originating products.

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Review of IOSS performance 2017-18

It has been a challenging year for The Isle of Sark Shipping Co. Ltd. (IOSS). However, despite the challenges

**Highlights:-**

- **Actual trading profit** – Continues an upward trend, exceeding budget and recent years. Trading profit (prior to vessel re-valuation and extraordinary cost) £125 k versus a budget of £71k (£35K actual after adjustments)
- **Passengers carried** – achieved budget target in spite of adverse weather during July, August, and September.
- **Staying visitors to Sark** increased by 8% (estimated by period return ticket)
- **Passenger revenue** - Passenger sales revenue is up versus recent years and yield on budget.
- **Cargo tonnages** - Cargo tonnage is up versus recent years (Charters).
- **Freight rates** – No increase in freight rates in 2016/17
- **only 3 registered customer complaints** (complaints in writing and or made to a senior manager or director) and 9 positive compliments

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It was a busy, challenging and successful year:

- **Visitor numbers** – In spite of unsettled weather at the peak of the season passenger numbers came in on budget - we would like to thank the Tourism Committee and all of those in the tourism sector for that success; please keep up the good work.

- **Efficiencies** – We have implemented systems to better manage the capacity that we offer against the demand. We have restructured the office and through natural wastage we are moving further towards a more seasonally based staff level.

- **Asset Management and Maintenance** – the programme of instituting procedures and a framework to proactively manage the maintenance and upkeep of the vessels and equipment.

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Winter Passenger Volumes

Passenger Volume

- Passenger volumes over the winter season have been disappointing. The inclement weather reduced the volume of passenger traffic particularly day return volume in October. Although volume is well behind previous year we are closer to the average and budget. *(see table)*

- The number of round trip sailings cancelled in this period has been 23 in comparison to 14 in the comparable period previous year. There have also been 15 further round trip sailings that have been re-scheduled in comparison to 0 in the previous year.
Current Year Performance 2017-18

Cargo Volumes

Cargo Volume
Cargo volume is comparable to previous winter periods and in line with budget.

The positive variance is due to additional unbudgeted charter sailings. (shown in lighter colour on the chart)

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Summary Year to Date

The season so far?

- **Revenue and Passenger numbers**
  Not remarkable but average and within budget

- **Cargo**
  Base cargo levels average for the period

- **Overwinter Vessel Refits**
  The vessel refits and certification requirements follow a five year cycle. This winter 3 out of the four vessels have undergone their 5 year survey.

- **Staff changes**
  There have been some staff changes and a little re-structuring to the Management team.
  - **Lynne Homer** has joined us as Manager.
  - **Ashleigh and Tuesday** have taken up the role of Duty Supervisors.
  Overall staff numbers are lower than in previous years as we continue to move towards a more seasonal model.
  - 3 members of crew are in training to become ship’s Masters.

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Looking Forward

Sales and Marketing

- Press Advertising Campaign has been renewed for 2018.
- In a joint venture with Sark Tourism Sea Sark Magazine has evolved into a joint guide and accommodation listing.
- We have produced a timetable specifically targeted at the Day trip Market in addition to our standard timetable.
- Seafront Sunday dates have been confirmed and IOSS will be present for 2018 along with Sark Tourism.
- IOSS is continuing to work with both Sark and Guernsey Tourism to promote Sark.
- Cruise ship calls 2017 39 (15 cancelled weather – 9 cancelled low bookings) calls 2018 51 calls booked. (-12 on previous year – 2 cancelled weather)
- We will continue to offer targeted seasonal offers and promotions
- We will continue to support Sark Tourism by offering free travel and educational visits for the media and trade.

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The Fleet and the Rumour Mill

Isle of Sark Shipping is operating with an ageing fleet:

<table>
<thead>
<tr>
<th>Vessel Name</th>
<th>Year of Build</th>
<th>Description</th>
<th>General repair and overhaul costs (previous 7 years)</th>
<th>Estimated remaining service life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bon Marin de Serk</td>
<td>1982 (35yrs)</td>
<td>Passenger vessel (131 passenger capacity, service speed 12knts)</td>
<td>£248,000 annual average £35,400/year</td>
<td>18 months (FIRM)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Also subject to 5 year survey due in November 2018</td>
</tr>
<tr>
<td>Sark Belle</td>
<td>1975 (43yrs)</td>
<td>Passenger vessel (181 passenger capacity, service speed 11knts)</td>
<td>£219,000 annual average £31,300/year</td>
<td>Failed 5 year survey (schottel drives)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Does not have a current permit to operate.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Estimated repair cost circa £75K - £125K.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Repair date estimate if carried out June 2018.</td>
</tr>
<tr>
<td>Sark Venture</td>
<td>1985 (33yrs)</td>
<td>General purpose vessel (121 passenger capacity or 32 tonnes cargo and 12 passengers, service speed 10knts)</td>
<td>£404,000* annual average £57,000/year*</td>
<td>10 - 15 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Completed 5 year survey March 2018. Hull and shafts in good condition, main engines likely to need replacing within 5 years ( est. £60,000)</td>
</tr>
<tr>
<td>Sark Viking</td>
<td>2007 (11yrs)</td>
<td>Cargo vessel, 64 tonnes cargo and 12 passengers, service speed 10knts</td>
<td>£131,000 annual average £18,700/year</td>
<td>15 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5 year survey completed February 2018 Hull and machinery in good condition</td>
</tr>
</tbody>
</table>
The Fleet Current Status

• The Viking, and Venture - have completed and passed their Five year surveys.

• Bon Marin de Serk - has completed its annual survey. The five year out of water survey is due in November. Due to a manufacturing issue with the main engines the vessel has been given 18 months limit on its passenger certificate.

• Sark Belle – has not completed or passed its 5 year survey. As a consequence until such time as we can make repairs the vessel will be unavailable. (It is our intention to carry out a low cost short term repair, to re-survey and hope to put the vessel back into service in late May/June).
We have been here before - For over 20 years there have been periodic discussions about replacing one or more of the vessels. At this point, due to the age of the vessels, changing legislation and increasing cost of operation the Company consider that we are at a point where there is no other choice.

- Finance and value (buy or build?)
- A challenge and an opportunity (schedule and dynamics of the business)
- Careful specification, planning and consideration (consultation)
- Long burn (18-24 months)

Next step? – we are in the process of drawing up a business case. (specifications/design, costs, finance options, etc. We will as far as possible keep you informed.

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Summary

We continue to work with Sark to further develop:

✓ Agreed Mission, Goals and Objectives.
✓ An agreed Strategy and Business Plan (we are now in our second cycle).
✓ An agreed annual budget, Opex and Capex (again we are in our second cycle).
✓ An agreed set of Key Performance Indicators (KPI’s) have been included into a monthly report which is circulated to the F&R, H&S and Tourism Committees.
✓ The development of a Service Level Agreement (shortly to be finalised).

“To ensure the sustainable provision of safe, reliable, friendly and efficient passenger and cargo shipping services for the residents of Sark and visitors to it”
We recognise that IOSS is owned by and is accountable to the people of Sark.
We are here to serve you, we are keen to hear you ideas and suggestions.
Your success is our success and we are a partnership

- A Sark Resident Non-executive Director
- An IOSS user group
Details will be posted out to all households.

there are various ways to contact us:
- Call us 01481 724059.
- Email us: info@sarkshipping.gg; or Yan@sarkshipping.gg
- Pop into the office and or write to us at Isle of Sark Shipping, White Rock, St Peter Port, Guernsey, Channel Islands, GY1 2LN.
- Feel free to stop me or Lynne and have a chat.

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