



The Isle of Man Steam Packet Group Limited

2025 BUSINESS PLAN

1 BUSINESS PLAN

The Isle of Man Steam Packet Group Limited “SPG” or “the Group”, under public ownership, will be operated for the benefit of its various stakeholders. This Business Plan has been prepared on the basis of:

- A recognition that there is a long-term need to generate business, avoid public subsidy and keep the Group profitable, whilst accepting
- Our public and social responsibilities toward local stakeholders and the Visitor Economy, but tempered by the need to
- Plan for contingencies and business interruptions without recourse to Government but all the while remaining
- Consistent with our long-term strategy and business model.

The Group has adopted the following Vision and Mission statements in order to ensure that the business is operated as effectively and efficiently possible whilst meeting the needs of Island residents and visitors in accordance with the Sea Services Agreement “SSA”.

1.1 Vision Statement

‘The Group will operate safe, reliable, and environmentally sustainable Island ferry services, which are recognised and valued by all our customers, without the need for public subsidy’.

1.2 Mission Statement

‘Through our CORE values, the Group will strive to deliver high quality services to Island residents and visitors and, by constantly looking for and implementing improvements to existing services, whilst seeking to be valued as the nation’s lifeline ferry service’.

Our CORE values are:

- C**ustomer First
- O**perational excellence
- R**eliability of service delivery
- E**nvironmentally sustainable services

1.3 Environmental, Social and Governance Responsibilities

- The Group is aware of its responsibilities to the wider community and the environment. Policy decisions made by the Group, whilst respecting the contractual obligations of the SSA, will consider the impact we are having on all aspects of Manx society including economic, social, and environmental factors. Our aim is to operate in a way that enhances stakeholder experiences wherever possible.
- The Group recognises its significant environmental responsibilities and will:
 - ensure that new vessels are as efficient and environmentally friendly as possible whilst maintaining service reliability and the obligations of the SSA.
 - maintain compliance with International Maritime Organisation MARPOL standards;
 - run ferries at optimum energy efficiency, where operational obligations allow;
 - adopt sustainable practices by collaborating with and sourcing locally produced Manx products, utilisation of Fair Trade products and using compostable or recyclable materials where practical;

- continue our recycling policy; and
 - introduce low emission electric or hybrid vehicles wherever practical.
- The Group will continue to support a wide range of Island charities and community initiatives and remain active in promoting welfare within our society.

1.4 Environment Policy Statement

- The Group is committed to minimising the impact of our activities on the environment.
- To demonstrate this commitment, we have identified ten principles to provide guidance on the way we identify and manage our impacts in the environment.

We will:

1. Meet or exceed all the environmental legislation applicable to the Group.
 2. Set goals for environmental protection.
 3. Monitor, measure and continuously improve our environmental performance.
 4. Manage environmental risks from accidents, incidents and emergencies.
 5. Prevent water pollution.
 6. Minimise our consumption of non-renewable and environmentally sensitive resources, where practical.
 7. Minimise fuel consumption and optimise speed by taking advantage of the effects of the tides and wind, whenever possible. Collaborating with the Irish Sea Operators Forum to minimise the impact of windfarm developments on strategic, lifeline shipping routes.
 8. Ensure that all relevant personnel are given appropriate training on environmental issues.
 9. Adopt sustainable practices by collaborating with and sourcing locally produced Manx products, utilisation of Fair Trade products and using compostable or recyclable materials where practical.
 10. Integrate environmental management into day-to-day operations by establishing an Environmental Management System (EMS) certified to ISO 14001.
- This commitment will provide the framework for setting and reviewing environmental objectives and targets, and will be reviewed periodically to ensure that it remains appropriate to our operations.

2 OPERATIONAL PLANS

The Group has established a suite of operational objectives for 2025, including:

- **Performance:** Achieve service reliability of 95% and punctuality of 90%.
- **Heysham:** Resumption of Heysham no.1 berth services following completion of linkspan repairs;
- **Customer Experience:** Integrating the Group's freight operations with Heysham's planned new Port Management System;
- **Liverpool:** Collaborate with partners to secure enhancements to the Liverpool terminal, including improved signage, additional seating and WC options;
- **Northern Ireland:** Invest in marketing and develop packages to help grow our Northern Ireland route;
- **Pricing:** Assess the feasibility and implement a single leg pricing model;
- **Wi-Fi:** Enhance Manannan's Wi-Fi network;
- **Community:** Work towards achieving the Armed Forces Covenant bronze award; and
- **People:** Establish a well-being committee to enrich our people

3 FINANCIAL PLAN

3.1 Financial Performance

	2023A	2024A	2025B	2025B	2025B	2025B	2025B
	£'000	£'000	£'000	+/-	%	+/-	%
Revenue	66,753	75,279	71,312	4,559	6.8%	-3,967	-5.3%
Costs	-48,236	-50,885	-54,443	-6,207	12.9%	-3,558	7.0%
EBITDA pre exceptional items	18,517	24,394	16,869	-1,648	-8.9%	-7,525	-30.8%
Exceptional costs	-43	-256	-305	-262	614.0%	-49	19.3%
Exceptional income	43	-6	-	-43	-100.0%	6	-100.0%
FRS 102 pension adjustment	1,623	-342	-	-1,623	-100.0%	342	-100.0%
EBITDA	20,140	23,790	16,564	-3,576	-17.8%	-7,226	-30.4%
Depreciation	-9,736	-14,100	-13,183	-3,448	35.4%	917	-6.5%
Goodwill Amortisation	-2,470	-2,470	-2,470	-	0.0%	-	0.0%
EBIT	7,935	7,220	911	-7,024	-88.5%	-6,309	-87.4%
Finance charges	-2,551	-2,469	-2,374	177	-7.0%	96	-3.9%
Bank interest	2,623	2,113	1,538	-1,086	-41.4%	-575	-27.2%
EBT	8,007	6,864	75	-7,932	-99.1%	-6,789	-98.9%
Actuarial gain/(loss)	-71	-521	-	71	-100.0%	521	-100.0%
Total comprehensive income	7,936	6,343	75	-7,861	-99.1%	-6,268	-98.8%

Volumes	2023A	2024A	2025B	+ / -	%	+ / -	%
- Foot passengers	229,713	241,698	242,523	12,810	5.6%	825	0.3%
- Motorists	393,324	388,581	397,987	4,663	1.2%	9,406	2.4%
Total passengers	623,037	630,279	640,510	17,473	2.8%	10,231	1.6%
- Cars	152,995	150,386	154,081	1,086	0.7%	3,695	2.5%
- Motorcycles	38,791	40,244	40,450	1,659	4.3%	206	0.5%
- Coaches	697	702	728	31	4.4%	26	3.7%
- Bicycles	3,947	4,584	4,660	713	18.1%	76	1.7%
Vehicles	196,430	195,916	199,919	3,489	1.8%	4,003	2.0%
Freight (m)	395,031	451,364	424,694	29,662	7.5%	-26,670	-5.9%

- The 2025 budget was approved by the Board of Directors in December 2024 and forecasts a £7.2m fall in EBITDA due to a combination of 5.3% fall in revenues and cost increases of 7.0% compared to 2024.
- Underlying fares increase broadly in line with the 2.1%, MCPI-linked fare increase permitted by the Sea Services Agreement (SSA). This follows the Sep-24 fare concession package that will reduce revenues by approximately £2.7m per annum. Passenger and vehicle volumes are budgeted to grow 1.6% and 2% respectively, but the budget assumes a 5% fall in freight volumes. 2024 freight volumes were historical highs primarily attributable to the Tesco refurbishment and operation of Shoprite stores which aren't expected to continue into 2025.
- Costs increase by £3.6m (7.0%). A large proportion of this increase can be explained by a couple of items which understate the 2024 result: a 2023 MNRPF pension provision of £1.4m was released in 2024 following a revaluation of the deficit by the MNRPF Trustees, and the 2024 net fuel cost is £3m compared to £4m provided for and prescribed by the SSA for 2025.

- Excepting these items, the underlying increase in costs is £1.2m (2.4%), are explained by:
 - Increases in UK National Living Wage +6.7% and Employer National Insurance contributions +1.2%;
 - Additional headcount associated with full-year Liverpool operations;
 - Increased crew headcount to enhance Manxman customer services and improve health and safety on Manannan's Liverpool services;
 - New Liverpool terminal operating costs are ~£1.4m higher than the previous Pier Head facility.
- The increase also reflects the significant cost of holding BMC as a back-up, as well as the continuing cost of Arrow whilst the Company attempts to reach agreement with the Dol on its fleet strategy. The Board believes that the retention of BMC in semi-permanent lay-up will reduce her reliability and incur substantial future maintenance costs.
- The budget assumes that charter income from Arrow will cover her operating costs of £2.2 million. If this income is not achieved, it could significantly reduce annual profitability. To support this, a twelve-month charter agreement has been reached with DFDS, starting in late March 2025.
- Depreciation falls by £1.0m contributing to EBT of -£6.8m. The decrease is attributable to 2024 including a £2.2m impairment of Arrow, offset by depreciation on £5.3m investment in capital improvements, including BMC upgrades of £2.7m and fleet overhauls £6.1m.

3.2 Capital Expenditure

	2025B £'000
Leasehold Improvements	8
Vessel overhaul	6,116
Capital improvements	5,273
Plant & machinery	105
Motor vehicles	392
Fixtures, fittings & office equipment	32
IT equipment & software	743
	12,669

- BmC, Manannan and Arrow are due to be dry-docked during the year with Manxman not due until 2026.
- Capital improvements include a provision of £2.7m to extend the life of BmC and £1m to replace Arrow's stern door.
- IT expenditure includes a provision of £566k for eMaritime (booking system) improvements, including introduction of single leg pricing and Steam Packet Holidays booking enhancements.

3.3 Cashflow

	2024A £'000	2025B £'000	+ / - £'000
Operating cashflows	21,310	16,197	-5,113
Capital expenditures	-8,028	-12,669	-4,641
Pension funding	-928	-	928
Cashflow before financing	12,354	3,528	-8,826
Loan capital flows	-5,221	-5,221	-
Interest & financing fees	-357	-836	-479
Net cash flow	6,777	-2,529	-9,305
Free cash brought forward	19,517	26,293	6,777
Free cash carried forward	26,293	23,765	-2,529

- 2025 is forecast to see significant cashflow pressure due to falling revenues, increasing costs and substantial capital investment. Revenues fall due to 2024 fare concessions and an expectation that HGV volumes will fall following completion of Tesco refurbishment of Shoprite stores.
- Pension deficit payments to the Company's defined benefit pension scheme have been suspended following the results of the Mar-24 triennial valuation, and similarly there are no further deficit funding obligations for the MNOPF and MNRPF schemes.
- Cashflow reflects the interest costs and applicable repayments on the IoMT loans (below). Interest income falls due to lower average cash balances and falling deposit rates.

3.4 Financing

- A further £5.2m will be repaid on debt facilities with Treasury. By the end of the 2025 total repayments since drawdown will amount to £8.5m on the Manxman facility and £10m on the £75.3m Corporate facility.

3.5 Group Balance Sheet

	2024A £'000	2025B £'000	Movt £'000
Goodwill	56,803	54,333	-2,470
Tangible fixed assets	91,128	90,126	-1,002
Long Term Investments	16,400	16,400	-
Working capital	-1,719	-812	907
Debt	-140,954	-135,734	5,221
Free cash	26,293	23,765	-2,529
Pension surplus/(liabilities)	9,276	10,139	863
Net assets	57,226	58,217	991

- The budget assumes no impairment to goodwill.
- Net assets increase by £1m and cash reduces by £2.5m.

4 SEA SERVICES AGREEMENT COMPLIANCE

	Performance Measure	Minimum Requirement	2025 Provision
Frequencies & Schedules	Liverpool summer frequency	16 sailings per week	Minimum of 11 trips (22 sailings) per week through specified summer months
	Liverpool winter frequency	4 sailings per week - once new Government berth completed	Minimum sailings met up to December 2024, but in 2025, due to berth design, only every other weekend achieved. In discussion with DOI project team to resolve berth issues.
	Irish services	Minimum 52 returns any port.	28 Dublin Sailings 40 Belfast Sailings
Capacities	Minimum freight metre capacity inbound	10,000m per week inbound after borders open	Average 17,000m per week
	Fast Craft capacity versus demand	Minimum 115% capacity/month compared to 2019	Exceeded every month, 49%-75% additional
	TT capacity	Sufficient for reasonable requirements of event	Fully complied with. c.1100 pcu's
Reliability	Scheduled sailings completed	Target to match/exceed industry air/sea published performance	Annualised reliability = 93.54% IOM airport data of 95.5%
Punctuality	Sailings within 15 minutes	Target to match/exceed industry air/sea published performance	Annualised punctuality = 82.12 %
Fares	Special fares provision	Minimum 350,000 offer seats p.a. at 25% discount, and 100,000 p.a. at 50% discount – on an annualised basis	Both 25% and 50% targets met and verified by DOI (Jan-24). Foot Passenger offer fares were frozen until Aug-23. Discounted offers available every sailing outside TT.
	Standard Fares price cap	Basket of Standard Fares cap MCPI	MCPI cap applied in Business Plan. Approved by Dol
	Freight fare discounts	Minimum 300,000 metres discounted	Provision for ~368,000

	Performance Measure	Minimum Requirement	2025 Provision
Investment	Capital investment in vessels	Minimum £70m aggregate New Ro-Pax and Fast Craft replacement vessel	Manxman completed in 2023 at a cost of £80m.
	New Ro-Pax vessel	In service latest Spring 2023	Manxman entered service Aug-23
	Fast Craft replacement	In service by 31 December 2027	Extension requested from DoI investment included in long term financial, assuming 2030 replacement.
	“Manannan” interior	£250,000 refurbishment by 31 March 2022	Deferred due to COVID. £1.9m spent in 2023/2024
	BMC Back-Up	BMC retained as main back-up when Manxman commenced service.	Ben-my-Chree main back-up vessel from Aug-23.
	“Arrow”	Arrow acquired Nov-22 as additional back-up.	Arrow maintained in fleet but on long term charter to DFDS.
	Heysham Terminal refurbishment	Target completion by January 2020	Refurbishment completed 2020.
Marketing	UK/Irish Marketing	Minimum £750,000 + inflation	Included in 2025 Budget
Environmental	Low sulphur fuel regulations	Compliance with international low sulphur requirements	Low sulphur fuels adopted since January 2020
	Emissions	Optimise fuel efficiency	Consumption subject to IOM lifeline schedule obligations. Freight services require minimum twice daily and passengers add NO additional fuel impact. Hybrid technology adopted for Manxman.
Community	Support for charities	Widespread support for Manx charities once borders open	Over 100 charities/good causes and local events supported each year
Staffing measures	Local employment	Minimum 50% Staff resident in Isle of Man for tax purposes	Minimum requirement met.
	Minimum Training Spend	Minimum 4% employee costs	Included in 2025 Budget
Corporate Governance	Board of Directors	Independent and arms-length from Government. No political Board members. Minimum 3 Non-Executive Directors appointed by Treasury. Treasury have right to attend Board Meetings. Minimum 50% Directors resident in Isle of Man for tax purposes.	Sea Services Agreement and Shareholder Agreement Requirements all complied with.

5 CORPORATE GOVERNANCE

5.1 Statement of Principles

SPG and its subsidiaries (the “Group”) are committed to the highest standards of corporate governance. Its Board is accountable to its shareholders for such governance. This section outlines the principles and governance structures which apply to all Group companies.

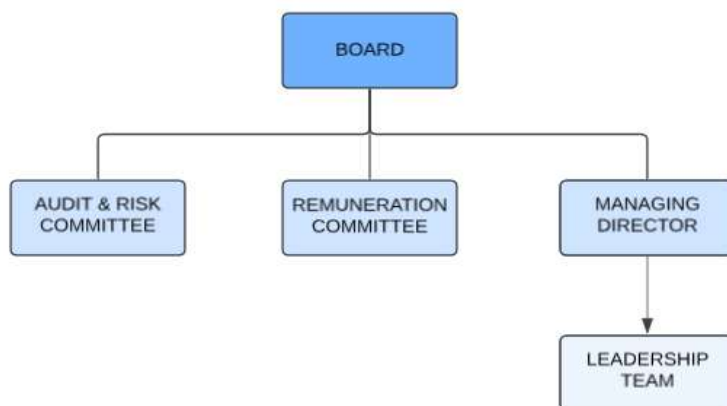
This statement is founded upon the following principles and precepts:

- Responsibility for the actions and performance of the Group lies with the members of each relevant Board.
- The SPG Board (the “Board”) and each of the Group company boards may discharge certain of their respective functions through Committees, Members and/or Officers.

SPG will:

- amend or vary such delegated responsibilities as may from time to time be required and;
- formally review such responsibilities at least every calendar year and any change of membership of the Board.

5.2 Organisational Structure



5.3 The Board – Composition

The SPG Board comprises a Non-Executive Chairman, four Non-Executive Directors and one Executive Director, the Managing Director. The members of the Board of SPG also serve on the Board of the Isle of Man Steam Packet Company Limited (“SPC”).

A representative of the Shareholder may attend SPG and/or SPC Board meetings as an observer.

5.4 The Board – Responsibilities

Members of the Board have collective responsibility for ensuring the proper management of SPG and the Group.

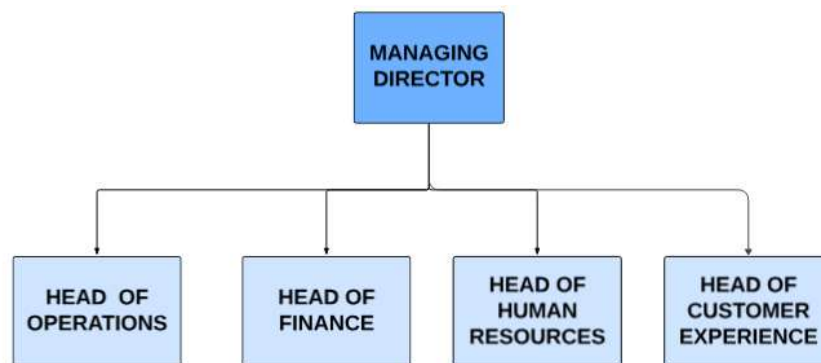
In carrying out this responsibility, the Board identifies the following key tasks:

- Establishing and maintaining Group strategy, vision, and corporate values
- Approving corporate structure and allocating resources
- Monitoring the performance of the Managing Director and Leadership Team in implementing the Group's strategy.
- Exercising accountability and being responsible to relevant stakeholders, including Government and our customers, people, and suppliers.
- Adherence to high ethical standards and conduct business with integrity.

The Board delegates some of its responsibilities to relevant Committees, as detailed above, formed under its auspices, and to the Managing Director.

5.5 The Board – Delegation to the Managing Director

Day-to-day management is delegated by the Board to its MD or such alternate as may be approved by the Board. The MD will be supported by a Leadership Team and below that Departmental Managers (together referred to as "Management").



5.6 The Board – Control

The Board meet regularly to compare performance programmes and standards. The tools adopted include a Balanced Scorecard, Finance Report and Management Accounts, Safety Management reviews and Departmental reports. Variations to plans and remedial actions are identified and agreed.