GD 2025/0122

Treasury Review of its Oversight of The Isle of Man Steam Packet Company Limited

Isle of Man Government

Reiltys Ellan Vannin

Introduction

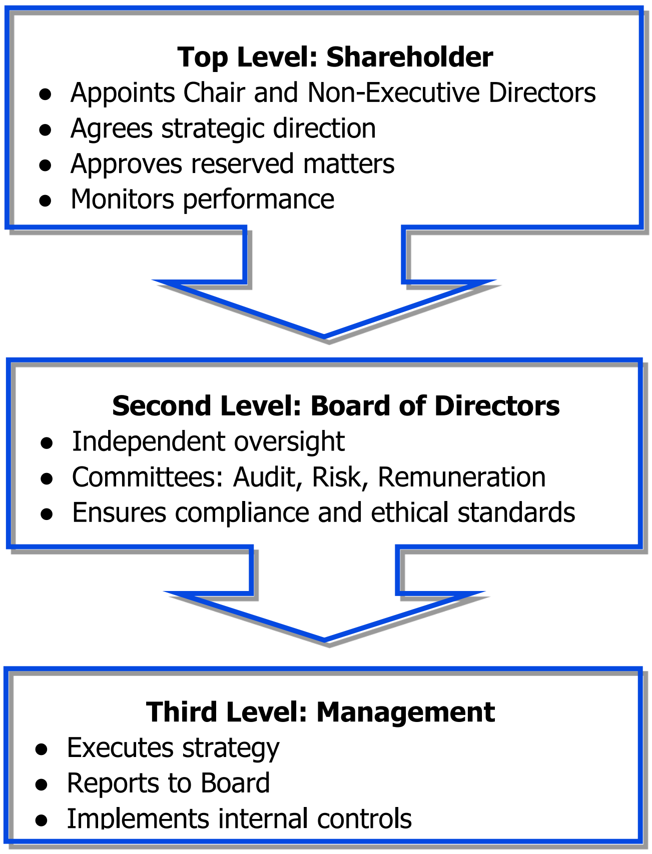
The Council of Ministers' response in February 2025 to the Tynwald Select Committee on the Regulation of The Isle of Man Steam Packet Company ("SPC"), noting no obvious deficiencies in its approach, it was agreed that the Treasury would consider how to enhance its oversight.

Treasury became the sole Shareholder of The Isle of Man Steam Packet Group Limited ("SPG"), the 100% owned parent company of SPC, following its acquisition in June 2018. In November 2018 Treasury put in place a Shareholder Agreement with SPG (Appendix A) which governs the relationship. This document sets out the various functions and obligations of both parties and has been the main determinant of the interaction between Treasury and SPG and its subsidiary, SPC.

The Shareholder Agreement is attached to this report.

It was clear from the debate in Tynwald in June 2018, that whilst Government desired strategic control, a fundamental tenet of the approval was that the company would be operationally independent. This has been a key consideration in determining the relationship.

There are three governance layers:



Review of effectiveness

In considering the effectiveness of the Shareholder Agreement and associated activities, Treasury has assessed its operations against the following objectives.

Strategic alignment between the objectives of Government and Treasury and SPG.

The Shareholder Agreement requires two Extraordinary General Meetings (EGM) per annum as set out in Section 4. There are two meetings per annum at which the Board is required to present operational performance information to the Shareholder. At the meeting close to December each year SPG is required to present to the Shareholder its annual plan for agreement. This allows the Shareholder to ensure that the business of SPG for each year aligns with Government's broader objectives.

To be clear Treasury receives these documents in its role as Shareholder and are only reviewed and accepted on that basis. The Shareholder Agreement is not a mechanism through which the Treasury would or could seek to quasi regulate the company in respect of the broader interests of the public.

A schedule is included in the Agreement which sets out the matters which require shareholder agreement, including restrictions on expenditure in certain areas that are outside of the business plan and certain other significant actions.

The Shareholder Agreement also provides for the appointment of the non-executive directors, including the Chair, by the Treasury. These directors are not only bound by their fiduciary duties as directors but also are required to be cognisant of the Shareholder's objectives in discharging their functions.

Whilst there are no deficiencies in the Shareholder Agreement, Treasury will review the document with SPG to ensure that all references are up to date.

In the opinion of Treasury this provides sufficient control to allow strategic alignment and there are no known instances where improvements are required.

Good Governance and Financial Stewardship

SPG's Articles of Association set out how the company is to be governed and operated. The operation and governance of the company is the responsibility of the Board.

The Articles of Association were thoroughly reviewed in 2018 and whilst being quite old, were deemed to be fit for purpose and this remains the view of the Treasury. However as part of its ongoing stewardship responsibilities the Treasury will keep the matter under consideration and will seek the views of the Board on this matter.

The broad financial objectives for SPG were set out and communicated in a letter from the Treasury Minister dated 10th January 2019 (Appendix B) and these have underpinned SPG's short and longer term budgeting and financial planning ever since. In the view of the Treasury, these objectives remain appropriate and effective however, as above always remain under review and will be considered at the EGMs.

The biennial EGMs require a financial update at each meeting. The annual business and operational plan are also required to be presented at the December meeting. This allows SPG to outline its financial objectives and Treasury to understand and monitor how those objectives are being achieved. For example through pricing strategy and the provision for the financing for shipping fleet requirements.

In selecting the non-executive directors, Treasury ensures that the balance of experience across the members includes experience of governance, financial acumen, maritime experience in addition to other appropriate factors.

SPG also provides monthly management accounts to the Shareholder, which allows in year regular monitoring. There are also good officer to officer relationships which allow further information to be provided or other matters to be discussed.

In terms of its operational activities, these are subject to a legal and regulatory framework and compliance with this is the responsibility of the Board.

The Treasury Minister and Chief Financial Officer do meet periodically with the Chair of SPG to discuss board effectiveness, succession planning and skills make up for the Board. This is an informal process and it is recognised that some formality may help to improve the process, in particular the request for the Board to undertake a Board effectiveness self-assessment and report the results to the Treasury for consideration. This will be actioned in 2026/27.

Being wholly owned by Government, SPG and its subsidiaries, including SPC, produce annual financial statements that now fall under the remit of the Tynwald Auditor General, and which are laid before Tynwald. Again, this provides assurances over the financial reporting and governance.

Economic and Social matters relating to the Isle of Man: The Sea Services Agreement

The analysis above is in respect of Treasury's shareholder role in overseeing the organisation as described in the top box in the diagram above.

The other aspect of Government broader interest in respect of the company's interaction with the economic and social aspects of the island.

Below is an extract from the Treasury submission to the Select Committee which describes the Treasury's stance on this aspect of the relationship.

> It is Treasury's view that the DoI, as a quasi-regulator for the Steam Packet Company, is best placed to enter into commercial negotiations with the Company in respect of the Sea Services Agreement and that it is best placed to protect and represent the best interests of the Island and its community in respect of those services required under the Agreement. In doing so it is able to take into account the views of broader Government, for example those of the Department for Enterprise, on economic stimulation and development.
>
> Treasury is also of the view that the Board of the Steam Packet Company is best placed to represent the commercial and operational requirements and objectives of the Company. As noted above it is not Treasury's policy to become involved, or direct, in respect of the operating decisions of the Company.

These two bodies can of course seek the view of the Treasury in respect of matters relating to the Company's strategic objectives, or in respect of public finances. Indeed at times Treasury may be best placed to provide policy advice on certain matters relevant to the Agreement. For example in respect of policies regarding the funding for certain matters and whether these should fall on the consumers of services or to the general taxpayer.

However, it would not be appropriate for Treasury to take a more active role in the negotiation or management of the Sea Services Agreement to benefit one party or the other. The DOI clearly has the vires to determine sea services policy on behalf of the Isle of Man Government and Treasury should not use its position as a means to undermine this unless this is manifestly required as part of good financial management. Similarly, the Directors of the Steam Packet are tasked with managing the company and Treasury as shareholder should not seek to intervene without good cause. Were Treasury to take the opposing view and seek to interfere, the need for the existence of an Agreement at all could be questioned. This could place Treasury in a conflicted position and this would not lead to the best outcomes, as these are generally achieved by way of commercial negotiations between parties representing different interests, and would undermine the operating model for the company.

Conclusions

On reviewing the Treasury's arrangements for the oversight of SPG and SPC, accepting that it would be good practice to review the Shareholder Agreement to ensure it is up to date in it's referencing, Treasury is content that they are sufficient for the purpose.

Treasury
December 2025

DATED 28 NOVEMBER 2018

TREASURY

and

MIOM LIMITED
[to be altered to ISLE OF MAN STEAM PACKET GROUP LIMITED subject to approval of the Chief Registrar]

SHAREHOLDER AGREEMENT

QUOCUNQUE JECERIS STABIT

Isle of Man
Government

Reiltys Ellan Vannin

Attorney General's Chambers
Douglas

THIS DEED is dated the 28 day of NOVEMBER 2018

PARTIES

(1) The **Treasury** (a Department of the Isle of Man Government) of Government Offices, Bucks Road, Douglas, Isle of Man, IM1 3PZ (the "**Shareholder**")

(2) **Isle of Man Steam Packet Group Limited** incorporated and registered in the Isle of Man with company number 114530C whose registered office is at Imperial Building, Bath Place, Douglas, Isle of Man (the "**Company**")

BACKGROUND

(A) The Company has an issued share capital of five hundred and one thousand three hundred and seventy eight pounds (£501,378), divided into five hundred and one thousand three hundred and seventy eight (501,378) ordinary shares of one pounds (£1) each, all of which are fully paid.

(B) The Shareholder is the registered owner of all of the issued share capital of the Company.

(C) The parties have agreed to enter into this agreement as a deed for the purpose of regulating the exercise of their rights in relation to the Company and the Subsidiaries (as hereinafter defined) and for the purpose of making certain commitments as set out in this agreement.

(D) The Company is a private company, run at arm's length from Government.

AGREED TERMS

1. INTERPRETATION

1.1. The following definitions shall apply in this agreement:

2006 Act: the Companies Act 2006;

Act: the Companies Act 1931;

Articles: the articles of association of the Company;

Associated Person: in relation to the Company, a person (including an employee, agent or subsidiary) who performs services for or on behalf of the Company;

Board: the board of directors from time to time of the Company;

Business: has the meaning given in clause 3.1;

Business Day: a day other than a Saturday, Sunday or public holiday in the Isle of Man when banks in Douglas are open for business;

Business Plan: the summary of the Operational Plan is such format as is agreed between the Parties;

Encumbrance: any interest or equity of any person (including any right to acquire, option, right of pre-emption, any agreement in respect of voting rights or commitment to give or create voting rights) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement;

Extraordinary General Meetings: has the same meaning as is set out in The Companies (Memorandum and Articles of Association) Regulations 1988;

Financial Statements: all of the financial statements of the Company to include income statements, balance sheets, statements of retained earnings and cash flows and monthly management accounts;

Financial Year: each accounting reference period of the Company determined from time to time in accordance with the Companies Act 1982;

Group: the Company, the Subsidiaries and any other subsidiary or any holding company from time to time of the Company and any subsidiary from time to time of a holding company of the Company and each company in the Group is a Group Company;

Operational Plan: the detailed operational plan for the Company including its budget;

Pension Schemes: pension schemes administered by or on behalf of the Company for the benefit of its employees or a sector of its employees;

Shareholder: the Treasury (a Department of the Isle of Man Government) or such other Department, Statutory Board or Office of the Isle of Man Government who shall own the shares in the Company from time to time;

Shareholder Consent: the prior written consent of the Shareholder given by the Shareholder Minister or a person duly authorised by the Shareholder Minister in writing;

Shares: ordinary shares in the capital of the Company from time to time;

Subsidiaries: the subsidiaries of the Company which, as at the date of this agreement, comprise those companies as set out in the Appendix to this Agreement.

1.2. Clause and Schedule headings shall not affect the interpretation of this agreement.

1.3. References to **clauses** and **Schedules** are to clauses of and Schedules to this agreement and references to **paragraphs** and **Parts** are to paragraphs and Parts of the relevant Schedule.

1.4. The Schedules form part of this agreement and shall have effect as if set out in full in the body of this agreement. Any reference to **this agreement** includes the Schedules.

1.5. A reference to **this agreement** or to any other agreement or document referred to in this agreement is a reference to this agreement or such other agreement or document as varied, superseded or novated (in each case, other than in breach of the provisions of this agreement or the provisions of the agreement or document in question, as appropriate) from time to time.

1.6. Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.

1.7. Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.

1.8. A person includes a natural person, corporate or unincorporated body (whether or not having a separate legal personality).

1.9. A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.

1.10. A reference to a "**holding undertaking**" or a "**subsidiary undertaking**" means a holding company or a subsidiary (as the case may be) as defined in section 220 of the 2006 Act and for the purposes only of the membership requirement contained in sections 220(1)(ii) and (iii), a company shall be treated as a member of another company even if its shares in that other company are registered in the name of:

1.10.1. another person (or its nominee), by way of security or in connection with the taking of security; or

1.10.2. its nominee.

1.11. A reference to **writing** or **written** includes electronic forms of communication unless otherwise expressly provided in this agreement.

1.12. Any words following the terms **including**, **include**, **in particular** or **for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.

1.13. Where the context permits, **other** and **otherwise** are illustrative and shall not limit the sense of the words preceding them.

1.14. A reference to a **statute** or **statutory provision** is a reference to it as amended, extended or re-enacted from time to time OR it is in force at the date of this agreement provided that, as between the parties, no such amendment, extension or re-enactment made after the date of this agreement shall apply for the purposes of this agreement to the extent that it would impose any new or extended obligation, liability or restriction on, or otherwise adversely affect the rights of, any party.

1.15. A reference to a **statute** or **statutory provision** shall include all subordinate legislation made from time to time OR as at the date of this agreement under that statute or statutory provision.

1.16. Any obligation on a party not to do something includes an obligation not to allow that thing to be done.

1.17. Unless otherwise provided in this agreement all, covenants, undertakings, warranties and other obligations given or entered into by more than one party in this agreement are given or entered into severally.

1.18. Unless the context otherwise requires, words and expressions defined in the Articles shall have the same meaning when used in this agreement.

2. TERM AND COMMENCEMENT

This agreement shall commence on the 1st January 2019 and continue until it is terminated in accordance with clause 6.

3. BUSINESS OF THE COMPANY

3.1. The business of the Company and the Subsidiaries is the operation of ferries for passengers and freight together with ancillary services (which include inter alia the provision of transport, port facilities and travel agency services), subject to variation from time to time in accordance with the provisions of this agreement ("**Business**").

3.2. The Shareholder shall use its reasonable endeavours to promote (so far as is lawfully possible in the exercise of its rights and powers as a shareholder of the Company and subject to any restrictions imposed on the Shareholder as a Department of the Isle of Man Government) the success of and, subject to clause 4 and paragraph 3 of the Schedule to this agreement, develop the Business, in each case for the benefit of the Shareholder.

4. COMPANY OBLIGATIONS

4.1 Without prejudice to the rights of the Shareholder to requisition an Extraordinary General Meeting pursuant to the Articles of the Company, the Directors of the Company shall convene an Extraordinary General Meeting on a bi-annual basis ("**the Agreed EGMs**") as follows:

4.1.1 the Agreed EGMs shall take place on a date that is agreed between the Parties. Where possible this date shall coincide with the published dates for the Company's Board meetings which take place in June and December in each year.

4.1.2 at each Agreed EGM the Company shall present:

4.1.2.1.1 a financial update;

4.1.2.1.2 operational update;

4.1.2.1.3 six month forward looking trading statement;

4.1.2.1.4 such other information as the Shareholder shall reasonably require or as is agreed between the Company and the Shareholder;

4.1.3 at the Agreed EGM which takes place in or nearest to June in each year:

4.1.3.1 the Company will present:

4.1.3.1.1 Financial Statements;

4.1.3.1.2 Update on Pensions Schemes;

4.1.3.2 The Shareholder will present a list of strategic objectives of the Shareholder for discussion to inform the Company in the preparation of its Business Plan for the following year;

4.1.4 at the Agreed EGM which takes place in or nearest to December of each year:

4.1.4.1 the Company will present its Operational Plan and Business Plan;

4.1.4.2 the Shareholder and the Directors will work together to agree such changes to the Operational Plan and Business Plan as may be required;

4.1.4.3 the Company will publish the Business Plan on its website.

4.1.5 The Shareholder shall be entitled to invite its professional advisers, the political members of Treasury and such other third parties as the Company shall approve to attend the Agreed EGM's as observers.

4.2 The Company shall not (and shall procure that no Group Company shall) take any of the actions set out in the Schedule to this agreement without Shareholder Consent. For the avoidance of doubt, actions which are set out in an Operational Plan or Business Plan which has been approved by the Shareholder in accordance with clause 4.1.4 of this agreement shall be deemed to have been approved by the Shareholder for the purposes of this clause 4.2 PROVIDED that the actions referred to are set out in sufficient detail in the Business Plan and the actions intended to not go beyond those actions as set out in the Business Plan.

4.3 The Company shall submit a financial report to the Shareholder on a quarterly basis by no later than six (6) weeks after the Company's quarter end date.

4.4 Notwithstanding the provisions of clauses 4.1 and 4.2, the Company shall provide regular updates to the Shareholder and shall provide such information relating to the Company as the Shareholder shall reasonably require upon demand.

4.5 The Company shall promptly inform the Shareholder upon the happening of any event which involves the Company and which may give cause to endanger life, or in the opinion of the Company could cause significant reputational damage to the Isle of Man Government or the Company.

5 DIRECTORS

5.1 The Shareholder shall nominate natural persons as Directors of the Company and they shall be appointed by the Company in accordance with the Articles. The Directors will remain in office until they resign, complete their term of appointment or the Shareholder requests their removal in accordance with the Articles.

5.2 There shall be a minimum of three (3) non-executive directors one of whom shall be the Chairman.

5.3 No Member of Tynwald may be a director of the Company.'

6 TERMINATION

6.1 Subject to clause 6.2, this agreement shall terminate:

6.1.1 when a resolution is passed by the Shareholder or creditors of the Company, or an order is made by a court or other competent body or person instituting a process that shall lead to the Company being wound up and its assets being distributed among the Company's shareholder, creditors or other contributors; or

6.1.2 upon the appointment of a receiver or liquidator over the whole or any part of the assets of the Company or the making of any arrangement with the creditors of the Company for the affairs, business and property of the Company to be managed by a supervisor; or

6.1.3 upon the expiration of twenty eighty (28) days' notice in writing served on the Company by the Shareholder.

6.2 On termination of this agreement, the following clauses shall continue in force:

6.2.1 Clause 1 (Interpretation);

6.2.2 this Clause 6 (Termination);

6.2.3 Clause 8 (Announcements);

6.2.4 Clause 9 (Assignment and other dealings);

6.2.5 Clause 10 (Entire agreement);

6.2.6 Clause 111 (Variation and waiver);

6.2.7 Clause 122 (Costs and expenses);

6.2.8 Clause 133 (No partnership);

6.2.9 Clause 144 (Notices);

6.2.10 Clause 155 (Severance); and

6.2.11 Clause 188 (Governing law and jurisdiction).

6.3 Termination of this agreement shall not affect any rights, remedies, obligations or liabilities of any of the parties that have accrued up to the date of termination, including the right to claim damages in respect of any breach of the agreement which existed at or before the date of termination.

6.4 Where, following an event referred to in clause 6.1.1, the Company is to be wound up and its assets distributed, the parties shall agree a suitable basis for dealing with the interests and assets of the Company and shall endeavour to ensure that, before dissolution:

6.4.1 all existing contracts of the Company are performed to the extent that there are sufficient resources;

6.4.2 the Company shall not enter into any new contractual obligations; and

6.4.3 the Company's assets are distributed as soon as practical; and OR

6.4.4 any assets or intellectual property rights belonging to or originating from the Shareholder shall be returned to it by the Company (or any other Group Company) and all such intellectual property rights shall be erased from the computer systems (to the extent possible) of the Company (or any other Group Company).

7 STATUS OF THIS AGREEMENT

7.1 The Shareholder shall, to the extent that it is able to do so, exercise its voting rights and other powers of control lawfully available to it as a shareholder of the Company to procure that the provisions of this agreement are properly and promptly observed and given full force and effect according to the spirit and intention of this agreement.

7.2 The Shareholder shall, when necessary, exercise its powers of voting and any other rights and powers lawfully available to it as a shareholder of the Company to amend, waive or suspend a conflicting provision in the Articles to the extent necessary to permit the Company and its Business to be administered as provided in this agreement.

8 ANNOUNCEMENTS

8.1 The Parties agree that the Shareholder shall be permitted to publish this agreement in full on its website and make copies of this agreement available to the public.

8.2 Except to the extent required by law or any legal or regulatory authority of competent jurisdiction or except with the prior written consent of the Board (acting with Shareholder Consent) OR Shareholder Consent:

8.2.1 no party shall (and the Company shall procure that no member of its Group shall) at any time during this agreement and for a period of one year after termination of this agreement disclose to any person (other than its professional advisers) any trade secret or other confidential information relating to the Company (or any other Group Company) or to any Shareholder, or make any use of such information other than to the extent necessary for the purpose of exercising or performing its rights and obligations under this agreement; and

8.2.2 subject to the provisions of clause 8.1 of this agreement, no party shall make, or permit any person to make, any public announcement, communication or circular concerning this agreement without written consent of the Board and Shareholder Consent.

8.3 The undertakings in clause 8.2 are given by each party to each other party and, in respect of undertakings relating to the trade secrets and confidential information of the Company (or any other Group Company), to the Company and apply to actions carried out by the Shareholder in any capacity and whether directly or indirectly, on the Shareholder's own behalf, on behalf of any other person or jointly with any other person.

9 ASSIGNMENT AND OTHER DEALINGS

9.1 No party shall assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any or all of its rights and obligations under this agreement (or any other document referred to in it).

9.2 Each party confirms that it is acting on its own behalf and not for the benefit of any other person.

10 ENTIRE AGREEMENT

10.1 This agreement (together with the documents referred to in it to include the Articles) constitutes the entire agreement between the parties and supersedes and extinguishes all previous discussions, correspondence, negotiations, drafts, agreement, promises, assurances, warranties, representations, arrangements and understandings between them, whether written or oral, relating to its OR their subject matter.

10.2 Each party acknowledges that in entering into this agreement (and any documents referred to in it), he does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this agreement or those documents.

10.3 Nothing in this clause shall limit or exclude any liability for fraud.

11 VARIATION AND WAIVER

11.1 No variation of this agreement shall be effective unless it is in writing and signed by or on behalf of each party for the time being.

11.2 A waiver of any right or remedy under this agreement or by law is only effective if it is given in writing and is signed by the party waiving such right or remedy. Any such waiver shall apply only to the circumstances for which it is given and shall not be deemed a waiver of any subsequent breach or default.

11.3 A failure or delay by any party to exercise any right or remedy provided under this agreement or by law shall not constitute a waiver of that or any other right or remedy, nor shall it prevent or restrict any further exercise of that or any other right or remedy.

11.4 No single or partial exercise of any right or remedy provided under this agreement or by law shall prevent or restrict the further exercise of that or any other right or remedy.

11.5 A person that waives a right or remedy provided under this agreement or by law in relation to one person, or takes or fails to take any action against that person, does not affect its rights or remedies in relation to any other person.

12 COSTS AND EXPENSES

Except as expressly provided in this agreement, each party shall pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this agreement (and any documents referred to in it).

13 NO PARTNERSHIP OR AGENCY

Nothing in this agreement is intended to, or shall be deemed to, establish any partnership or joint venture between the parties or constitute any party the agent of another party.

14 NOTICES

14.1 A notice given to a party under or in connection with this agreement shall be in writing and shall be delivered by hand or sent by pre-paid post, recorded delivery or special delivery in each case to that party's address, in each case as specified in clause 14.2 (or to such other address as that party may notify to the other party in accordance with this agreement).

14.2 The addresses for service of notices are:

14.2.1 In the case of the Company address: its registered office address for the time being; and

14.2.2 In the case of the Shareholder address: as set out at the beginning of this agreement.

14.3 A party may change its details for service of notices as specified in clause 14.2 by giving notice to the other parties. Any change notified pursuant to this clause 14 shall take effect at 9.00am on the later of the date (if any) specified in the notice as the effective date for the change or five Business Days after deemed receipt of the notice.

14.4 Delivery of a notice is deemed to have taken place (provided that all other requirements in this clause 144 have been satisfied) if delivered by hand, at the time the notice is left at the address, or if sent by pre-paid post, recorded delivery or special delivery, on the second Business Day after posting unless, in each case, such deemed receipt would occur outside business hours (meaning 9.00am to 5.30pm Monday to Friday on a day that is not a public holiday in the place of deemed receipt), in which case deemed receipt will occur at 9.00am on the day when business next starts in the place of deemed receipt (and, for the purposes of this clause 14, all references to time are to local time in the place of deemed receipt).

14.5 This clause 14 does not apply to the service of any proceedings or other documents in any legal action.

15 SEVERANCE

If any provision or part-provision of this agreement is or becomes invalid, illegal or unenforceable, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of this agreement.

16 THIRD PARTY RIGHTS

16.1 Except as expressly provided elsewhere in this agreement, a person who is not a party to this agreement shall not have any rights under the Contracts (Rights of Third Parties) Act 2001 to enforce any term of this agreement.

16.2 The rights of the parties to terminate, rescind or agree any variation, waiver or settlement under this agreement are not subject to the consent of any other person.

17 COUNTERPARTS

17.1 This agreement may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

17.2 No counterpart shall be effective until each party has executed at least one counterpart.

18 GOVERNING LAW AND JURISDICTION

18.1 This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of the Isle of Man.

18.2 Each party irrevocably agrees that the Manx courts shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes or claims).

This Deed has been entered into on the date stated at the beginning of it.

THE SCHEDULE

MATTERS REQUIRING SHAREHOLDER CONSENT

1. Permit the registration (upon subscription or transfer) of any person as a member of the Company (or any other Group Company) other than pursuant to an allotment or transfer permitted or required by, and made in accordance with, this agreement or the Articles (or, in the case of a Group Company other than the Company, its articles of association for the time being in force).

2. Alter its name or registered office.

3. Change the nature of its Business or, in relation to a Group Company other than the Company, its business as carried on at the date of this agreement (as varied from time to time in accordance with this agreement).

4. Become resident for tax purposes in a jurisdiction other than the Isle of Man (save for Guernsey Ship Management Limited which is resident in Guernsey for tax purposes).

5. Adopt or amend the Business Plan in respect of each financial year.

6. Introduce for the benefit of any current or former director, any incentive scheme or arrangement (including, without limitation, any share option or share award plan, and any commission, profit sharing or bonus scheme).

7. Introduce for the benefit of any employee or any other person any incentive scheme or arrangement, (including, without limitation, any share option or share award plan, and any commission, profit sharing or bonus scheme) where the aggregate amount payable under the Scheme exceeds two hundred thousand pounds (£200,000).

8. Enter into any arrangement, contract or transaction:

   8.1. not provided for in its Business Plan where it exceeds two million five hundred thousand pounds (£2,500,000); or

   8.2. which is outside the normal course of the Business or, in relation to a Group Company other than the Company, its business as carried on at the date of this agreement (as varied from time to time in accordance with this agreement); or

   8.3. which is otherwise than on arm's length terms; or

   8.4. which, whilst may be included in the Business Plan and is in the normal course of business, involves:

      8.4.1. entering into a ship's mortgage; or

      8.4.2. entering into an agreement (or extending or varying any existing agreement) for the use of the King Edward VIII Linkspan in Douglas Harbour; or

      8.4.3. entering into an agreement (or extending or varying any existing agreement) for the siting of the Victoria Linkspan in Douglas Harbour; or

8.4.4. capital expenditure of more than five million pounds (£5,000,000).

9. Create or grant any Encumbrance over the whole or any part of the Business, its undertaking or assets or over any of the shares in its issued share capital from time to time or, in relation to a Group Company other than the Company, over the whole or any part of its business as carried on at the date of this agreement (as varied from time to time in accordance with this agreement), its undertaking or assets or over any of the shares in its issued share capital from time to time.

10. Grant any rights (by licence or otherwise) in or over any intellectual property owned or used by the Company (or any other Group Company).

11. Incur any borrowings in excess of one million pounds (£1,000,000) in aggregate from time to time other than from its bankers in the ordinary and usual course of business, or issue any loan capital.

12. Make any loan (otherwise than by way of deposit with a bank or other institution the normal business of which includes the acceptance of deposits) or grant any credit (other than in the normal course of trading) or give any guarantee (other than in the normal course of trading) or indemnity.

13. Amalgamate or merge with any other company or business undertaking, form or acquire any subsidiary, directly or indirectly acquire shares in any other company or directly or indirectly participate in any partnership or joint venture.

14. Apply for the listing or trading of any shares or debt securities on any stock exchange or market.

15. Pass any resolution for its winding up or present any petition for its administration (unless it has become insolvent).

16. Appoint any agent or intermediary to conduct the whole or any part of the Business or, in relation to a Group Company other than the Company, its business as carried on at the date of this agreement (as varied from time to time in accordance with this agreement).

17. Commence proceedings against a third party or file a defence in relation to any proceedings brought against the Company outside of the normal course of business.

SIGNED by the Minister or a person duly authorised by the Minister for Treasury in the presence of:-

Witness Signature: ....

Witness Full Name: CAROL RANDALL

Witness Address: TREASURY, BUCKS RD,

DOUGLAS

Witness Occupation: CIVIL SERVANT

: ....

: *Print name:* A. L CANNAN

: *Position:* TREASURY MINISTER.

:

:

:

SIGNED by the Company acting by:-

: ....

Director

: *Print name:*

:

: ....

Director/Company Secretary

: *Print name:*

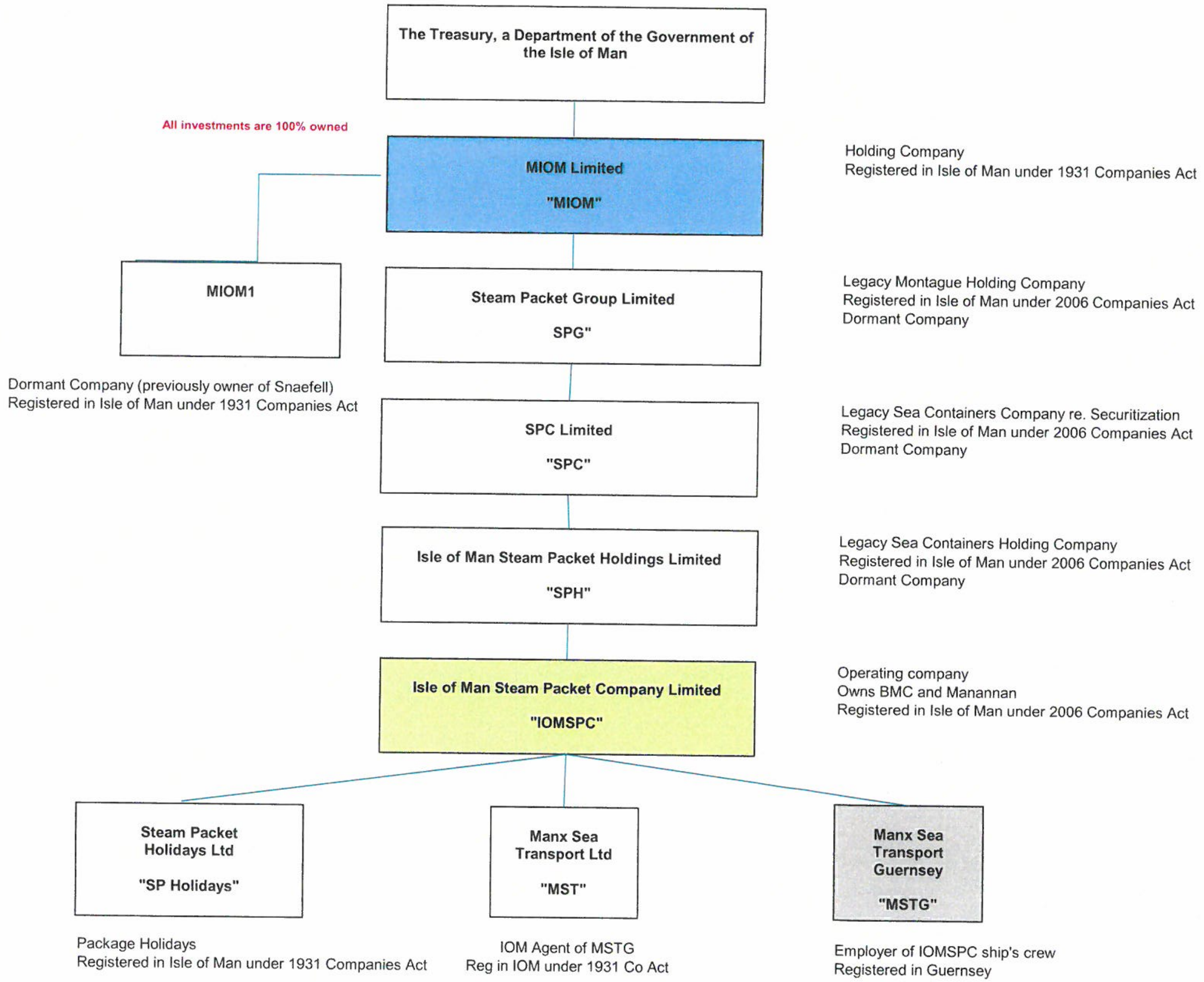
Intentionally blank

APPENDIX

CURRENT GROUP STRUCTURE

Attached.

Proposed Group Structure - Post completion of SPA between Sealion Holdings Limited and The Treasury, a Department of the Government of the Isle of Man. Completion is expected to be 23rd May 2018



Isle of Man
Government
Reiltys Ellan Vannin

The Treasury

Minister for the Treasury
Government Office, Douglas
Isle of Man, British Isles
IM1 3PU
Telephone (01624) 686433

E-mail treasuryadmin@gov.im
Government Website: www.gov.im

Mr R Quayle
Chairman
Isle of Man Steam Packet Company Ltd.
Imperial Buildings
Douglas
Isle of Man
IM1 2BY

Our Ref: ALC/mjf
Your Ref:
Date: 10th January 2019

Yn Tashtey

FROM THE OFFICE OF THE TREASURY MINISTER

Dear Mr Quayle

Financial Objectives

Further to the signing of the Shareholder agreement, I now write to clarify Shareholder expectations in respect of the financial performance of the Isle of Man Steam Packet Company.

It is the Shareholder's intention that at all times the Company should consider its unique position as the primary provider of sea services to the Isle of Man. In recognising this position, the Directors should therefore make every reasonable effort to ensure that the business contributes to the economic and social wellbeing of the Island through its pricing decisions and service levels to fulfil these obligations.

To a large extent, the pricing and service level framework will be determined by the Sea Services Agreement but in agreeing to any commitments, the Company must work to the following financial objectives:

a) Maintain profitability, liquidity and solvency providing for all financial, operational and long term financing requirements;

b) Treasury will not currently require a dividend, however the company must make stringent efforts to minimise its level of debt;

c) Maintain a Strategic Maintenance Reserve of £8M (to be updated based on the formula allowing for 100%, 66% and 33% of planned capital expenditure on maintenance in each of the respective following three years) and circa £3M working capital.

Once the User Agreement has been finalised, it is our intention to further clarify how best we can measure the overall performance of the company. However, in meeting the objectives above the company must ensure that its operations are conducted as efficiently and effectively as possible and that performance indicators are reported and monitored accordingly.

I hope these objectives will provide clarity to the Directors in respect of financial performance and thus provide further scope for innovative passenger and freight pricing initiatives.

Yours sincerely

Hon Alfred Cannan MHK
Minister for the Treasury