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## For the year ended 31 December 2008



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# **The Isle of Man Steam Packet Company Limited**

## **Company information**

for the year ended 31 December 2008

### **Directors**

D H Grant	(resigned 30 September 2008)
M Woodward	
S J Edsall	(resigned 15 April 2009)
J Boyle	(resigned 4 March 2008)
D P K Bogg	(appointed 4 March 2008)
R B M Quayle	(appointed 24 June 2008)
C D Pemberton	(appointed 24 June 2008)
D J Jude	(appointed 17 February 2009)
GIW Parsons	(appointed 15 April 2009)

### **Registered Agent**

General Managers Ltd

### **Registered office**

Imperial Buildings  
Douglas  
Isle of Man  
IM1 2BY

### **Auditors**

KPMG Audit LLC  
Heritage Court  
41 Athol Street,  
Douglas  
Isle of Man  
IM99 1HN

# **The Isle of Man Steam Packet Company Limited**

## **Directors' report**

for the year ended 31 December 2008

The Directors present their annual report and the audited financial statements for the year ended 31 December 2008

### **Principal activity**

The principal activity of the Company is the operation of passenger and freight ferry services and ancillary services

### **Results**

A profit on operations of £9,805,000 (2007 £14,816,000) has been made by the Company during the year. A retained loss of £8,121,000 (2007 (loss) £7,209,000) has been transferred to reserves

### **Dividends**

Dividends of £17,926,000 were declared during the financial year (2007 £22,025,000)

### **Directors**

The present membership of the Board who served throughout the year and to date is set out on page 1

None of the Directors had any notifiable interests in the shares of the Company or of other group companies during the year and to date

### **Auditors**

KPMG Audit LLC, being eligible, have indicated their willingness to continue in office

On behalf of the Board



Company Director

28th August 2009

## **The Isle of Man Steam Packet Company Limited**

### **Statement of Directors' responsibilities in respect of the Directors' report and the financial statements**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. In addition, the Directors have elected to prepare financial statements in accordance with UK Accounting Standards.

The financial statements are required to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to allow for the preparation of financial statements. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **Report of the Independent Auditors, KPMG Audit LLC, to the members of The Isle of Man Steam Packet Company Limited**

We have audited the financial statements of the Isle of Man Steam Packet Company Limited for the year ended 31 December 2008 which comprise profit and loss account, the balance sheet, the reconciliation of movements in equity shareholders' funds, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

### *Respective responsibilities of Directors and Auditors*

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' transactions with the Company is not disclosed.

We read the Directors' Report and any other information accompanying the financial statements and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the audited financial statements. Our responsibilities do not extend to any other information.

### *Basis of opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

**Report of the Independent Auditors, KPMG Audit LLC, to the members of The Isle of Man Steam Packet Company Limited**  
(continued)

*Basis of opinion (continued)*

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

***Opinion***

In our opinion the financial statements give a true and fair view, in accordance with UK Accounting Standards, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended.

KPMG Audit LLC

Chartered Accountants

10-9-09

Heritage Court  
41 Athol Street  
Douglas  
Isle of Man

2009

# The Isle of Man Steam Packet Company Limited

## Profit and loss account for the year ended 31 December 2008

Continuing operations	Note	2008 £'000	2007 £'000
Turnover	1	53,937	55,044
Operating costs		(44,756)	(40,896)
Other operating income	2	771	835
<b>Operating profit</b>	3	<b>9,952</b>	<b>14,983</b>
Loss on sale of assets		(11)	(12)
Interest receivable and similar income		96	132
Interest payable and similar charges	4	(232)	(287)
<b>Profit on ordinary activities before taxation</b>		<b>9,805</b>	<b>14,816</b>
Taxation on profit on ordinary activities	5	-	-
<b>Profit on ordinary activities after taxation</b>		<b>9,805</b>	<b>14,816</b>
Dividends	6	(17,926)	(22,025)
<b>Retained loss transferred from reserves</b>	14	<b>(8,121)</b>	<b>(7,209)</b>

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

The notes on pages 10 to 26 form part of these financial statements

The Directors consider that all results derive from continuing activities

# The Isle of Man Steam Packet Company Limited

## Balance sheet

as at 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Investments	7	135	135
Tangible fixed assets	8	39,291	21,258
		<b>39,426</b>	<b>21,393</b>
<b>Current assets</b>			
Stocks	9	1,472	1,459
Debtors	10	66,609	67,539
Cash		2,014	1,127
		<b>70,095</b>	<b>70,125</b>
<b>Creditors</b> amounts falling due within one year	11	(46,821)	(19,359)
<b>Net current assets</b>		<b>22,274</b>	<b>50,766</b>
<b>Total assets less current liabilities</b>		<b>62,700</b>	<b>72,159</b>
<b>Creditors:</b> amounts falling due after more than one year	12	(2,177)	(3,059)
<b>Net assets excluding pension funds</b>		<b>60,523</b>	<b>69,100</b>
Pension fund surplus	16	502	1,211
Pension fund liability	16	(1,575)	(859)
<b>Net assets including pension funds</b>		<b>59,450</b>	<b>69,452</b>
<b>Capital and reserves</b>			
Share capital	13	7,500	7,500
Share premium account	13	44,227	44,227
Profit and loss account	14	7,723	17,725
<b>Equity shareholders' funds</b>		<b>59,450</b>	<b>69,452</b>

The notes on pages 10 to 26 form part of these financial statements

These financial statements were approved at a meeting of the Board of Directors held on 2009 and were signed on their behalf by -



Director



Director

28th August 2009



## **The Isle of Man Steam Packet Company Limited**

### **Reconciliation of movements in equity shareholders' funds for the year ended 31 December 2008**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Profit for the year	<b>9,805</b>	14,816
Dividends	<b>(17,926)</b>	(22,025)
	<b>(8,121)</b>	(7,209)
Actuarial (loss)/profit on pension schemes (note 16)	<b>(1,881)</b>	1,022
Net reduction to shareholders' funds	<b>(10,002)</b>	(6,187)
Opening equity shareholders' funds	<b>69,452</b>	75,639
<b>Closing equity shareholders' funds</b>	<b>59,450</b>	69,452

The notes on pages 10 to 26 form part of these financial statements

# **The Isle of Man Steam Packet Company Limited**

## **Statement of total recognised gains and losses** for the year ended 31 December 2008

	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Actuarial (loss)/profit on pension schemes (note 16)	<b>(1,881)</b>	<b>1,022</b>
Loss for the year	<b>(8,121)</b>	<b>(7,209)</b>
<b>Total loss recognised since last annual report</b>	<b>(10,002)</b>	<b>(6,187)</b>

The notes on pages 10 to 26 form part of these financial statements

# **The Isle of Man Steam Packet Company Limited**

## **Notes to the financial statements** for the year ended 31 December 2008

### **1 Accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the significant accounting policies, which have been applied consistently, is set out below.

#### **Accounting convention and basis of preparation**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of vessels and land and buildings.

#### **Consolidation**

The Company owns the whole of the issued share capital of the companies listed in Note 7. The results of these companies have not been consolidated with those of the Company as this has been carried out by the parent company.

#### **Turnover**

Turnover principally comprises income from the carrying of passengers, accompanied vehicles and freight and on board sales excluding value added tax and is accounted for on an accruals basis.

#### **Tangible fixed assets**

Tangible fixed assets are stated at their purchase price together with any incidental expenses of acquisition.

Depreciation is provided on the cost of assets in use (less estimated residual values) on the straight line method so as to write off the assets over the following estimated useful lives:

Vessels	-	25 to 30 years
Deferred repairs and maintenance	-	1 to 2 years
Plant, equipment and vehicles	-	3 to 10 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognised as an expense immediately.

#### **Finance leases**

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated in line with the depreciation policy noted above.

# **The Isle of Man Steam Packet Company Limited**

## **Notes to the financial statements**

for the year ended 31 December 2008 (continued)

### **1 Accounting policies (continued)**

#### **Operating leases**

Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

#### **Deferred repairs and maintenance**

Vessels are required to incur major repairs and maintenance which cannot be performed whilst the assets are operating. The Company capitalises the costs associated with the major repairs and maintenance (including labour) within tangible fixed assets and amortises those costs on a straight line basis over a period of one to two years depending on the amount of time that lapses between overhauls. Management believes that these criteria are consistent with industry practice and the Company's policy of capitalisation reflects the market values of the related assets

#### **Investments**

Investments held as fixed assets are stated at cost less provision for any impairment

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value

#### **Foreign currency**

Monetary assets and liabilities denominated in foreign currencies are translated to sterling at the exchange rates ruling at the balance sheet date. Foreign currency transactions are converted to sterling at the rate of exchange ruling at the date of the transaction. All exchange gains or losses on the conversion of foreign currency transactions arising in the ordinary course of trading are included within operating expenses

#### **Pensions**

The Company operates a defined benefit pension scheme and contributes to industry defined benefit pension schemes

With respect to the defined benefit schemes, in accordance with Financial Reporting Standard 17 "Retirement Benefits" (FRS 17), the full service cost for the year, adjusted for any changes to the scheme, is charged to the profit and loss account. A charge equal to the expected increase in the present value of the scheme liabilities as a result of the scheme liabilities being one year closer to settlement and a credit reflecting the long-term expected return on assets based on the market value of the scheme assets at the beginning of the year, is included in the profit and loss account

The balance sheet records as an asset or liability (as appropriate), the difference between the market value of the scheme assets and the present value of the accrued scheme liabilities. The differences between the expected return on assets and that actually achieved in the year are recognised in the statement of total recognised gains and losses

In respect of the Company's and industry defined contribution pension schemes, the pension costs charged to the profit and loss account represent the contributions paid during the year

#### **Derivatives**

The Company's policy for derivatives is to defer and only recognise in the Company profit and loss account gains and losses on hedges of revenues and operating payments as they crystallise. Premiums payable on interest rate caps are amortised over the period of the contracts and are disclosed as interest expense

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 1 Accounting policies (continued)

#### Government grants

Revenue based grants are recognised over the period to which the grant is earned

#### Interest receivable and interest payable

Interest receivable and interest payable are accounted for on an accruals basis

### 2 Other operating income

	Note	2008 £'000	2007 £'000
FRS17 Pension credit on company scheme	16	771	835
		771	835

### 3 Operating profit

Operating profit is stated after charging/(crediting) -

	2008 £'000	2007 £'000
Rentals under operating leases – land and buildings	213	307
– other	379	210
Depreciation – owned assets	4,407	2,953
Depreciation – leased assets	1,029	795
Directors' fees	65	67
Audit fee		
Relating to prior year	-	4
Relating to current year	48	54
Foreign currency loss/(gain)	33	(3)

During the year, the Company received a grant of £128,000 from the Isle of Man Department of Tourism and Leisure towards television and advertising costs in the UK

### 4 Interest payable and similar charges

	2008 £'000	2007 £'000
Finance lease interest	232	287
	232	287

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 5 Taxation on profit on ordinary activities

The Company is liable to taxation in the Isle of Man at 0% (2007 0%)

### 6 Dividends

	2008 £'000	2007 £'000
Dividend paid 59 75p per £0 25 ordinary share (2007 73 41p)	17,926	22,025
	17,926	22,025

### 7 Investments

	2008 £'000	2007 £'000
As at 1 January	135	135
As at 31 December	135	135

#### Subsidiary undertakings

Company	Principal activity	2008 £'000	2007 £'000
Steam Packet Holidays Limited 21,000 (2007 21,000) £1 Ordinary shares fully paid	Provision of package holidays	120	120
Manx Sea Transport Limited 5,200 (2007 5,200) £1 Ordinary shares fully paid	Manning agency	15	15
Manx Sea Transport Guernsey Limited 2 (2005 2) £1 Ordinary shares fully paid	Provision of manning services to its parent	-	-
As at 31 December		135	135

All of the subsidiary companies are wholly owned and are incorporated in the Isle of Man with the exception of Manx Sea Transport Guernsey Limited, which is incorporated in Guernsey

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 8 Tangible fixed assets

	Vessels £'000	Plant equipment & vehicles £'000	Total £'000
<b>Cost or valuation</b>			
At 1 January 2008	37,477	9,538	47,015
Additions	22,469	1,029	23,498
Disposals	-	(50)	(50)
<b>As at 31 December 2008</b>	<b>59,946</b>	<b>10,517</b>	<b>70,463</b>
<b>Depreciation</b>			
At 1 January 2008	18,653	7,104	25,757
Charge for the year	4,655	781	5,436
Disposals	-	(21)	(21)
<b>As at 31 December 2008</b>	<b>23,308</b>	<b>7,864</b>	<b>31,172</b>
<b>Net book value</b>			
<b>As at 31 December 2008</b>	<b>36,638</b>	<b>2,653</b>	<b>39,291</b>
As at 31 December 2007	18,824	2,434	21,258

#### Finance leases

Assets held under finance leases, capitalised and included in the total for vessels above are shown below

	2008 £'000	2007 £'000
<b>Cost</b>	<b>6,765</b>	<b>6,765</b>
Accumulated depreciation	(4,036)	(3,007)
<b>Net book value</b>	<b>2,729</b>	<b>3,758</b>

The assets of the Company have been pledged as security under a credit agreement dated 19 October 2005, details of which are contained in Note 21

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 9 Stocks

	2008 £'000	2007 £'000
Raw materials and consumables	1,472	1,459

### 10 Debtors

	2008 £'000	2007 £'000
Trade debtors	4,641	4,618
Amounts owed by parent and fellow subsidiary companies	60,972	61,240
Insurance collision claim	344	1,192
Prepayments and accrued income	652	489
	66,609	67,539

Amounts owed by parent and fellow subsidiary companies are unsecured, interest free and repayable on demand

### 11 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Finance lease obligations	1,362	1,501
Trade creditors	3,495	3,080
Accruals and deferred income	6,739	6,153
Amounts owed to parent and fellow subsidiary companies	35,225	8,625
	46,821	19,359

Amounts owed to parent and fellow subsidiary companies are unsecured, interest free and repayable on demand



# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008<sup>(continued)</sup>

### 12 Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Finance lease obligations	2,177	3,059
	2,177	3,059

#### Finance leases

Future minimum lease payments under finance leases are as follows

	2008 £'000	2007 £'000
Within one year	1,362	1,501
In more than one year, but not more than five years	2,570	3,405
Total gross payments	3,932	4,906
Less finance charges included above	(393)	(346)
	3,539	4,560
Less amounts due within one year (note 11)	(1,362)	(1,501)
	2,177	3,059

### 13 Called up share capital and share premium

Called up share capital	2008 £'000	2007 £'000
Authorised 32,000,000 ordinary shares of 25p each	8,000	8,000
Allotted, called up and fully paid 30,000,001 ordinary shares of 25p each	7,500	7,500
Share premium account	2008 £'000	2007 £'000
Balance at 1 January and 31 December	44,227	44,227

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 14 Movement on reserves

#### Profit and loss account

	2008 £'000
At 1 January 2008	17,725
Actuarial loss on pension scheme	(1,881)
Retained loss for the year	(8,121)
<b>Balance at 31 December 2008</b>	<b>7,723</b>

### 15 Capital commitments

	2008 £'000	2007 £'000
Contracted for but not yet provided	2,013	15

### 16 Staff pension funds

#### The Isle of Man Steam Packet Company Limited Staff Pension Fund

The company operates a defined benefit scheme in the Isle of Man, which covers UK and Manx employees of the company. A full actuarial valuation was carried out at 31 March 2006 although this valuation has not been signed off. This was updated to 31 December 2008 by a qualified independent actuary.

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. This resulted in the selection of the 5.84% assumption.

In order to comply with the amendments to FRS17 regarding the disclosure for the pension scheme, actuarial calculations now take the assets at bid, rather than mid-value. However, the changes to FRS 17 do not require a restatement of the prior year figures, which remain as previously reported, however for actuarial purposes the figures used in calculations are different than those stated below.

The major assumptions used by the actuary were -

Weighted average assumptions used to determine benefit obligations at

	2008 As previously stated	2007
Rate of increase in salaries	3.90%	4.40%
Rate of increase of pensions in payment	2.50%	3.40%
Discount rate	5.80%	5.50%
Inflation assumption	2.90%	3.40%

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 16 Staff pension funds (continued)

Weighted average assumptions used to determine net pension cost for year ended

2008

Rate of increase in salaries	4.40%
Rate of increase of pensions in payment	3.40%
Discount rate	5.50%
Inflation assumption	3.40%
Expected long-term return of plan assets	5.84%

Weighted average life expectancy for mortality tables used to determine benefit obligations at

	2008 Male	2008 Female	2007 Male	2007 Female
Member age 65 (current life expectancy)	19.48	22.30	19.48	22.30
Member age 45 (life expectancy at age 65)	20.42	23.18	20.42	23.18

The assets in the scheme were -

	2008 £'000	2007 As previously stated £'000	2006 £'000
Equities	9,344	12,022	10,591
Bonds	14,016	12,173	12,604
Property	-	902	1,032
Total market value of assets	23,360	25,097	24,227
Actuarial value of liability	(22,858)	(23,886)	(23,640)
<b>Surplus in the scheme</b>	<b>502</b>	<b>1,211</b>	<b>587</b>

Commencing 1 January 2004, certain members' contributions were increased to 9.3% of salaries and company contributions were increased to 15% of salaries and this has continued through the current year

Amounts chargeable to operating profit under FRS17

	2008 £'000	2007 £'000
Service cost	771	835
Past service cost	-	-
<b>Total operating charge</b>	<b>771</b>	<b>835</b>

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 16 Staff pension funds (continued)

#### Analysis of net return on pension scheme

	2008 £'000	2007 As previously stated £'000
Expected return on pension scheme asset	1,465	1,368
Interest on pension scheme liabilities	(1,316)	(1,186)
<b>Net return</b>	<b>149</b>	<b>182</b>

#### Analysis of movement in surplus

	2008 £'000	2007 As previously stated £'000
Surplus in scheme at beginning of the year	1,211	587
Movement in year		
Current service cost	(771)	(835)
Contributions	776	738
Past service costs	-	-
Net interest income	149	182
Reconciliation for changes in actuarial valuation	(50)	-
Actuarial (loss)/gain	(813)	539
<b>Surplus in scheme at end of year</b>	<b>502</b>	<b>1,211</b>

#### Analysis of amount recognised in statement of total recognised gains and losses

	2008 £'000	2007 As previously stated £'000
Actual return less expected return on assets	(3,239)	(553)
Experience gains and losses on liabilities	-	(350)
Changes in assumptions	2,426	1,442
<b>Actuarial (loss)/gain recognised</b>	<b>(813)</b>	<b>539</b>

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 16 Staff pension funds (continued)

#### History of experience gains and losses

	2008	2007	2006	2005
	£'000	£'000	As previously stated £'000	£'000
Difference between expected and actual return on scheme assets				
Amount (£'000)	(3,239)	(553)	50	1,521
Percentage of scheme assets	(14%)	(2%)	0%	7%
Experience gains and losses on scheme liabilities				
Amount (£'000)	-	(350)	1,166	-
Percentage of scheme liabilities	-	(1%)	5%	0%
Total amount recognised in statement of total recognised gains and losses				
Amount (£'000)	(813)	539	576	(1,761)
Percentage of scheme liabilities	(4%)	2%	2%	(8%)

#### Merchant Navy Officers Pension Fund

The Company is a qualifying member of the Merchant Navy Officers Pension Fund ('MNOFF'), an industry-wide defined benefit scheme registered in the UK. Based on the Merchant Navy Officers Pension Fund actuarial deficiency identified at 31 March 2006, the Company was informed its share of the deficit in settlement of its liability was £1,528,690 which is payable in ten instalments over a period of ten years commencing September 2005. With respect to these payments, Sea Containers Limited, as part of the sale of the Company in July 2003, agreed to provide an indemnity of up to £2 million to the Company based on the past service deficit in the scheme at 31 March 2003 which has been recognised in the financial statements to the extent considered appropriate by the Directors. The next formal review of the fund is scheduled for 31 March 2009. Once the results of this formal review are finalised the instalments may change if the actuarial deficit above changes.

Further to the outcome of the recent MNOFF court case, the Company is now able to identify its share of the underlying assets and liabilities in the pension fund on a consistent and reasonable basis and therefore FRS 17 has been adopted in the previous year and continues to be used for the current year.

A full actuarial valuation was carried out at 31 March 2006 and updated to 31 December 2008 by a qualified independent actuary. The scheme is closed to new entrants and under the method used to calculate pension costs in accordance with FRS 17, the costs as a percentage of pensionable payroll will tend to increase as the average age of the membership increases.

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 16 Staff pension funds (continued)

The major assumptions used by the actuary were -

	2008	2007 As previously stated	2006
Rate of increase in salaries	3.90%	4.40%	4.00%
Rate of increase of pensions in payment	2.90%	3.40%	3.00%
Discount rate	5.80%	5.50%	5.00%
Inflation assumption	2.90%	3.40%	3.00%

Weighted average assumptions used to determine net pension cost for year ended

	2008
Rate of increase in salaries	4.40%
Rate of increase of pensions in payment	3.40%
Discount rate	5.50%
Inflation assumption	3.40%
Expected long-term return of plan assets	5.84%

Weighted average life expectancy for mortality tables used to determine benefit obligations at

	2008 Male	2008 Female	2007 Male	2007 Female
Member age 65 (current life expectancy)	19.48	22.30	19.48	22.30
Member age 45 (life expectancy at age 65)	20.42	23.18	20.42	23.18

The assets in the scheme and the expected rate of return were -

	2008 £'000	2007 £'000	2006 £'000
Equities	3,390	5,658	6,460
Bonds	4,907	3,594	2,656
Property	625	816	758
Total market value of assets	8,922	10,068	9,874
Actuarial value of liability	(10,497)	(10,927)	(11,492)
Deficit in the scheme	(1,575)	(859)	(1,618)

Members' contributions to the scheme represent 7.3% (2007 6.6%) of salaries and company contributions 11.9% (2007 14.6%) of salaries

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 16 Staff pension funds (continued)

Amounts chargeable to operating profit under FRS17	2008 £'000	2007 £'000
Service cost	-	-
Past service cost	-	-
<b>Total operating charge</b>	<b>-</b>	<b>-</b>
Analysis of net return on pension scheme	2008 £'000	2007 As previously stated £'000
Expected return on pension scheme asset	628	613
Interest on pension scheme liabilities	(587)	(563)
<b>Net return</b>	<b>41</b>	<b>50</b>
Analysis of movement in deficit	2008 £'000	2007 As previously stated £'000
Deficit in scheme at beginning of the year	(859)	(1,618)
Movement in year		
Current service cost	-	-
Contributions	311	311
Past service costs	-	-
Reconciliation for changes in actuarial valuation	-	62
Net interest cost	41	50
Actuarial (loss)/gain	(1,068)	336
<b>Deficit in scheme at end of year</b>	<b>(1,575)</b>	<b>(859)</b>
Analysis of amount recognised in statement of total recognised gains and losses	2008 £'000	2007 As previously stated £'000
Actual return less expected return on assets	(1,589)	(336)
Experience gains and losses on liabilities	-	-
Changes in assumptions	521	672
<b>Actuarial (loss)/gain recognised</b>	<b>(1,068)</b>	<b>336</b>

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 16 Staff pension funds (continued)

History of experience gains and losses	2008	2007	2006
	£'000	£'000	As previously stated £'000
Difference between expected and actual return on scheme assets			
Amount (£'000)	(1,589)	(336)	223
Percentage of scheme assets	(18%)	(3%)	2%
Experience gains and losses on scheme liabilities			
Amount (£'000)	-	-	2,797
Percentage of scheme liabilities	0%	0%	24%
Total amount recognised in statement of total recognised gains and losses			
Amount (£'000)	(1,068)	336	2,563
Percentage of scheme liabilities	(12%)	3%	22%

#### Merchant Navy Ratings Pension Fund

The Company was also a qualifying member of the Merchant Navy Ratings Pension fund, a defined benefit scheme registered in the UK. The Company ceased to be a member of the pension fund on 30 September 1998 and is not now required to make any further contributions for those individuals who continue to be members of the scheme. The Company is unable to identify its share of the underlying assets and liabilities in the pension fund on a consistent and reasonable basis. As such the scheme has been accounted for as if it were a defined contribution scheme in accordance with FRS 17.

The cost of contributions payable during the period was £Nil (2007 £Nil the £19,756 as previously stated was in error and has been repaid May 2008) and the outstanding liability at 31 December 2008 was £Nil (2007 £Nil).

#### Defined contribution schemes

The Merchant Navy Ratings Pension Plan is a defined contribution scheme. The cost of contributions payable during the period was £6,391 (2007 £6,391) and the outstanding liability at 31 December 2008 was £Nil (2007 £Nil).



# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 17 User agreement with the Isle of Man Government

The Company remains bound to the terms of the User Agreement which was signed on 19 September 1995. The Agreement was originally for ten years. However, on 20 February 2002, the option to extend the User Agreement was exercised and the agreement was extended until 18 September 2010. A further extension was granted on 24 December 2004 for an additional 10 years until 2020, with an option for a further 6 years after that date.

Under the terms of the User Agreement, The Isle of Man Steam Packet Company Limited pays an annual fixed charge of £150,000. The Company and the Government also entered into a Siting Licence which relates to the Company's own linkspan. This Licence runs concurrently with the User Agreement.

The main rights and obligations are as follows -

- The Government has granted the Company the sole use of the Government owned linkspan situated at the King Edward Pier, Douglas. These rights are subject to a number of specialist, one-off and non group services.
- The Company has guaranteed minimum levels of service based on the 1995 schedules and minimum levels of investment.
- Fare level increases are restricted to the Manx Retail Price Index, less 0.5% until 31 December 2009 and no greater than the Manx Retail Price Index thereafter until 2026.
- The Company will invest £26m before the end of 2015 of which £18m will be invested no later than the end of 2012.

### 18 Related party disclosure

The following information is provided in accordance with FRS 8 "Related Party Transactions", as being transactions with related parties included in the accounts for the year and balances with related parties at the year end.

Name of Related party	Relationship	Type of transaction	Value of transactions £'000	Balance at 31 December 2008 £'000	Balance at 31 December 2007 £'000
The Steam Packet Group Limited	Intermediate Holding Company	Vessel hire	3	39,086	39,083
SPC Limited	Intermediate Holding Company		21,881	21,881	-
Steam Packet Holidays	Fellow Subsidiary	Management fees and vessel fares	355	-	(355)
MIOM Limited	Intermediate Holding Company	Vessel Overhaul and Vat	(26,085)	(21,134)	(4,951)

# The Isle of Man Steam Packet Company Limited

## Notes to the financial statements

for the year ended 31 December 2008 (continued)

### 18 Related party disclosure (continued)

Name of Related party	Relationship	Type of transaction	Value of transactions £'000	31 December 2008 £'000	31 December 2007 £'000
MIOM 1 Limited	Fellow Subsidiary	Vessel running costs	764	-	764
MIOM 1 Limited	Fellow Subsidiary	Finance Lease Creditor	(270)	(270)	-
Steam Packet Holdings Limited	Intermediate Holding Company	Dividend payable	(10,500)	(10,500)	-
Steam Packet Group Holdings Limited	Intermediate Holding Company	Management fees	(34)	(1,139)	(1,105)
Steam Packet Group International Holdings Limited	Parent Company	Management fees	334	(1,865)	(2,199)

### 19 Operating lease payments

At 31 December 2008, the company had annual commitments under non-cancellable operating leases for land and buildings and for assets other than land and buildings expiring as follows

	Land and buildings		Other	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Leases which expire				
Within one year	15	-	-	-
Within two to five years	10	252	378	210
After five years	174	55	-	-
	199	307	378	210

### 20 Ultimate parent company

On 4 December 2006, the Company's previous ultimate parent undertaking, Macquarie Bank Limited, disposed of the majority of its shareholding. At 31 December 2008, SAS Trustee Corporation (NSW State Superannuation Fund Administrator), a company incorporated in Australia, is considered to be the ultimate parent undertaking and controlling party.

# **The Isle of Man Steam Packet Company Limited**

## **Notes to the financial statements**

for the year ended 31 December 2008 (continued)

### **21 Guarantees and security**

The Company is party to a credit agreement dated 19 October 2005 made between, among others, MIOM Limited, Banco Espirito Santo de Investimento, S A as Arranger, Facility Agent and Security Trustee and Banco Espirito Santo S A as original lender, issuing bank and account bank. Under the terms of the credit agreement, the Company's assets have been pledged as security in respect of a first ranking debenture in favour of the chargors and Security Trustee pursuant to the above credit agreement.

The vessel, Ben-My-Chree is the subject of a marine mortgage and deed of covenant in favour of Banco Espirito Santo de Investimento, S A.

On 28 August 2009, the Lenders, through the Facility Agent, agreed to "waive any breach of any representation, warranty or undertaking, any Default, Event of Default or other non-compliance" in relation to certain matters relating to the Credit Agreement as documented in the Waiver Letter dated 28 August 2009.

The Waiver was provided subject to a number of conditions including the following significant amendments to the terms of the Credit Agreement:

- The definition of "Applicable Margin" on the Term A Facility, Vessel Acquisition Facility and Revolving Facility was deleted and replaced by 1.8% per annum, and
- Clause 15.4(c) (payment of Distributions) was deleted and amended such that "no Group Member will declare or pay, directly or indirectly, any dividends or make any other distribution or pay any principal, interest or other amounts, whether in cash or otherwise, on or in respect of any class of its share capital or any subordinated debt or set apart any sum for any such purpose."

### **22 Financial instruments**

The company entered into two fuel purchase hedges on 18 December 2008 which are effective from 1 January 2009. The first for 7487MT of fuel oil at £170.50 per MT and the second for 9156MT of gas oil at £359.50 per MT.

### **23 Cash flow statement**

No individual cash flow statement has been presented as an exemption under Financial Reporting Standard No 1 (revised), Cash flow Statements, has been taken. A copy of the consolidated financial statements of MIOM Limited, in which a consolidated cash flow statement is presented and in which the Company is included, is available from the Company Secretary, MIOM Limited, Imperial Buildings, Douglas, Isle of Man, IM1 2BY.