



IRISH CONTINENTAL GROUP



REPORT AND FINANCIAL STATEMENTS 2006



IRISH CONTINENTAL GROUP

Irish Continental Group (ICG) is a shipping, transport and leisure group engaged in the transport of passengers and cars, roll-on roll-off freight and container lift-on lift-off freight on routes between Ireland, the United Kingdom and Continental Europe, as well as the operation of container terminals in the ports of Dublin and Belfast.

We aim to be the most successful business in our chosen markets, focusing on the provision of a reliable, timely and high quality experience for our customers.

We will achieve success by anticipating our customers' needs and matching those with superior services through constant innovation and the rapid application of new proven technology.

We will measure our success through the quality of our service, as seen by our customers, which should result in delivering sustained and profitable growth for the benefit of our shareholders and staff.

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THE GROUP

Irish Ferries

Owms and operates a modern fleet of multi-purpose ferries between Ireland and the UK & France.

Irish Ferries-Passenger services

1.4 million passengers carried annually on 13 daily sailings.

Irish Ferries-Freight

Market leader on short sea routes between the Republic of Ireland and Britain.

Irish Ferries-Holidays

Inclusive package holidays to Ireland, France and Britain.

Chartering

Charter out of passenger ferries.

Dublin Ferryport Container Depot

Container repair and storage facilities.

Eucon

Provides container services between Ireland and Continental Europe.

Eurofeeders

Shipping agency services.

Feederlink

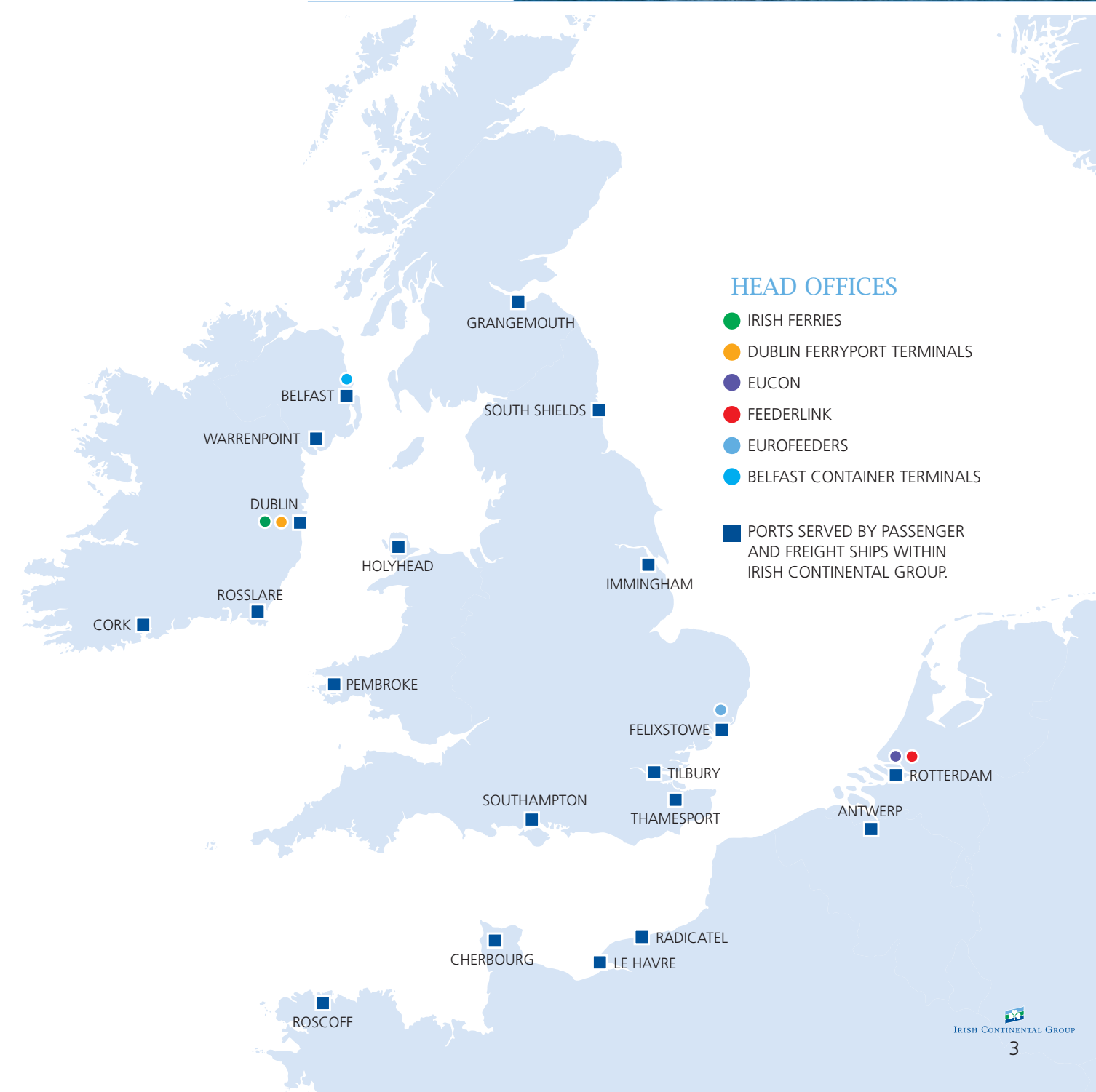
Dedicated feeder services linking Rotterdam and the UK's hub ports on the North Sea.

Dublin Ferryport Terminals

Stevedoring and storage facilities for container traffic at Dublin Port.

Belfast Container Terminals

Stevedoring and storage facilities for container traffic in the Port of Belfast.

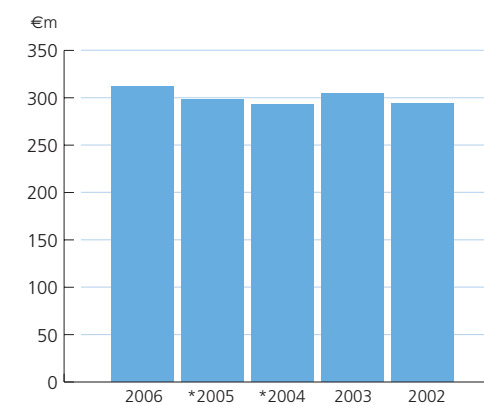




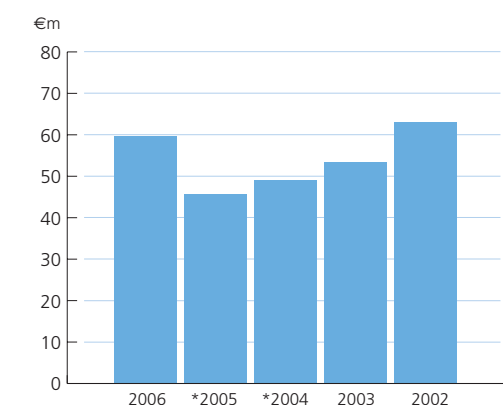
FINANCIAL HIGHLIGHTS



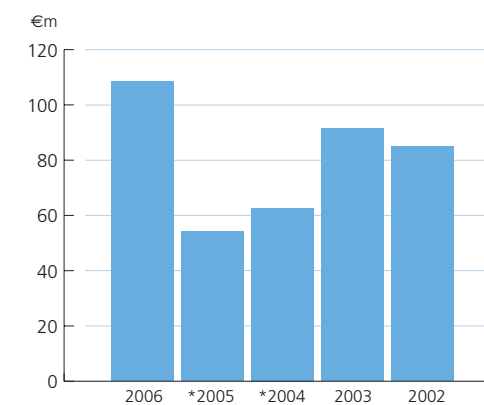
Turnover



EBITDA



Adjusted Earning per Share



* As restated –see notes 5, 7 & 32 for details

Note: 2006, 2005 and 2004 information is presented in accordance with IFRS. 2005 and 2004 have been restated to reflect the change in accounting policy the effect of which is outlined in notes 5, 7 and 32. Results for 2003 and 2002 continue to be presented under GAAP without restatement.

FIVE YEAR SUMMARY

FIVE YEAR SUMMARY

| Consolidated Income Statement | 2006 €m | *2005 €m | *2004 €m | 2003 €m | 2002 €m |
|--|------------|-------------|-------------|------------|------------|
| Turnover | 312.1 | 298.5 | 293.1 | 304.3 | 293.6 |
| Employee benefits expense & other operating expenses | (252.4) | (252.7) | (243.9) | (250.9) | (230.4) |
| EBITDA | 59.7 | 45.8 | 49.2 | 53.4 | 63.2 |
| Depreciation / amortisation | (27.5) | (27.7) | (26.1) | (24.5) | (28.4) |
| Trading profit | 32.2 | 18.1 | 23.1 | 28.9 | 34.8 |
| Non recurring items | 0.7 | (31.6) | (12.4) | (4.8) | (1.7) |
| Interest (net) | 0.4 | (1.5) | (5.4) | (6.4) | (9.0) |
| Profit / (loss) before taxation | 33.3 | (15.0) | 5.3 | 17.7 | 24.1 |
| Taxation | (1.0) | (0.8) | - | (0.3) | (3.1) |
| Profit / (loss) for the financial year | 32.3 | (15.8) | 5.3 | 17.4 | 21.0 |
| Dividends | - | - | - | - | (5.1) |
| Profit / (loss) retained | 32.3 | (15.8) | 5.3 | 17.4 | 15.9 |
| Per share information (cent): | | | | | |
| Earnings / (loss) per share - cent | | | | | |
| -Basic | 137.4 | (67.8) | 22.6 | 71.6 | 78.3 |
| -Adjusted | 108.5 | 54.1 | 63.0 | 91.4 | 85.0 |
| Dividends / redemption premium per share | 10.9 | 29.2 | 25.9 | 22.5 | 19.7 |
| Shares in issue at year end | | | | | |
| -ICG units | 24.4 | 24.3 | 23.3 | 23.9 | 25.0 |
| -treasury shares | 0.9 | 0.9 | 0.9 | 0.2 | - |
| Average shares in issue | 23.5 | 23.3 | 23.5 | 24.3 | 26.8 |
| Number of shareholdings | 2,092 | 2,263 | 2,326 | 2,816 | 2,452 |
| Consolidated Balance Sheet | 2006 €m | *2005 €m | *2004 €m | 2003 €m | 2002 €m |
| Fixed and intangible assets | 273.8 | 291.1 | 297.6 | 334.5 | 367.9 |
| Retirement benefit surplus | 29.9 | 8.0 | 2.8 | - | - |
| Other assets | 70.1 | 57.1 | 55.9 | 64.5 | 65.6 |
| Total assets | 373.8 | 356.2 | 356.3 | 399.0 | 433.5 |
| Shareholders funds | 178.3 | 140.4 | 152.8 | 183.5 | 185.9 |
| Retirement benefit deficit | 10.1 | 0.6 | 4.7 | - | - |
| Other non-current liabilities | 117.7 | 115.5 | 107.7 | 119.9 | 149.5 |
| Current liabilities | 67.7 | 99.7 | 91.1 | 95.6 | 98.1 |
| | 373.8 | 356.2 | 356.3 | 399.0 | 433.5 |
| Net debt | 113.8 | 105.9 | 117.9 | 125.0 | 157.4 |
| Gearing | 63.8% | 75.4% | 77.2% | 68.1% | 84.7% |
| Consolidated Cashflow | 2006 €m | *2005 €m | *2004 €m | 2003 €m | 2002 €m |
| Cash generated from operations | 16.4 | 39.3 | 39.4 | 54.4 | 68.5 |
| Cash outflow from: | | | | | |
| Servicing of finance | (6.0) | (5.9) | (6.9) | (9.2) | (15.1) |
| Taxation | (1.7) | (1.7) | (0.5) | (0.3) | (0.9) |
| Investing | (11.5) | (11.9) | (12.7) | (8.8) | (19.0) |
| Financing | 0.1 | (16.7) | (21.8) | (36.0) | (36.0) |
| Change in cash balances | (2.7) | 3.1 | (2.5) | 0.1 | (2.5) |

* As restated



CHAIRMAN'S STATEMENT

I am pleased to be able to report on a successful 2006 for Irish Continental Group. As I reported to you last year, following a period of challenging and competitive trading conditions, we had recognised that we needed to address our cost base in order to survive. We took action and we have succeeded in bringing about a fundamental change in the cost structure of our ferries business. This was achieved through a generous voluntary severance package, of which over 99% of eligible staff availed, and the subsequent reconfiguring of our crewing arrangements in line with international norms. The changeover process, which was achieved without disruption to our operations in 2006, was completed in the first quarter of the year. This radical change in our cost structure provides us with a solid foundation on which to build the business.

Underlying trading conditions confirmed the trends seen over the last number of years. We continue to see challenging conditions in the passenger market with continued increases in air capacity combined with a greater emphasis among consumers on short stay travel which tends to favour airlines over sea travel. On the other hand the unitised freight market continues to grow and we have been successful in participating in this growth. On the cost side fuel costs remain a challenge and in 2006 we reduced frequency in our fast ferry passenger operation in recognition of the fuel cost environment. This resulted in some loss of market share in the passenger market in the early part of the year but the net impact of this has been positive.

Our cash flow from operations remains strong and notwithstanding a cash outflow from our restructuring plan amounting to €35.4 million, net debt at year end was only €113.8 million (versus €105.9 million in 2005) leaving us in a strong position to continue to invest in the business. Our new container terminal in Belfast opened for business in October and in December we announced a significant expansion of our port facility in Dublin Port, to be completed in 2008. In January we were delighted to be able to secure the MV Kronprins Harald, for an investment of €45 million, as a replacement vessel on our route to France. The vessel will substantially enhance the customer experience on this route while also providing additional freight capacity.

In conclusion, I look forward to a further year of progress in 2007, in which we hope to continue to build on the progress of the Group over the last number of years and I would like to thank all the people in the Group who contributed to the success of Irish Continental Group this past year.

*John B. McGuckian,
Chairman.*





OPERATIONS AND FINANCE

OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review is presented in accordance with the requirements of Section 13(A) of the Companies (Amendment) Act 1986 as amended by Statutory Instrument (S1) 116 of 2005 – European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations 2005. The purpose of the Review is to provide information to shareholders and the Review should not be relied upon by any other party or for any other purpose.

The Review contains certain forward-looking statements and these statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and those statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

This Operating and Financial Review has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Irish Continental Group plc and its subsidiaries when viewed as whole.

This Operating and Financial Review discusses the following:

- Long Term Strategy and Business Objectives
- Results for 2006 Financial Year
- Operations
- Future Outlook
- Risks and Uncertainties
- Resources
- Environmental and Safety Review
- Financial Review

LONG TERM STRATEGY AND BUSINESS OBJECTIVES

Irish Continental Group plc is a focussed provider of maritime passenger and freight services with its principal operations in the area of North West Europe. The Group operates through two divisions; the Ferries Division comprising Irish Ferries and ship chartering activities, and the Container & Terminal Division, comprising two intermodal freight carriers, Eucon and Feederlink, and two container terminals, Dublin Ferryport Terminal (DFT) and Belfast Container Terminal (BCT), within Dublin Port and the Port of Belfast. Further details on these operations are set out in the Operating Review on page 12.

There are two principal elements to the Group’s strategy for delivering value to shareholders:

- Investment in quality assets in order to achieve economies of scale consistent with a superior customer service.
- Benchmarking costs to industry best practice to enable the Group to compete vigorously in its chosen markets.

We measure our performance using the following financial objectives:

- EBITDA (earnings before interest, tax, depreciation and amortisation): a measure of the cash generated by the business from its operations.
- Earnings per share (EPS).
- Return on average capital employed (ROACE).

These financial objectives are supported by one primary operational objective which is schedule integrity (the number of sailings completed versus scheduled sailings).



RESULTS FOR THE 2006 FINANCIAL YEAR

A summary of the key financial results is set out in the table below. A detailed review of the divisional operations is set out under “Operating Review” on page 12.

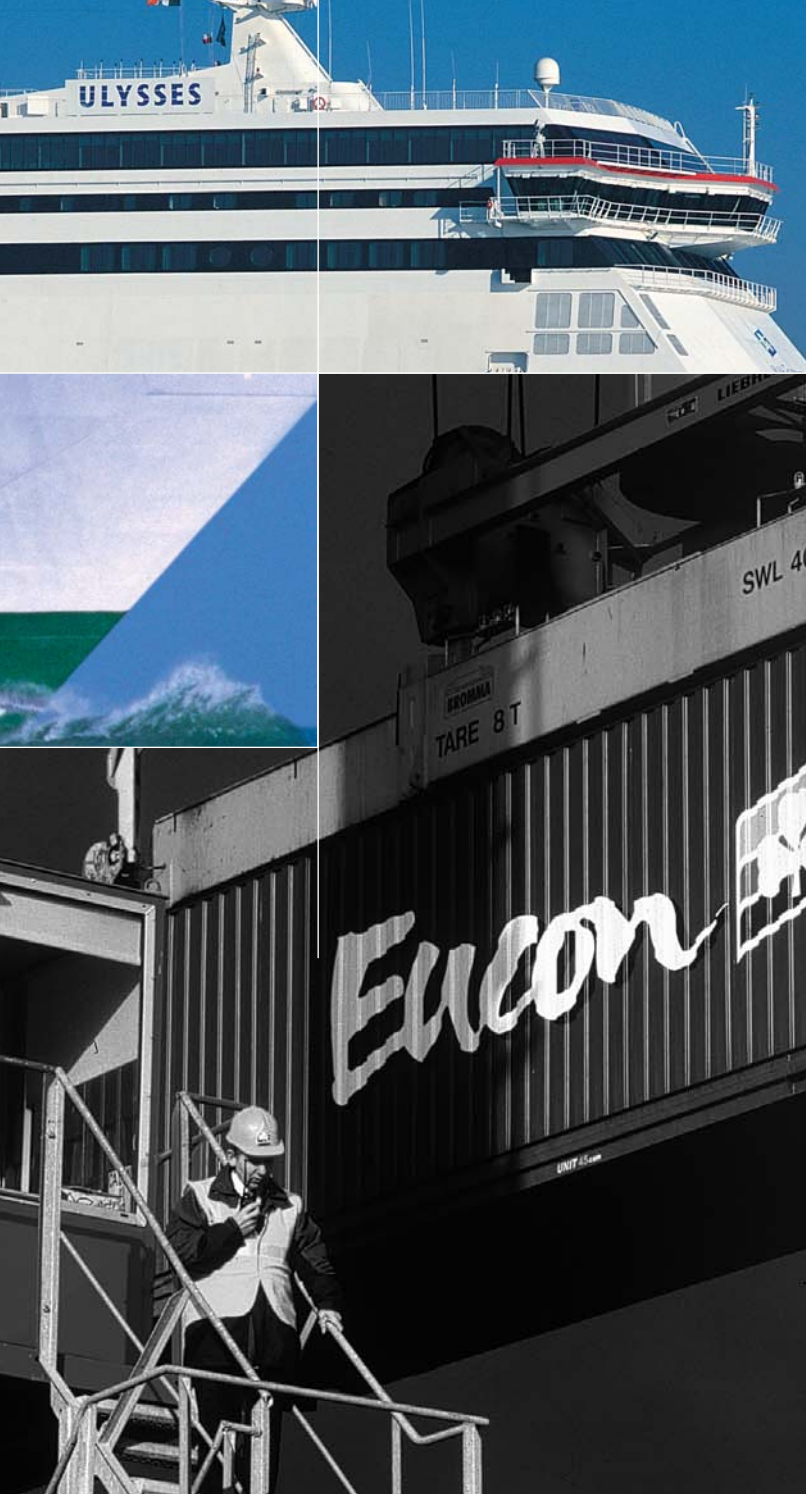
| | Ferries | | Container & Terminal | | Group | |
|-----------------------------|---------|--------|-------------------------|-------|--------|---------|
| | €m | €m | €m | €m | €m | €m |
| | 2006 | *2005 | 2006 | *2005 | 2006 | *2005 |
| Revenue | 170.0 | 162.5 | 142.1 | 136.0 | 312.1 | 298.5 |
| EBITDA | 52.8 | 37.8 | 6.9 | 8.0 | 59.7 | 45.8 |
| EBIT | 29.3 | (17.7) | 3.6 | 4.2 | 32.9 | (13.5) |
| Non Recurring Items | 0.7 | (31.6) | - | - | 0.7 | (31.6) |
| Net Pension Interest Credit | | | | | 6.1 | 3.2 |
| Other Finance Charges | | | | | (5.7) | (4.7) |
| Interest (net) | | | | | 0.4 | (1.5) |
| PBT | | | | | 33.3 | (15.0) |
| EPS Basic | | | | | 137.4c | (67.8)c |
| EPS Adjusted | | | | | 108.5c | 54.1c |
| * As restated | | | | | | |

EBITDA: EBITDA for the year was up 30.3% at €59.7 million. The improvement is due mainly to reduced costs and improved freight revenue in Irish Ferries combined with an absence of the industrial action which had occurred in 2005.

EPS: Adjusted EPS (before non recurring items and the net interest credit arising in our pension schemes) was 108.5 cent per share compared with 54.1 cent in 2005. Basic EPS was 137.4 cent per share compared with a loss per share of 67.8 cent in 2005. The improvements were due to the reasons set out above in relation to EBITDA.

ROACE: We achieved a return on average capital employed of 12.6% (7.1% in 2005) due to the increase in profitability referred to above and a minimal change in capital employed in the business.

Schedule integrity: With regard to schedule integrity we achieved 93% of scheduled sailings compared with 88% the previous year.



OPERATING REVIEW FERRIES DIVISION

The Ferries division comprises Irish Ferries, the leading ferry operator to the Republic of Ireland, the Group's ship chartering activities, and our holiday business. The Group operates 4 ferries on international routes between Ireland and the UK and between Ireland and France.

| Ferry | Route | Sailings per day |
|-------------------|------------------------------------|------------------|
| Ulysses | Dublin / Holyhead | 4 |
| Jonathan Swift | Dublin / Holyhead | 4 |
| Isle of Inishmore | Rosslare / Pembroke | 4 |
| Normandy | Rosslare / Cherbourg or Roscoff | 1 |
| | | 13 |

Turnover in the division was up 4.6% at €170.0 million while profit from operations, before non recurring items, was €28.6 million compared with €13.9 million in 2005. The increase was due mainly to the reduction in the cost base following the restructuring programme and the reduction in fast ferry frequency, an improved freight market and the absence of industrial action which had affected operations in late 2005. Fuel costs within the division rose 9.1% to €20.4 million. Part of the increase is due to the implementation of EU Directive 2005/33/EC, with effect from 22 August 2006, which requires the use of more environmentally friendly, but more expensive, low sulphur fuel on passenger ships.

Passenger Revenue

Overall passenger numbers were affected by competitive market conditions which reflected significant additional airline competition, including low cost carriers, particularly to regional airports in Ireland. We estimate the overall car market into the Republic of Ireland declined by around 3%.

Our passenger numbers fell 6.4% to 1.39 million while our car numbers fell by 3.3% to 354,000. Our market share in cars remained at 44% in 2006. The total number of sailings operated fell by 8.0% to 4,221.



Freight Revenue

In the Roll on Roll off freight market there was continued growth in the overall market and we achieved a record volume of traffic, up 12.6% to 237,000 trucks carried. Our market share in freight was 27%. The economic backdrop remains favourable to growth in freight in the coming year.

Restructuring of Crew Costs

During 2005 we reached agreement with our ships' crews on a voluntary severance programme and we provided for an exceptional charge of €29.1 million based on the expected number of applicants. Additional staff have subsequently availed of the severance programme and this has resulted in a further charge of €1.9 million in the 2006 financial year. Our ships are now crewed by professional crewing agencies at internationally benchmarked rates. In addition we have offered voluntary severance to shore based staff in Ireland and this has resulted in a further charge of €1.8 million bringing the restructuring charge for the year to €3.7 million.

Replacement Vessel for Ireland France Route

In January 2007 we were pleased to announce the acquisition of a replacement vessel (the Kronprins Harald) for our Ireland France route for an investment of €45 million including modification and delivery. The vessel has been chartered back to the vendors, Color Line of Norway, for the 2007 season, and will transfer to Irish Ferries in late 2007, following which the current vessel "Normandy" will be sold or chartered out. The new vessel will offer significantly higher levels of comfort to our passengers while also providing us with additional freight capacity.

Chartering

Both the Pride of Bilbao and Challenger remained on charter to P&O during the period. P&O has exercised its options to extend both charters until 2010 at the optional charter rates which will result in approximately 20% reduction in charter income in 2008, the first full year at the renewed rates. P&O retains a further option on each vessel for the period 2010 to 2013 at further reduced rates.

CONTAINER AND TERMINAL DIVISION

The division includes our intermodal freight services Eucon and Feederlink as well as our strategically located container port in Dublin (DFT) and our newly opened port facility in Belfast (BCT).

Within the division we operate a fleet of approximately 14 time-chartered feeder vessels in the range 500 – 850 teu capacity ("teu" = twenty foot equivalent, the standard measure in the container industry).

Turnover in the division grew 4.5% to €142.1 million while operating profit, before non recurring items, was down slightly at €3.6 million (2005: €4.2 million). Fuel costs within the division were up 18.1% at €12.4 million.

Overall container volumes shipped dropped by 0.43% to 458,000 teu while units handled at our terminal in Dublin, DFT, rose 7.1% to 167,000 lifts.

For a number of years we have been seeking to grow our ports business and we are pleased to have announced two new developments during the year. Firstly, we reached an agreement with the Port of Belfast to commence terminal operations in the port, a key port within our schedule. This terminal, named Belfast Container Terminal (BCT), has a capacity of 50,000 lifts and commenced operations in October of 2006. Secondly, in December we announced an extension to our port terminal facility in Dublin Port which will increase its capacity by almost 50% to 270,000 lifts. An additional ship to shore gantry crane and ancillary equipment will be introduced as well as a lengthening of the quay wall. This development, which is expected to be completed in 2008, will enable DFT to handle the next generation of vessels calling to Dublin.

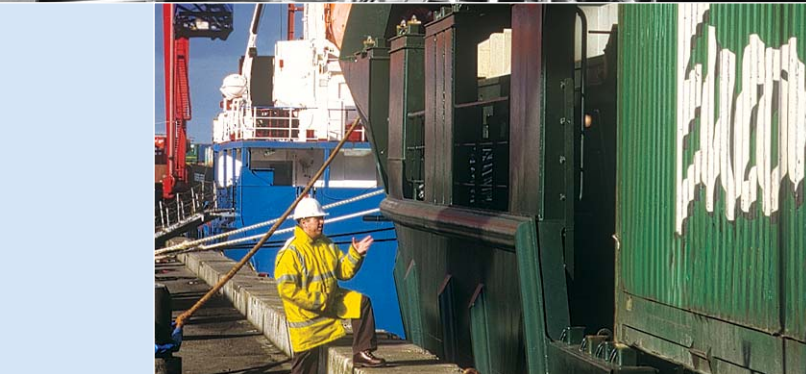
FUTURE OUTLOOK

In the passenger market the competitive threat from low fare airlines is likely to continue and the imperative is to provide an equally competitive alternative. Irish Ferries is now achieving this through our restructuring programme which has substantially reduced our crew cost base through the use of agency manning.

In the freight market a favourable economic backdrop in Ireland is leading to continued development in trade and consequently growth in unitised freight, both roll on roll off (RoRo), the market in which Irish Ferries operates and lift on lift off (LoLo) the focus of our Container Division.

The recently opened Port Tunnel in Dublin enhances access to and from our strategically located terminal in Dublin Port (DFT) and has given us the confidence to undertake the substantial expansion of the terminal.

Overall we remain confident that we have a competitive cost base in which to compete in our chosen markets.



RISKS & UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance. The Group has a risk management structure in place which is designed to identify, manage and mitigate the threats to the business. However, it is not possible to eliminate all risk. The more significant risks and uncertainties faced by the Group are as follows:

Safety

The Group operates both passenger and freight vessels. There is a risk that any of our vessels could be involved in an incident which could cause loss of life and cargo and cause significant interruption to our business. Similarly, in the event that critical port installations were to be damaged and placed out of commission for a protracted period of time there is a risk of substantial business interruption. In mitigation, the Group has a major accident response plan for emergency situations and the Group carries insurance in respect of passenger, cargo and third party liabilities but does not carry insurance for business interruption.

Market Risk

Our passenger market is subject to general economic conditions, the propensity of consumers to travel and more specifically, to competitive threat from airlines, particularly short haul low cost airlines.

Our freight market is subject to general economic conditions and in particular growth in international trade in North West Europe.

Fuel

The Group's vessels consume heavy fuel oil (HFO) and marine diesel oil (MDO) both of which are subject to price fluctuation. It is the Group's policy to purchase these commodities in the spot markets and to remain unhedged. The specification of fuel consumed is regulated by EU Law which may change from time to time.

Business Continuity

The business of the Group is exposed to the risk of interruption from incidents such as labour disputes either within the Group or in key suppliers, for example ports or fuel suppliers.

RESOURCES

The Group has the following key resources within which to pursue its key objectives:

- A modern owned ferry fleet and container terminal
- Secure port agreements
- Recognised brand names
- Employment of qualified staff

Fleet & Terminal

In its Ferry Division the Group operates 4 ferries, 3 of which are less than 10 years old. They are the Isle of Inishmore (34,031 GT), built 1997, Jonathan Swift (5,992 GT), built 1999 and the Ulysses (50,938 GT), built 2001. The Group operates one older ferry, the Normandy (25,475GT), built in 1982. It is planned to replace this vessel with the 1987 built Kronprins Harald (31,914 GT) later in 2007.

The Group's 33 acre terminal in Dublin Port comprises 480 metres of berths for feeder vessels, with a depth of 9 to 11 metres and equipped with 2 modern Liebherr gantry cranes (40 tonne capacity), 7 rubber tired gantries (each of 40 tonnes capacity) and one 45 tonne reachstacker on a strategically located site within three kilometres of Dublin City Centre and within one kilometre of the Dublin Port Tunnel. In Belfast our terminal comprises an 11.5 acre site on the County Antrim side of the port, equipped with one mobile crane and three straddle carriers.

Secure Port Agreements

The Group has secure port agreements in Ireland, the UK and France in respect of its scheduled ferry services. These port agreements secure slot times, which are critical for the operation of such services.

Recognised Brand Names

The Group has invested substantially in its brands; Irish Ferries in the passenger and RoRo market place and Eucon and Feederlink in the container freight market.

Employment of Qualified Staff

The Group, which has origins dating back to 1837, has a highly experienced and competent staff. The Group has a decentralised structure giving divisional management substantial autonomy in the management of their own divisions. In 2006 employment numbers have contracted reflecting the transition from directly employed crew to agency manning. At the end of 2006 we had 479 employees compared with 1,055 at the start of the year. 14 are seagoing and the remaining 465 are based ashore in Ireland, the UK and The Netherlands.

ENVIRONMENT AND SAFETY

Environment

Irish Continental Group recognises that all forms of transport, including ships, have an unavoidable impact on the environment. We are committed to reducing negative impacts through:

- consistent compliance with the International Convention for the Prevention of Pollution from ships (MARPOL 73/78);
- minimising the consumption of non-renewable fossil fuels, including, for example, using electricity to power our cranes;
- using an oil recovery system to collect all waste oil from our ships. This oil is then recycled;
- bulk purchasing to reduce the number of deliveries and packaging, and segregation of all waste cardboard packaging for recycling;
- ensuring the hull design of the Fast Ferry Dublin Swift minimises wave generation, and thus minimises disturbance of coastal habitats;
- painting the hulls of all our ferries with tin-free non-toxic paints to avoid the release of harmful agents into the sea;
- promoting customer awareness of the marine environment;
- recycling paper at our Head Office in Dublin;
- reducing the sulphur content in marine fuels used on all of our passenger vessels in compliance with the requirements of European Directive 2005/33/EC.

Irish Continental Group continues to take an active interest in the communities within which it operates. Each separate business unit assists in local initiatives through sponsorship and organised events. We recognise the important role played by charities and community organisations within our communities and we are happy to help these organisations achieve their goals.

Safety

The wellbeing of our employees is guarded through the adherence to statutory health and safety standards and international maritime regulations.

The Safety, Health and Welfare at Work Act, 2005, imposes certain requirements on employers and the Group has taken the necessary action to comply with the Act, including the adoption of a safety statement.

Irish Continental Group has developed management systems that instil a safety culture throughout all aspects of our operations, ashore and afloat. In our largest subsidiary, Irish Ferries, the Health and Safety Manager is responsible for ensuring that health and safety issues are identified, monitored and reviewed. He develops the company's internal policy and procedures, sets targets to monitor performance and verifies the implementation of internal codes and procedures. Through a regular programme of quality and safety audits, continued compliance to these high standards is maintained.

We are committed to providing a high level of safety and quality training to all our staff, providing each of our employees with health and safety information, instruction and training, as appropriate, to enable them to work safely and to contribute towards a safer working environment.

In addition to our own internal verification procedures we are subject to inspection by the relevant Health and Safety Authorities. Irish Ferries operates to the International Safety Management Code (ISM), which is the international standard for the safe management and operation of ships and for pollution prevention. Irish Ferries has successfully held the internationally recognised award for quality (ISO 9000) since 1996. Since 2003 Irish Ferries is ISO 9000:2000 accredited.

A new international safety code, the International Ship and Port Facility Security code (ISPS), became law in 2004 and Irish Continental Group is in full compliance with this code.

*Eamonn Rothwell,
Chief Executive Officer.*



FINANCIAL REVIEW RESULTS

Turnover for the year amounted to €312.1 million (2005: €298.5 million) while trading profit before tax and before non-recurring items amounted to €32.2 million (2005: €18.1 million). Group wide fuel costs were substantially higher in the year at €32.8 million (2005: €29.2 million).

The interest charge was €5.7 million (2005: €4.7 million) before a net interest credit from our defined benefit pension scheme of €6.1 million (2005: €3.2 million).

NON RECURRING ITEMS

There were restructuring charges of €3.7 million (2005: €29.1 million) comprising the redundancy cost in respect of additional applicants for severance from crews of the Irish Sea vessels who elected to leave under the voluntary severance and outsourcing programme initiated in 2005 and additional applicants for severance ashore. The Group's vessels are now primarily crewed by a third party manning agency at significantly lower cost. There was also a credit of €4.4 million representing the refund of Seafarers' PRSI under the relevant scheme. In 2005, because of uncertainty regarding the renewal of the scheme at that time, we provided €2.5 million against a debtor recognised in our 2004 financial statements.

TAXATION

Our taxation charge is a composite of Irish tonnage tax (which is an EU approved special tax rate for shipping, comparable with similar schemes in other EU countries), Irish corporation tax and UK and Netherlands corporation tax.

EARNINGS PER SHARE

Adjusted EPS (i.e. before non-recurring items and the net pension interest credit) amounted to 108.5 cent (2005: 54.1 cent). Basic EPS was 137.4 cent (2005: loss of 67.8 cent).

PENSIONS

Of the Group's defined benefit plans three were in surplus at year end (€29.9 million versus €8.0 million in 2005) while two were in deficit (deficit of €10.1 million versus €0.6 million in 2005).

Some employees of the Group are members of the industry wide pension scheme, the Merchant Navy Officers Pension Scheme (MNOFF). This was accounted for as a defined contribution scheme in the prior year as sufficient information was not available in respect of the Groups share of the assets and liabilities to enable the Group to account for it on a defined benefit basis. This is now being accounted for as a defined benefit scheme and the deficit of €10.0 million attributable to ICG is included above.

In the year to 31 December 2005 there was a defined contribution charge to the Income Statement of €5.0 million included in Employee Benefit Expense in respect of the MNOFF. In the current year there is a credit to the Income Statement in relation to the MNOFF scheme of €0.5 million comprising a service cost of €0.1 million included in Employee Benefit Expense and a credit of €0.6 million included within finance charges.

CASH FLOW AND INVESTMENT

EBITDA before restructuring charges for the year was €59.7 million (2005: €45.8 million). Our net interest payments were €5.7 million and tax payments amounted to €1.7 million. Capital expenditure was €12.0 million while restructuring payments (including those provided for in 2005) totalled €35.4 million.

Capital expenditure primarily included annual refits of the vessels as well as investment in IT systems in both the passenger and freight areas as well as initial payments in respect of our development in Dublin Port.

We returned €7.2 million to shareholders via redemption of redeemable shares (2005: €6.3 million).

Net debt at year end was €113.8 million (2005: €105.9 million).

FINANCIAL RISK MANAGEMENT

The funding of the Group's activities is managed centrally. In funding its operations the Group uses a mixture of financial instruments: bank borrowings, finance leases and cash resources.

The principal objective of the Group's treasury policy is the minimisation of financial risk at reasonable cost. To minimise risk the Group uses interest rate swaps and forward foreign currency contracts. The Group does not trade in financial instruments.

Interest Rate Management

The Group finances its operations through a mixture of shareholders' funds, bank borrowings and lease finance. The Group borrows in required currencies at both fixed and floating rates of interest.

The Group's policy is to fix interest rates on a proportion of the Group's medium to long term debt exposure in individual currencies, having regard to current market rates and future trends. The current target is to fix rates on approximately 60% of debt for between one and seven years. The Group uses interest rate swaps to manage interest rate exposure.

At 31 December 2006, 41% of the Group's gross debt was at fixed rates for a weighted average period of 3.5 years. The weighted average fixed rate of interest is 4.3% (2005: 4.3%).

Interest cover for the year was 5.7 times.

Currency Management

The Group's primary operating currency is the euro. The Group also has significant Sterling and US dollar cash flows. The Group's principal policy to minimise currency risk to match foreign currency assets and liabilities and to match cash flows of like currencies. A significant proportion of the earnings from the Group's owned vessels are in foreign currencies and therefore the related borrowings are in the same foreign currencies.

The Group also reduces transactional currency risk in US dollars through the use of forward exchange contracts. This minimises exposure in relation to fuel and insurance costs and in container leasing. Sterling revenues and expenses are broadly matched, with excess revenues available to offset dollar costs.

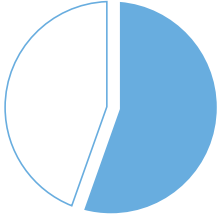
Commodity Price Management

The Group chooses not to hedge in respect of fuel costs. The cost of the short term certainty arising from the use of fuel hedges is considered to be offset in the long term by the premium cost. Cost of fuel in 2006 was 12.3% higher than in 2005.

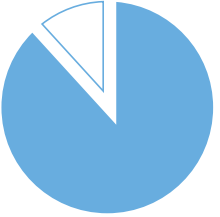
RESULTS BY OPERATING DIVISION

CONTAINER FERRIES

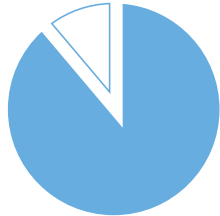
Turnover



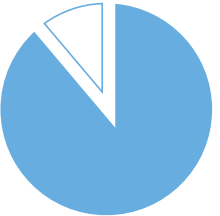
EBITDA



Earnings before interest & Tax



Capital employed



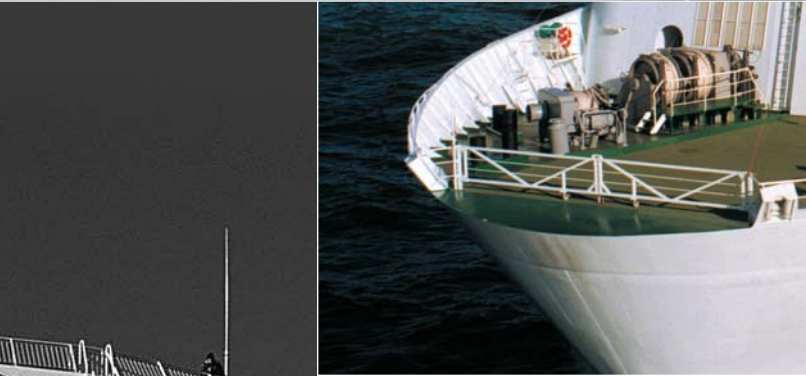
Liquidity

It is Group policy to invest surplus cash balances on a short term basis. At year end 100% of the Groups cash resources had a maturity of less than 30 days.

To match the long term nature of the Group's investment in ships the majority of the Group's debt is also long term. At the year end 90% of the Group's borrowings are due to mature in more than one year (2005: 90%).

Overdraft facilities are in place to secure short term funding.

*Gearoid O'Dea,
Finance Director.*



THE FLEET



Left
Kronprins Harald



Left
Eucon Progress
one of 14 chartered
container ships employed
by the Container Division.



Right
Challenger



Right
Isle of Inishmore
Ulysses
Jonathan Swift



Left
Pride of Bilbao

Right
Normandy





THE BOARD

Eamonn Rothwell,
BComm, MBS, FCCA, FIIMR.
Chief Executive Officer.

Eamonn Rothwell, aged 51, joined the board in 1987 as non-executive director and was appointed to the position of Managing Director in 1992. He is a past director of NCB Group. Prior to that, he worked with AIB Group and Bord Failte Eireann (The Irish Tourist Board).

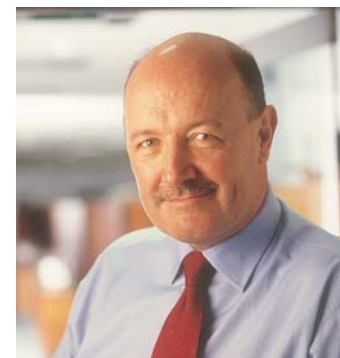
Gearoid O'Dea,
BComm, FCA.
Finance Director.

Gearoid O'Dea, aged 51, joined the Company in April 1988 and was appointed to the Board in November 1988. He previously worked in various financial positions within CRH plc. He qualified as a chartered accountant with KPMG.

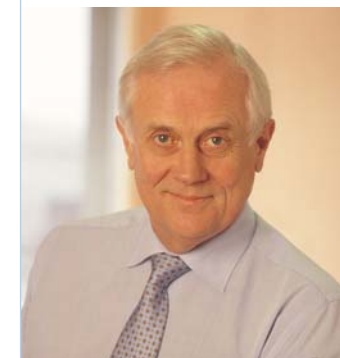
Tony Kelly,
FCILT.
Marketing Director - Irish Ferries.

Tony Kelly, aged 51, joined B&I Line (now Irish Ferries) in 1973 and worked in a number of operational and marketing roles within the company. He was appointed to the Board in January 2002. He is a director of the all-Ireland tourism body Tourism Ireland and a director and former chairman of the Irish Tourism Industry Confederation.

Executive Directors



Non-Executive Directors



John B. McGuckian,
BSc (Econ).
Chairman.

John McGuckian, aged 67, has been a director since January 1988. He has a wide range of interests, both in Ireland and internationally. He is Chairman of Ulster Television plc and a former Chairman of The Industrial Development Board (of Northern Ireland). His other directorships include AIB Group.

Peter Crowley,
BA, BAI, FCA.
Senior Independent Director.

Peter Crowley, aged 44, was appointed to the board in 2003. Peter is a chartered accountant. He is a founder partner of FL Partners, a venture capital company. He is a former CEO of IBI Corporate Finance and is a past executive and current non-executive director of Sigma Communications Group.

Bernard Somers,
BComm, FCA.
Independent Director.

Bernard Somers, aged 57, was appointed to the Board in 2004. He is a non-executive director of a number of public companies including, Independent News & Media plc, AIB Group and DCC plc. He founded Somers and Associates, a professional practice which specialises in corporate restructuring.

Company Secretary



Thomas Corcoran,
BComm, FCA.
Company Secretary.

Thomas Corcoran, aged 42, joined the company in 1989 from PwC, where he qualified as a chartered accountant. He was appointed Company Secretary in May 2001.

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements of the Group for the year ended 31 December 2006.

RESULTS AND BUSINESS DEVELOPMENTS

Details of the results for the year are set out in the consolidated income statement on page 37 and in the related notes forming part of the financial statements. The fair review of the development of the business of the Company and its subsidiaries is set out in the Operating Review and the Financial Review on pages 10 to 17. This includes a description of the principal risks and uncertainties and the key performance indicators.

RESEARCH AND DEVELOPMENT

The Group actively monitors developments in ship design and ship availability with an emphasis on product improvement and achievement of economies of scale.

REDEMPTION OF REDEEMABLE SHARES

In November 2006 the Board redeemed one Redeemable share per ICG Unit for a consideration of 10.92 cent per share (2005: 29.2 cent per redeemable share).

BOARD OF DIRECTORS

The Board members are listed on page 20 of this report. There were no changes in the composition of the Board in 2006.

In accordance with the Articles of Association and The Combined Code on Corporate Governance (the “Combined Code”) Peter Crowley and Bernard Somers retire by rotation, and being eligible, offer themselves for re-election.

PROPER BOOKS OF ACCOUNT

The directors are responsible for ensuring that proper books of account are kept by the company in accordance with Section 202 of the Companies Act, 1990. To ensure proper books of account are kept the directors have employed qualified accounting personnel and have maintained appropriate computerised accounting systems. The books of account are maintained at the company's registered office.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

SUBSTANTIAL SHAREHOLDINGS

The Company has been notified of the following substantial interests in the Share Capital of the Company at 3 March 2007.

| | Number of Units | % of Capital |
|--|--------------------|-----------------|
| Allied Irish Banks plc | 2,329,290 | 9.9% |
| Schroder Investment Management Limited | 2,278,654 | 9.6% |
| Zurich Financial Services Group | 756,454 | 3.2% |

DIRECTORS'AND SECRETARY'S SHAREHOLDINGS

The interests of the directors and secretary of the Company and their spouses and minor children in the share capital of the Company at 31 December 2006 and 1 January 2006, all of which were beneficial, were as follows:

| | 31/12/2006 number | 1/1/2006 number |
|-----------------|----------------------|--------------------|
| John McGuckian | 32,354 | 32,354 |
| Eamonn Rothwell | 2,038,571 | 2,038,571 |
| Gearoid O'Dea | 179,377 | 179,377 |
| Tony Kelly | 39,588 | 37,088 |
| Peter Crowley | 15,000 | 15,000 |
| Bernard Somers | - | - |
| Thomas Corcoran | 8,736 | 8,736 |

There were no changes in directors’ shareholdings between 31 December 2006 and the date of this report.

REPORT OF THE DIRECTORS - CONTINUED

CLOSE COMPANY PROVISIONS

So far as the directors are aware Irish Continental Group plc, is not a close company within the meaning of the Taxes Consolidation Act, 1997 and there has been no change in that respect since the year-end.

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

In accordance with Section 158 of the Companies Act, 1963 a list of the principal companies in which the Company is beneficially entitled to more than 20% in nominal value of the shares carrying voting rights is set out in Note 16 to the financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

As a publicly quoted company Irish Continental Group presents its financial statements and annual reports in line with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the ASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006 and that have been adopted by the European Union.

AUDITORS

The Auditors, Deloitte & Touche, Chartered Accountants continue in office in accordance with Section 160(2) of the Companies Act, 1963.

CORPORATE GOVERNANCE

The Group applies the principles and provisions of The Combined Code on Corporate Governance (the "Combined Code") as adopted by the Irish Stock Exchange and the UK Financial Services Authority. A corporate governance statement is set out on pages 24 to 26.

ANNUAL GENERAL MEETING

Shareholders will be advised of the Annual General Meeting by separate notice, when the relevant details have been arranged.

On behalf of the Board.

Eamonn Rothwell, Director
Gearoid O'Dea, Director

7th March 2007

REGISTERED OFFICE:
Ferryport, Alexandra Road, Dublin 1.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

The Group applies the principles and provisions of The Combined Code on Corporate Governance (the "Combined Code") as adopted by the Irish Stock Exchange and the UK Financial Services Authority. The Board believes that it is in compliance with the Combined Code. The Group has complied with the Codes provisions, with the only exception being that the Chairman of the Group was also a member of the Remuneration Committee during the year.

BOARD OF DIRECTORS

The Board consists of three executive and three non-executive directors. Non-executive directors are appointed by the Board for an initial term not exceeding three years. The terms and conditions of appointment of non-executive directors as set out in their letters of appointment, which are available for inspection at the Company's registered office during normal office hours and at the Annual General Meeting of the Company. The roles of Chairman and Managing Director are separate, set out in writing and approved by the Board. The Board has appointed Peter Crowley as the Senior Independent director. Brief biographies of the directors and secretary are set out on page 20.

Each director brings independent judgement to bear on issues of strategy, risk and performance. Each director is subject to re-election at least every three years.

BOARD PROCEDURES

The Board holds regular meetings (normally at least ten per annum) and there is contact between meetings as required in order to progress the Group's business. The directors receive regular and timely information in a form and quality appropriate to enable the Board to discharge its duties. The Board has a formal schedule of matters specifically reserved to it for decision, which covers key areas of the Group's business including approval of financial statements, budgets (including capital expenditure), acquisitions or disposals, dividends and share redemptions. Certain additional matters are delegated to Board Committees. The Board has also delegated the management of the Group to the Executive Management through the control of the Chief Executive.

There is a procedure for directors in the furtherance of their duties to take independent professional advice if they consider this necessary. All directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

The Board recognises the need for directors to be aware of their legal responsibilities as directors and it ensures that directors are kept up to date on the latest corporate governance guidance and best practice. New directors are given the opportunity to familiarise themselves with the operation of the Group, to meet with executive management, and to access any information they require.

BOARD COMMITTEES

During the year ended 31 December 2006, there were three Board Committees with formal terms of reference. The terms of reference of each committee are available, on request, from the Company Secretary and on the Groups website.

THE AUDIT COMMITTEE

The Audit Committee comprises the non-executive directors Peter Crowley (chairman) and Bernard Somers.

Its duties are to oversee the relationship with the external auditor, including consideration of the appointment of the external auditor, audit fees, and any questions of independence, resignation or dismissal. The committee discusses with the external auditor the nature and scope of the audit and the findings and results. The committee also monitors the integrity of financial statements made by the company.

The committee keeps under review the effectiveness of the company's internal controls and risk management systems, including the internal audit function. It reviews the internal audit programme, ensures that the internal audit function is adequately resourced, and considers the major findings of investigations and management's responsiveness to these findings and recommendations.

The Audit Committee has considered all relationships between the company and the audit firm, including the provision of non-audit services. The committee does not consider that those relationships impair the auditor's judgement or independence.

THE NOMINATION COMMITTEE

The Nomination Committee comprises the Board Chairman John McGuckian (Chairman), the Senior Independent Director Peter Crowley and Executive Director Eamonn Rothwell.

Its duties are to regularly review the skills, knowledge and experience required of the board, now and in the future, compared to its current position and to make recommendations to the board with regard to any necessary changes. It is also charged with searching out, identifying and proposing to the board new appointments of executive or non-executive directors.

CORPORATE GOVERNANCE STATEMENT - CONTINUED

THE REMUNERATION COMMITTEE

The Remuneration Committee comprises the non-executive directors John McGuckian (chairman) and Peter Crowley.

The committee's duties are to approve the remuneration structures and levels of the executive directors and senior management. It ensures a remuneration policy framework such that individuals are appropriately rewarded and motivated to perform in the best interest of the shareholders.

All of the non-executive directors are considered by the Board to be independent of management and free of any relationships which could interfere with the exercise of their independent judgement. In considering their independence, the Board has taken into account a number of factors including their length of service on the Board, cross-directorships and material business interests. John McGuickan, as Chairman of the Board, is deemed not to be independent under the terms of the Combined Code.

ATTENDANCE AT SCHEDULED BOARD MEETINGS AND BOARD COMMITTEE MEETINGS DURING THE YEAR

| Director | Board | Audit | Nomination | Remuneration |
|-----------------------|-------|-------|------------|--------------|
| Scheduled Meetings | 9 | 4 | 1 | 1 |
| J. McGuckian (note 1) | 9 | - | 1 | 1 |
| P. Crowley (note 2) | 9 | 4 | 1 | 1 |
| B. Somers (note 3) | 9 | 4 | - | - |
| E. Rothwell (note 4) | 9 | - | 1 | - |
| G. O'Dea (note 5) | 9 | - | - | - |
| T. Kelly (note 5) | 9 | - | - | - |

- Note 1: Member of Board, Nomination and Remuneration Committee
- Note 2: Member of Board, Audit, Nomination and Remuneration Committee
- Note 3: Member of the Board and Audit Committee
- Note 4: Member of the Board and Nomination Committee
- Note 5: Member of the Board

COMMUNICATIONS WITH SHAREHOLDERS

The Board promotes good communications with shareholders and the Group commits resources to shareholder communication commensurate with its size. Other than during close periods, the Group Managing Director and Group Finance Director have a regular dialogue with institutional shareholders throughout the year and report on these meetings to the Board. The Senior Independent Director is available on request to meet with major shareholders, however he did not meet with any major shareholders during the year.

We encourage communications with private shareholders and welcome their participation at shareholder meetings.

We provide regular formal updates to our shareholders in a variety of ways, including a trading update on the day of our AGM and Annual and Interim Reports and Accounts, sent to all shareholders by post or electronically, and available on our website.

Irish Continental Group's website, www.icg.ie, also provides access to other corporate and financial information, including regulatory announcements and a link to the current ICG share unit price.

Arrangements will be made for the 2006 annual report and AGM notice to be sent to shareholders 20 working days before the meeting and for the level of proxy votes cast on each resolution, and the numbers for and against, to be announced at the meeting.

Further investor relations information is available on pages 77 to 78 of this report.

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In accordance with the Turnbull Guidance for directors on internal control, Internal Control: Guidance for Directors on the Combined Code, the Board confirms that there is an ongoing process for identifying, evaluating, and managing the significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of the financial statements, and that this process is regularly reviewed by the Board.

CORPORATE GOVERNANCE STATEMENT - CONTINUED

INTERNAL CONTROL - CONTINUED

The nature of the Group's business, which is primarily the operation of ships and provision of related services, is such that operational safety is paramount. Significant risks include risks to operational safety as well as financial risks. Our Group Risk Management function therefore comprises an Operations Risk Manager, Safety Security and Quality Systems Manager in the ferries division in addition to the Internal Audit function.

The key risk management and internal control procedures, which are supported by detailed controls and processes, include:

- the Group Risk Management function;
- an organisational structure with clearly defined lines of authority and accountability;
- skilled and experienced Group and divisional management;
- a comprehensive system of financial reporting involving budgeting, monthly reporting and variance analysis;
- a formally constituted Audit Committee which reviews the operation of the Group Risk, Management function, the Internal Audit function, liaises with the external auditors and reviews the Group's internal control systems.

The Board has reviewed the effectiveness of the Group's system of internal control. The review covered all controls including financial, operational, and compliance controls and risk management. No material weaknesses were noted by the Board during the year.

PERFORMANCE EVALUATION

The Chairman of the Board carried out a performance evaluation of the Board, its committees and directors, following the guidelines appended to the Combined Code. The non executive directors carried out a similar evaluation of the Chairman.

DIRECTORS' REMUNERATION

The report of the Remuneration Committee is set out on pages 26 to 28.

REPORT OF THE REMUNERATION COMMITTEE

The remuneration of executive directors and senior management is determined by the Remuneration Committee. The Remuneration Committee is composed exclusively of non-executive directors and its composition and duties are shown on page 25.

The Group recognises that its remuneration policy must properly reward the Group's senior executives and motivate them to perform in the best interests of shareholders.

In framing remuneration policy the remuneration committee has given full consideration to Section B of the Best Practice Rules annexed to the listing rules. Throughout the period the Group had procedures in place which met with the Best Practice Provisions as set out in Section A of the Irish Stock Exchange requirements on directors' remuneration.

Annual bonuses for executive directors are determined by the Remuneration Committee based on the achievement of the Group's profitability objectives.

REPORT OF THE REMUNERATION COMMITTEE - CONTINUED

Details of directors' remuneration for the year ended 31 December 2006 are set out below:

| | Salary pay €'000 | Performance pay €'000 | Benefits €'000 | Fees €'000 | Total 2006 €'000 | Total 2005 €'000 |
|--------------------------------|------------------------|-----------------------------|-------------------|---------------|------------------------|------------------------|
| Executive Directors | | | | | | |
| E. Rothwell | 404 | 552 | 45 | - | 1,001 | 664 |
| G. O'Dea | 244 | 133 | 23 | - | 400 | 318 |
| T. Kelly | 178 | 100 | 20 | - | 298 | 250 |
| Non-Executive Directors | | | | | | |
| J. McGuckian | - | - | - | 90 | 90 | 90 |
| P. Crowley | - | - | - | 40 | 40 | 40 |
| B. Somers | - | - | - | 40 | 40 | 40 |
| | 826 | 785 | 88 | 170 | 1,869 | 1,402 |
| Pension contributions | | | | | 158 | 144 |
| | | | | | 2,027 | 1,546 |

The company releases the executive directors Mr E. Rothwell and Mr T. Kelly to serve as non-executive directors on other boards. Mr E. Rothwell is a non-executive director of The United Kingdom Mutual War Risks Association Limited and does not retain his fee for this position.

Mr T. Kelly serves as a non-executive director on the Board of Tourism Ireland Limited for which he retains his annual fee of €6,349.

No director had an interest in any material contract to which the Company or any subsidiary was a party during the financial year.

There are no directors' service contracts. No element of remuneration, other than basic salary, is pensionable. The aggregate pension benefits attributable to the executive directors at 31 December 2006 are as follows:

| | E. Rothwell €'000 | G. O'Dea €'000 | T. Kelly €'000 | Total 2006 €'000 | Total 2005 €'000 |
|---|----------------------|-------------------|-------------------|---------------------|---------------------|
| Increase in accumulated accrued annual benefits excluding inflation in the period | 7 | 6 | 3 | 16 | 19 |
| Transfer value of the increase in accumulated accrued benefits (excluding inflation) at year end* | 81 | 68 | 35 | 184 | 209 |
| Accumulated accrued annual benefits on leaving service at year end | 220 | 116 | 99 | 435 | 403 |

* Note: Calculated in accordance with actuarial Guidance note GNII.

There are no long term incentive plans in place other than the Group's share option scheme. The Group introduced a share option scheme in 1988 to encourage identification with shareholders' longer term interests. Since that date, options have been granted to directors and employees of the Group. Options are granted by the Remuneration Committee on a discretionary basis, based on the employees expected contribution to the Group in the future. Options were granted in 2006 and are set out on page 28.

REPORT OF THE REMUNERATION COMMITTEE - CONTINUED

Directors’ and secretary’s share options are set out below.

| Exercise Price | Exercise Period | Exercise Conditions | Director | | | | Secretary |
|---------------------------|---------------------|---------------------|-------------|----------|----------|------------|-----------|
| | | | E. Rothwell | G.O’Dea | T. Kelly | T.Corcoran | |
| 603c | Jan 1999 - Mar 2006 | Note 1 | - | - | 2,500 | - | |
| 530c | Jan 2000 - Mar 2007 | Note 1 | 75,000 | - | 25,000 | 5,000 | |
| 530c | Jan 2002 - Mar 2007 | Note 2 | 75,000 | 37,500 | 25,000 | 5,000 | |
| 1075c | Jan 2003 - Mar 2010 | Note 3 | 25,000 | 12,500 | 12,500 | 2,500 | |
| 1075c | Jan 2005 - Mar 2010 | Note 4 | 25,000 | 12,500 | 12,500 | 2,500 | |
| 660c | Jan 2004 - Mar 2011 | Note 3 | - | - | - | 5,000 | |
| 660c | Jan 2006 - Mar 2011 | Note 4 | - | - | - | 5,000 | |
| 735c | Jan 2005 - Mar 2012 | Note 3 | 100,000 | 50,000 | 25,000 | 5,000 | |
| 735c | Jan 2007 - Mar 2012 | Note 4 | 100,000 | 50,000 | 25,000 | 5,000 | |
| 530c | Sep 2005 - Sep 2012 | Note 3 | 50,000 | 15,000 | 12,500 | - | |
| 530c | Sep 2007 - Sep 2012 | Note 4 | 50,000 | 15,000 | 12,500 | - | |
| 1000c | Apr 2008 - Apr 2015 | Note 3 | 25,000 | 12,500 | 12,500 | 5,000 | |
| 1000c | Apr 2010 - Apr 2015 | Note 4 | 25,000 | 12,500 | 12,500 | 5,000 | |
| At 31 December 2005 | | | 550,000 | 217,500 | 177,500 | 45,000 | |
| Exercised During The Year | | | - | - | - | - | |
| 603c | | | - | - | (2,500) | - | |
| 530c | | | - | - | (25,000) | - | |
| 735c | | | - | (50,000) | - | (5,000) | |
| Granted during the year | | | | | | | |
| 1067c | Sep 2009 - Apr 2016 | Note 3 | 50,000 | 25,000 | 25,000 | 7,500 | |
| 1067c | Sep 2011 - Sep 2016 | Note 4 | 50,000 | 25,000 | 25,000 | 7,500 | |
| At 31 December 2006 | | | 650,000 | 217,500 | 200,000 | 55,000 | |

- Note 1: These options are exercisable only if growth in the Group’s EPS is higher than the increase in the Consumer Price Index.
- Note 2: These options are exercisable only if the Group’s EPS growth places it in the top quartile of ISEQ companies.
- Note 3: These options are exercisable only if growth in the Groups EPS is at least 2% p.a. above the increase in the Consumer Price Index.
- Note 4: These options are exercisable only if growth in the Group’s EPS places it in the top quarter of ISEQ companies and also only if the growth in the Group’s EPS is at least 10% p.a. above the increase in the Consumer Price Index.

The market price of the shares at 31 December 2006 was €13.90 and the range during the year was €10.40 to €14.60. The weighted average market price on the date of exercise of options by T Corcoran was €11.83, T Kelly €12.36 and G O’Dea €11.39.

STATEMENT OF DIRECTORS’ RESPONSIBILITIES

Irish Company Law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing the 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company, and the Group as a whole, will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with IFRS’s as adopted by the European Union and comply with Irish statute comprising the Companies Acts, 1963 to 2006, the European Communities (Companies: Group Accounts) Regulations, 1992, Article 4 of the IAS Regulations, and the Listing Rules of the Irish Stock Exchange. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF IRISH CONTINENTAL GROUP PLC.

We have audited the financial statements of Irish Continental Group plc for the year ended 31 December 2006 which comprise the Group Financial Statements (the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense) the Parent Company Financial Statements (the Company Balance Sheet, the Cash Flow Statement, the Company Statement of Recognised Income and Expense) and the related notes 1 to 37. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act 1990. 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 auditors' 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 are responsible, as set out in the Statement of Directors' Responsibilities, for preparing the Annual Report, including the preparation of the Group Financial Statements and the Parent Company Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our responsibility, as independent auditors, 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 Group Financial Statements and the Parent Company Financial Statements give a true and fair view, in accordance with IFRS as adopted by the European Union, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006, the European Communities (Companies: Group Accounts) Regulations, 1992 and Article 4 of the IAS Regulations. We also report to you whether in our opinion: proper books of account have been kept by the company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Report of Directors is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company's balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding directors' remuneration and directors' transactions is not given and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange and we report if it does not. We are not required to consider whether the boards statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report and consider whether it is consistent with the financial statements. The other information comprises only the Report of Directors, the Chairman's Statement, the Operating and Financial Review, the Corporate Governance Statement and the Report of the Remuneration Committee. Our responsibilities do not extend to other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the 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 and the group's circumstances, consistently applied and adequately disclosed.

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 evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF IRISH CONTINENTAL GROUP PLC. - CONTINUED

OPINION

In our opinion;

- the Group Financial Statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the affairs of the group as at 31 December 2006 and of its profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006, the European Communities (Companies: Group Accounts) Regulations, 1992 and Article 4 of the IAS Regulations;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRS, as adopted by the European Union, as applied in accordance with the provisions of the Companies Acts 1963 to 2006, of the state of the Parent Company affairs as at 31 December 2006; and
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulations.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet is in agreement with the books of account.

In our opinion the information given in the Report of Directors is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2006 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Deloitte.

Chartered Accountants
& Registered Auditors
Dublin
7 March 2007

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy for deferred revenue and the presentation of the financial statements in relation to the expected return on scheme assets and the interest on scheme liabilities have been amended and details on these changes are set out in notes 5, 7 and 32.

The significant accounting polices adopted by the Group and applied by the Group and Company are as follows:

BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Irish Statute, comprising the Companies Acts 1963 to 2006, the European Communities (Companies: Group Accounts) Regulations, 1992 and the Listing Rules of the Irish and London Stock Exchanges.

The financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments. The principal accounting policies adopted by the Group and Company are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable from passenger and freight services supplied to third parties, exclusive of discounts and value added tax.

Passenger ticket revenue is recognised at the date of travel. Freight revenue is recognised at the date of transportation. Revenue from passenger tickets sold before the year end for a travel date after the year end is included in the balance sheet in current liabilities under the caption "trade and other payables".

Cash revenue from on-board sales is recognised immediately.

LEASING

The Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

The capital element of future lease rentals is treated as a liability and is included in the balance sheet as a finance lease obligation. The interest element of lease payments is charged to the Consolidated Income Statement over the period of the lease in proportion to the balance outstanding.

Rentals payable under operating leases are charged to the Consolidated Income Statement on a straight-line basis over the term of the lease.

The Group as lessor

Rental income from operating leases is recognised as determined by the relevant lease.

FOREIGN CURRENCIES

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each entity are expressed in euro, which is the functional currency of the Company, and the presentation currency for the Consolidated Financial Statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- CONTINUED

FOREIGN CURRENCIES - CONTINUED

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are included in the income statement for the year.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group foreign operations are expressed in euros using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year.

Exchange differences arising on the translation of foreign currency subsidiaries, if any, are classified as equity and transferred to the Group's translation reserve. On disposal of a foreign subsidiary the cumulative translation difference for that foreign subsidiary is transferred to the Consolidated Income Statement as part of the gain or loss on disposal.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Consolidated Income Statement in the year in which they are incurred.

GOVERNMENT GRANTS

Grants of a capital nature are accounted for as deferred income and are released to the Consolidated Income Statement at the same rates as the related assets are depreciated. Grants of a revenue nature are credited to the Consolidated Income Statement to offset the matching expenditure.

RETIREMENT BENEFIT COSTS

Defined benefit plans

For defined benefit retirement benefit plans, the cost of providing benefits and the liabilities of the plans are determined using the projected unit credit method, with actuarial valuations being carried out by independent and professionally qualified actuaries at each balance sheet date.

Current service cost, interest cost and return on plan assets are recognised in the Consolidated Income Statement. Actuarial gains and losses are recognised in full in the period in which they occur in the Statement of Recognised Income and Expense. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

In addition to the pension schemes operated by the Group, certain employees are included in the Merchant Navy Officers Pension Fund. This scheme is treated as a defined benefit scheme included with the other Group schemes.

The expected return on scheme assets has been recorded under Investment revenue and the Interest on scheme liabilities has been recorded in the income statement under Finance costs.

The surplus or deficit on the Group's defined benefit pension plans is recognised in full in the Consolidated Balance Sheet.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A proportion of the Group’s profits fall within the charge to Tonnage Tax, under which regime taxable profits are relieved to an amount based on the tonnage of vessels employed during the year. The tonnage tax charge is included within the income tax charge in the Consolidated Income Statement.

Deferred taxes are calculated based on the temporary differences that arise between the tax base of the asset or liability and its carrying value in the Balance Sheet. Deferred tax is recognised on all temporary differences in existence at the balance sheet date except as provided under IAS 12. Deferred tax assets are recognised to the extent that it is probable that they will be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and deferred tax liabilities are offset where taxes are levied by the same taxation authority and relate to the same tax period.

PROPERTY, PLANT AND EQUIPMENT

Passenger ships

Passenger ships are stated at cost, with the exception of the fast ferry Jonathan Swift which is stated at deemed cost upon transition to IFRS.

The amount initially recognised in respect of an item of property, plant and equipment is allocated to its significant parts and each such part is depreciated separately. In respect of passenger ships cost is allocated between hull and machinery and hotel and catering areas.

For passenger ships hotel and catering components with intensive wear are depreciated over 10 years. Hull and machinery components with minor wear are depreciated over the useful lives of the ships of 15 years for fast ferries and 30 years to residual value for conventional ferries. Residual values are reviewed on an annual basis.

Other assets

Other tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. When the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Cost comprises purchase price and directly attributable costs. Freehold land is not depreciated.

The amount initially recognised in respect of an item of property, plant and equipment is allocated to its significant parts and each such part is depreciated separately. In respect of stevedoring equipment cost is allocated between structural frame and machinery.

Depreciation on the tangible fixed assets is calculated by charging equal annual instalments to the Consolidated Income Statement so as to provide for their cost over the period of their expected useful lives at the following annual rates:

| | |
|---------------------|-----------------------------|
| Ships | 3.33%-10% to residual value |
| Land and Buildings | 0.7%-10% |
| Plant and Equipment | 4%- 25% |
| Vehicles | 20% |

Assets under construction, the construction of which falls into two or more accounting periods are recorded at the cost incurred to date and no depreciation is charged on these amounts.

DRYDOCKING

Costs incurred on the overhaul of ships are capitalised and depreciated over the period to the next overhaul.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

INTANGIBLE ASSETS

Computer software that is not an integral part of an item of computer hardware is capitalised as an intangible asset. All software has a finite useful life of 5 years over which the assets are amortised. Amortisation is on a straight line basis.

FINANCIAL FIXED ASSETS

Financial fixed assets are shown at cost less amounts charged to the Income Statement where the directors consider that there has been a permanent impairment in value.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost represents suppliers’ invoiced cost determined on a first in, first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing selling and distribution.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group’s balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at invoice value, which approximates to fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the Consolidated Income Statement when there is objective evidence that the carrying value of the asset exceeds the recoverable amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group’s accounting policy for borrowing costs (see above).

Trade payables

Trade payables are measured at fair value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

The Group’s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group use foreign exchange forward contracts and interest rate swaps to hedge these exposures.

Derivative financial instruments are held in the Balance Sheet at their fair value. Changes in the fair value of derivative financial instruments that are designated, and are effective, as hedges of changes in future cash flows are recognised directly in equity. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. When the cash flow hedge of a firm commitment or forecasted transaction subsequently results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are recognised in the Consolidated Income Statement.

The use of financial derivatives is governed by the Group’s policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group’s risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors’ best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 Share-Based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2004.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Binomial pricing model. In the prior year the Black Scholes pricing model was used to measure fair value. The Binomial pricing model has been adopted in the current year as in the opinion of the directors this is more appropriate given the nature of the scheme. The difference in fair value using the Binomial model is not material and therefore the comparative figures have not been restated.

The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

TREASURY SHARES

Treasury shares are deducted from Equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the treasury shares. Any consideration paid or received is included in share premium.

SEGMENTAL ANALYSIS

The Group's primary format for segmental reporting is business segments. The risks and returns of the Group's operations are primarily determined by the different services that the Group offers. The Group has two business segments, Ferries and Container and Terminal. Corporate activities, such as the cost of corporate stewardship, are reported along with the elimination of inter-group activities under the heading "Unallocated Liabilities".

Segment assets and liabilities consist of property, plant and equipment and other assets and liabilities that can be reasonably allocated to the reported segment. Unallocated segment assets and liabilities mainly include current and deferred income tax balances together with financial assets and liabilities.

The Group's secondary format for segmental reporting is geographical segments. There is no significant difference in risk profile between the routes the Group operates i.e. between geographical areas. Given that the Group is primarily an operator of ships there is no reasonable basis upon which to assign its main assets, ships, to any geographical area. Therefore the Group will only present geographical information relating to where revenues are earned.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2006

| | Notes | 2006 €m | As restated 2005 €m |
|---|-----------|-------------|---------------------------|
| Continuing operations | | | |
| Revenue | 3 | 312.1 | 298.5 |
| Depreciation and amortisation | 11 | (27.5) | (27.7) |
| Employee benefits expense | 6 | (32.9) | (57.9) |
| Other operating expenses | | (219.5) | (194.8) |
| Trading profit | | 32.2 | 18.1 |
| Non recurring credit / (charge) | 7 | 0.7 | (31.6) |
| Operating profit / (loss) | | 32.9 | (13.5) |
| Investment revenue | 8 | 18.3 | 14.1 |
| Finance costs | 9 | (17.9) | (15.6) |
| Profit / (loss) before tax | | 33.3 | (15.0) |
| Income tax expense | 10 | (1.0) | (0.8) |
| Profit / (loss) for the year: all attributable to equity holders of the parent | 11 | 32.3 | (15.8) |
| Earnings / (loss) per share | | | |
| All from continuing operations: | | | |
| Basic | 13 | 137.4c | (67.8)c |
| Diluted | 13 | 136.9c | - |

Presentation of comparative amounts have been restated and reclassified (see notes 5, 7 and 32vii)

CONSOLIDATED STATEMENT OF RECOGNISED INCOME & EXPENSE
for the year ended 31 December 2006

| | Notes | 2006 €m | As restated 2005 €m |
|--|--------|-------------|---------------------------|
| Gains / (losses) on cash flow hedges | 21 | 0.6 | (0.1) |
| Exchange differences on translation of foreign operations | 21 | (0.9) | 5.8 |
| Actuarial gain on retirement obligations | 32viii | 12.1 | 3.9 |
| Deferred Tax on Group defined benefit pension schemes | 24 | (0.5) | - |
| Profit / (loss) for the year | | 32.3 | (15.8) |
| Total recognised income and expense for the year: all attributable to equity holders of the parent – increase / (decrease) in retained earnings | | 43.6 | (6.2) |
| Effect of change in accounting policy | 5 | 1.5 | |
| Total recognised income and expense for the year as restated | | 45.1 | |

CONSOLIDATED BALANCE SHEET

as at 31 December 2006

| | Notes | 2006 €m | As restated 2005 €m |
|--|-------|--------------|---------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 271.0 | 287.8 |
| Intangible assets | 15 | 2.8 | 3.3 |
| Long term receivable | | 4.5 | 4.9 |
| Retirement benefit surplus | 32iv | 29.9 | 8.0 |
| | | 308.2 | 304.0 |
| Current assets | | | |
| Inventories | 17 | 0.6 | 0.6 |
| Trade and other receivables | 18 | 53.5 | 37.6 |
| Derivative financial instruments | 23 | 0.5 | - |
| Cash and cash equivalents | 19 | 11.0 | 14.0 |
| | | 65.6 | 52.2 |
| Total assets | | | |
| | | 373.8 | 356.2 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital | 20 | 15.9 | 15.8 |
| Share premium | 21 | 40.6 | 39.6 |
| Other reserves | 21 | 5.9 | 5.8 |
| Retained earnings | 21 | 115.9 | 79.2 |
| Equity attributable to equity holders of the parent | | 178.3 | 140.4 |
| Non-current liabilities | | | |
| Borrowings | 22 | 105.3 | 99.4 |
| Obligations under finance leases | 25 | 5.0 | 5.3 |
| Trade and other payables | 26 | - | 3.7 |
| Provisions | 27 | 1.8 | 2.1 |
| Deferred tax liabilities | 24 | 5.6 | 4.9 |
| Derivative financial instruments | 23 | - | 0.1 |
| Retirement benefit obligation | 32iv | 10.1 | 0.6 |
| | | 127.8 | 116.1 |
| Current liabilities | | | |
| Borrowings | 22 | 11.9 | 11.7 |
| Obligations under finance leases | 25 | 2.6 | 3.5 |
| Trade and other payables | 26 | 47.8 | 46.0 |
| Current tax liabilities | 26 | 3.6 | 4.8 |
| Provisions | 27 | 1.8 | 33.7 |
| | | 67.7 | 99.7 |
| Total liabilities | | | |
| | | 195.5 | 215.8 |
| Total equity and liabilities | | | |
| | | 373.8 | 356.2 |

COMPANY BALANCE SHEET

as at 31 December 2006

| | Notes | 2006 €m | 2005 €m |
|--|-------|--------------|--------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 1.8 | 1.5 |
| Intangible assets | 15 | 2.8 | 3.3 |
| Financial assets | 16 | 11.0 | 11.0 |
| | | 15.6 | 15.8 |
| Current assets | | | |
| Inventories | 17 | 0.2 | 0.1 |
| Trade and other receivables | 18 | 117.7 | 118.8 |
| Derivative financial instruments | 23 | 0.1 | - |
| Cash and cash equivalents | 19 | 0.1 | 0.6 |
| | | 118.1 | 119.5 |
| Total assets | | | |
| | | 133.7 | 135.3 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital | 20 | 15.9 | 15.8 |
| Share premium | 21 | 40.6 | 39.6 |
| Other reserves | 21 | 2.5 | 2.1 |
| Retained earnings | 21 | 8.9 | 12.2 |
| Equity attributable to equity holders | | 67.9 | 69.7 |
| Non-current liabilities | | | |
| Borrowings | 22 | 10.0 | 10.1 |
| Obligations under finance leases | 25 | - | 0.2 |
| Trade and other payables | 26 | - | 1.3 |
| Retirement benefit obligation | 32iv | 3.6 | 0.6 |
| | | 13.6 | 12.2 |
| Current liabilities | | | |
| Borrowings | 22 | 0.1 | - |
| Obligations under finance leases | 25 | 0.2 | 0.2 |
| Trade and other payables | 26 | 51.4 | 52.7 |
| Current tax liabilities | 26 | 0.4 | 0.4 |
| Provisions | 27 | 0.1 | 0.1 |
| | | 52.2 | 53.4 |
| Total liabilities | | | |
| | | 65.8 | 65.6 |
| Total equity and liabilities | | | |
| | | 133.7 | 135.3 |

COMPANY STATEMENT OF RECOGNISED INCOME & EXPENSE

for the year ended 31 December 2006

| | Notes | 2006 €m | 2005 €m |
|---|--------|------------|-------------|
| Gain on cash flow hedges | 21 | 0.1 | - |
| Actuarial losses on retirement benefit obligations | 32viii | (1.9) | - |
| Profit for the year | | 5.8 | 11.5 |
| Total recognised income for the year: all attributable to equity holders | | 4.0 | 11.5 |

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

| | Notes | 2006 €m | As restated 2005 €m |
|---|-------|---------------|---------------------------|
| Net cash from operating activities | 34 | 8.7 | 31.7 |
| Investing activities | | | |
| Interest received | | 0.3 | 1.0 |
| Proceeds on disposal of property, plant and equipment | | 0.2 | 0.6 |
| Purchases of property, plant and equipment | | (11.4) | (11.9) |
| Purchases of intangible assets | | (0.6) | (1.6) |
| Net cash used in investing activities | | (11.5) | (11.9) |
| Financing activities | | | |
| Redemption of redeemable shares | | (7.2) | (6.3) |
| Repayments of borrowings | | (11.8) | (77.9) |
| Repayments of obligations under finance leases | | (4.0) | (4.3) |
| Proceeds on issue of ordinary share capital | | 1.1 | - |
| New bank loans raised | | 19.6 | 71.8 |
| New finance leases raised | | 2.4 | 0.2 |
| Decrease in bank overdrafts | | - | (0.2) |
| Net cash from / (used in) financing activities | | 0.1 | (16.7) |
| Net (decrease) / increase in cash and cash equivalents | | (2.7) | 3.1 |
| Cash and cash equivalents at the beginning of the year | | 14.0 | 9.2 |
| Effect of foreign exchange rate changes | | (0.3) | 1.7 |
| Cash and cash equivalents at the end of the year | | | |
| Bank balances and cash | | 11.0 | 14.0 |

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2006

| | Notes | 2006 €m | 2005 €m |
|---|-------|--------------|---------------|
| Net cash from operating activities | 34 | 2.6 | 0.2 |
| Investing activities | | | |
| Interest received | | 0.2 | - |
| Dividend received from subsidiary | | 8.0 | 15.0 |
| Purchases of property, plant and equipment | | (4.5) | (1.7) |
| Purchases of intangible assets | | (0.5) | (1.6) |
| Net cash from investing activities | | 3.2 | 11.7 |
| Financing activities | | | |
| Redemption of redeemable shares | | (7.2) | (6.3) |
| Repayments of borrowings | | - | (17.0) |
| Repayments of obligations under finance leases | | (0.3) | (0.4) |
| Proceeds on issue of ordinary share capital | | 1.1 | - |
| New bank loans raised | | - | 10.1 |
| New finance leases raised | | 0.1 | 0.1 |
| Net cash used in financing activities | | (6.3) | (13.5) |
| Net decrease in cash and cash equivalents | | (0.5) | (1.6) |
| Cash and cash equivalents at the beginning of the year | | 0.6 | 2.2 |
| Cash and cash equivalents at the end of the year | | | |
| Bank balances and cash | | 0.1 | 0.6 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006

1. General information

Irish Continental Group plc (ICG) is a public limited company incorporated in Ireland under the Companies Acts 1963 to 2006. The addresses of its registered office and principal place of business are disclosed on the cover of the annual report. The principal activities of the Group are described in note 4.

The Company operates a passenger and freight shipping service between Ireland and France. It is also the holding company of a number of subsidiary companies.

2. Adoption of new and revised International Financial Reporting Standards

In the year, the Group and Company have adopted the Amendments to International Accounting Standard (IAS) 39 Financial Instruments: recognition and measurement and International Financial Reporting Standard (IFRS) 4 Insurance contracts. There has been no impact on opening reserves or results to date in relation to the implementation of these new standards.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 7 Financial instruments: Disclosures; and related amendments to IAS1 on capital disclosures
- IFRS 8 Operating segments
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of embedded derivatives
- IFRIC 10 Interim reporting and impairments
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

3. Revenue

An analysis of the Groups revenue for the year is as follows:

| | 2006 €m | As restated 2005 €m |
|-----------------------|------------|---------------------------|
| Continuing operations | | |
| Ferries | 170.0 | 162.5 |
| Containers & Terminal | 142.6 | 136.4 |
| Intersegment | (0.5) | (0.4) |
| | 312.1 | 298.5 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006

4. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into two operating divisions – Ferries and Container & Terminal. These divisions are the basis on which the Group reports its primary segment information.

The principal activities of the Ferries division are the operation and external charter of combined Ro-Ro passenger ferries. The principal activities of the Container & Terminal division are the provision of door-to-door and feeder Lo-Lo freight services, stevedoring and container storage.

Segment information about the Group’s continuing operations is presented below.

| 2006 | Ferries €m | Container & Terminal €m | Total (all continuing operations) €m |
|--|---------------|----------------------------------|---|
| Revenue | | | |
| External sales | 170.0 | 142.6 | 312.6 |
| Inter-segment sales | - | (0.5) | (0.5) |
| Total revenue from continuing operations | 170.0 | 142.1 | 312.1 |
| Inter-segment sales are charged at prevailing market prices. | | | |
| Result | | | |
| Segment result from continuing operations | 28.6 | 3.6 | 32.2 |
| Non recurring credit | 0.7 | - | 0.7 |
| Operating profit from continuing operations | 29.3 | 3.6 | 32.9 |
| Investment income | | | 18.3 |
| Finance costs | | | (17.9) |
| Profit before tax | | | 33.3 |
| Income tax expense | | | (1.0) |
| Profit for the year from continuing operations | | | 32.3 |
| Other Information | | | |
| Capital additions | 8.7 | 3.3 | 12.0 |
| Depreciation and amortisation | 24.2 | 3.3 | 27.5 |
| Balance sheet | €m | €m | €m |
| Assets | | | |
| Segment assets | 326.4 | 31.9 | 358.3 |
| Cash and cash equivalents | | | 11.0 |
| Unallocated assets | | | 4.5 |
| Consolidated total assets | | | 373.8 |
| | €m | €m | €m |
| Liabilities | | | |
| Segment liabilities | 41.6 | 20.2 | 61.8 |
| Debt | | | 124.8 |
| Unallocated liabilities | | | 8.9 |
| Consolidated total liabilities | | | 195.5 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2006 - CONTINUED

4. Business and geographical segments - continued

| As restated 2005 | | | |
|--|---------------|----------------------------------|---|
| | Ferries €m | Container & Terminal €m | Total (all continuing operations) €m |
| Revenue | | | |
| External sales | 162.5 | 136.4 | 298.9 |
| Inter-segment sales | - | (0.4) | (0.4) |
| Total revenue from continuing operations | 162.5 | 136.0 | 298.5 |
| Inter-segment sales are charged at prevailing market prices. | | | |
| Result | €m | €m | €m |
| Segment result from continuing operations | 13.9 | 4.2 | 18.1 |
| Non recurring charge | (31.6) | - | (31.6) |
| Operating (loss) / profit from continuing operations | (17.7) | 4.2 | (13.5) |
| Investment income | | | 14.1 |
| Finance costs | | | (15.6) |
| Loss before tax | | | (15.0) |
| Income tax expense | | | (0.8) |
| Loss for the year from continuing operations | | | (15.8) |
| Other Information | €m | €m | €m |
| Capital additions | 10.9 | 2.6 | 13.5 |
| Depreciation and amortisation | 23.9 | 3.8 | 27.7 |
| Balance sheet | €m | €m | €m |
| Assets | | | |
| Segment assets | 282.3 | 55.0 | 337.3 |
| Cash and cash equivalents | | | 14.0 |
| Unallocated assets | | | 4.9 |
| Consolidated total assets | | | 356.2 |
| Liabilities | €m | €m | €m |
| Segment liabilities | 31.3 | 22.7 | 54.0 |
| Debt | | | 119.9 |
| Unallocated liabilities | | | 41.9 |
| Consolidated total liabilities | | | 215.8 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2006

4. Business and geographical segments

Revenue split on the basis of geographical origin

As noted in the Statement of Significant Accounting Policies the Group's secondary format for segmental reporting is geographical segments. There is no significant difference in risk profile between the routes the Group operates i.e. between geographical areas. Given that the Group is primarily an operator of ships there is no reasonable basis upon which to assign its main assets, ships, to any geographical area. Therefore, the Group presents geographical information relating only to where revenues are earned.

| | 2006 €m | As restated 2005 €m |
|--------------------|--------------|---------------------------|
| Ireland | 129.5 | 124.5 |
| United Kingdom | 78.8 | 92.5 |
| Continental Europe | 103.8 | 81.5 |
| | 312.1 | 298.5 |

5. Change in accounting policy

The Group made two changes to accounting policies during the year. The details of these changes are set out below.

Passenger tickets

In prior years, unused tickets were recognised as revenue based on management's knowledge and experience of the business. As a result of changes in the business the policy now is to treat unused tickets as revenue in accordance with the Group's current terms and conditions of sale.

This prior year adjustment gives rise to a cumulative increase in reserves of €1.7 million at 1 January 2005 and a cumulative increase in reserves of €1.5 million at 1 January 2006 (note 21).

The comparative figures in 2005 have been restated in accordance with the new policy, resulting in a charge to the income statement of €0.2 million for the year ended 31 December 2005 and a decrease in deferred revenue accruals, as previously reported in the balance sheet at 31 December 2005 of €1.5 million as follows:

| | Revenue €m | Deferred Revenue Accruals €m | Retained Earnings €m |
|--|---------------|---------------------------------------|----------------------------|
| As previously reported at 31 December 2005 | 298.7 | 1.8 | 77.7 |
| Deferred revenue restatement - | | | |
| Income statement effect | (0.2) | - | - |
| Balance sheet effect | - | (1.5) | 1.5 |
| | 298.5 | 0.3 | 79.2 |

The adjustment in the current year has the following effect on the financial statements:

| | Revenue €m | Deferred Revenue Accruals €m | Retained Earnings €m |
|-------------------------|---------------|---------------------------------------|----------------------------|
| Current year effect - | | | |
| Income statement effect | (0.3) | - | - |
| Balance sheet effect | - | (1.2) | 1.2 |

Employee benefits

The Group has changed the presentation of the financial statements and included Expected Return on Scheme Assets under Investment Revenue (note 8) and Interest on Scheme Liabilities in the income statement under Finance costs (note 9).

In the prior year, the net of these two amounts (€3.2 million) was offset against Employee benefits expense. The comparatives have been restated to reflect the change in accounting policy. There is no impact on reported profit before tax.

This change in accounting policy has been made so that the trading profit better reflects the trading performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 - CONTINUED

6. Employee benefits expense

The average number of employees during the year was as follows:

| | 2006 | 2005 |
|---|------|-------|
| At sea | 47 | 580 |
| On shore | 483 | 515 |
| | 530 | 1,095 |
| The number of employees at year end was | 479 | 1,055 |

Aggregate costs of employee benefits were as follows:

| | 2006 €m | As restated 2005 €m |
|---|------------|---------------------------|
| Wages and salaries | 27.1 | 43.5 |
| Social welfare charge | 2.2 | 4.1 |
| Retirement benefit costs (note 5 and 32ii / vii) | 3.2 | 10.2 |
| Share options expense | 0.4 | 0.1 |
| Non recurring (credit) / charge (note 7) | (0.7) | 31.6 |
| | 32.2 | 89.5 |
| Less non recurring credit / (charge) included above | 0.7 | (31.6) |
| Total included in Trading profit | 32.9 | 57.9 |

The Group has changed its accounting policy in the current year as set out in note 5.

The charge for Retirement benefit costs in the prior year includes a charge of €5.0 million for MNOPF compared with a charge of €0.1 million in the current year.

7. Non recurring credit / (charge)

| | 2006 €m | As restated 2005 €m |
|-------------------------------|------------|---------------------------|
| PRSI rebate credit / (charge) | 4.4 | (2.5) |
| Restructuring costs | (3.7) | (29.1) |
| | 0.7 | (31.6) |

PRSI rebate

The credit of €4.4 million represents rebates of Seafarers' PRSI under the relevant scheme. In the prior year, as a result of a delay in enacting the relevant legislation renewing the PRSI scheme, a charge of €2.5 million was created against the PRSI rebate recorded as a debtor at 31 December 2004. This €2.5 million was included in Employee Benefit Expenses in the Income Statement in 2005 but has been reclassified in the current years accounts, as reported above.

Restructuring costs

The restructuring charge in the current year of €3.7 million comprises redundancy costs in respect of applicants for the severance package announced in 2006, in addition to those that were provided for in the prior year. The €29.1 million in the prior year relates to the voluntary redundancy package offered to all relevant staff members under the outsourcing programme, which is net of a pension curtailment credit of €5.4 million in 2005.

These items were reclassified to allow a more accurate comparison year on year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006

8. Investment revenue

| | 2006 €m | As restated 2005 €m |
|---|------------|---------------------------|
| Interest on bank deposits | 0.3 | 0.3 |
| Expected return on defined benefit pension scheme assets (note 32vii) | 17.8 | 13.1 |
| Other financial income | 0.2 | 0.7 |
| | 18.3 | 14.1 |

The presentation of the Expected Return on Benefit Pension Scheme Assets has been amended in the current year and details of this are set out in notes 5 and 32vii.

9. Finance costs

| | 2006 €m | As restated 2005 €m |
|---|------------|---------------------------|
| Interest on bank overdrafts and loans | 5.7 | 5.1 |
| Interest on obligations under finance leases | 0.3 | 0.5 |
| Interest on defined benefit pension scheme liabilities (note 32vii) | 11.7 | 9.9 |
| Interest on other balances | 0.2 | 0.1 |
| Total borrowing costs from continuing operations | 17.9 | 15.6 |

The presentation of Interest on Defined Benefit Pension Scheme Liabilities has been amended in the current year and details of this are set out in notes 5 and 32vii.

10. Income tax expense

| | 2006 €m | As restated 2005 €m |
|---------------------------------|------------|---------------------------|
| Current tax | 0.9 | 1.0 |
| Deferred tax (note 24) | 0.1 | (0.2) |
| | | |
| Income tax expense for the year | 1.0 | 0.8 |

The company and its subsidiaries have elected to be taxed under the Irish Tonnage Tax system in respect of all eligible activities. Domestic income tax is calculated at 12.5% of the estimated assessable profit for the year for all activities which do not fall to be taxed under the tonnage tax system. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 - CONTINUED

10. Income tax expense - continued

The total charge for the year can be reconciled to the accounting profit / (loss) as follows:

| | 2006 €m | As restated 2005 €m |
|--|------------|---------------------------|
| Profit / (loss) before tax from continuing operations | 33.3 | (15.0) |
| Tax at the domestic income tax rate of 12.5% | 4.2 | (1.9) |
| Effect of depreciation in excess of capital allowances | 0.1 | 0.1 |
| Effect of expenses not deductible in determining taxable profit | (0.2) | (0.4) |
| Effect of other timing differences | (0.1) | 0.1 |
| Adjustment in respect of previous period | 0.1 | - |
| Effect of utilisation of tax losses | (0.4) | (0.3) |
| Effect of unused tax losses carried forward | 0.1 | 0.9 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 0.4 | 0.4 |
| Effect of shipping profits relief | (3.3) | 2.1 |
| Income tax expense recognised in profit or loss | 0.9 | 1.0 |

11. Profit / (loss) for the year

Profit / (loss) for the year has been arrived at after (crediting) / charging:

| | 2006 €m | 2005 €m |
|---|------------|------------|
| Net foreign exchange (gains) / losses | (0.9) | 4.8 |
| Amortisation of intangible assets (note 15) | 1.1 | 0.8 |
| Depreciation of property, plant and equipment (note 14) | 26.5 | 27.0 |
| | 27.6 | 27.8 |
| Amortisation of deferred grant (note 27) | (0.1) | (0.1) |
| Net depreciation and amortisation expense | 27.5 | 27.7 |
| Auditors' remuneration | | |
| for audit services | 0.2 | 0.2 |
| for tax compliance services | 0.1 | 0.1 |

Directors' remuneration is shown in the Report of the Remuneration Committee.

12. Redemption of redeemable shares

| | 2006 €m | 2005 €m |
|---|------------|------------|
| Redemption of one redeemable share for 19.2c | 4.6 | - |
| Redemption of one redeemable share for 10.92c | 2.6 | - |
| Redemption of one redeemable share for 17.25c | - | 4.0 |
| Redemption of one redeemable share for 9.91875c | - | 2.3 |
| | 7.2 | 6.3 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006

13. Earnings / (loss) per share – all from continuing operations

| | 2006 cent | As restated 2005 cent |
|-------------------------------------|--------------|-----------------------------|
| Basic earnings / (loss) per share | 137.4 | (67.8) |
| Diluted earnings per share | 136.9 | - |
| Adjusted basic earnings per share | 108.5 | 54.1 |
| Adjusted diluted earnings per share | 108.1 | 53.4 |

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

| Earnings | €m | €m |
|--|--------|--------|
| Earnings for the purposes of basic earnings per share - | | |
| Profit / (loss) for the year attributable to equity holders of the parent | 32.3 | (15.8) |
| Earnings for the purposes of diluted earnings per share | 32.3 | (15.8) |
| Earnings for the purposes of basic earnings per share - | | |
| Profit / (loss) for the year attributable to equity holders of the parent | 32.3 | (15.8) |
| Effect of non recurring (credit) / charge | (0.7) | 31.6 |
| Effect of expected return on defined benefit pension scheme assets | (17.8) | (13.1) |
| Effect of interest on defined benefit pension scheme liabilities | 11.7 | 9.9 |
| Earnings for the purposes of adjusted earnings per share | 25.5 | 12.6 |
| Number of shares | m | m |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 23.5 | 23.3 |
| Effect of dilutive potential ordinary shares: Share options | 0.1 | 0.3 |
| Weighted average number of ordinary shares for the purposes of diluted adjusted earnings per share | 23.6 | 23.6 |

The denominator for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect shares issued during the year (see note 20).

Adjusted earnings for 2005 have been restated to reflect the inclusion of a €2.5 million PRSI rebate cost for that year in the non recurring charge as set out in note 7. It has also taken into account the €0.2 million charge to revenue in relation to the deferred revenue adjustment as set out in note 5.

The adjusted earnings per share calculation has been calculated to exclude the net figure for the expected return on defined benefit pension scheme assets and the interest on defined pension scheme liabilities. This prior years adjusted earnings per share has been adjusted accordingly.

These changes have changed the Basic loss per share as previously reported from 66.9 cent to 67.8 cent and the Adjusted diluted earnings per share from 57.2 cent to 53.4 cent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 - CONTINUED

14. Property, plant and equipment - Group

| | Assets under construction €m | Ships €m | Plant, and equipment €m | Vehicles €m | Land and buildings €m | 2006 Total €m | 2005 Total €m |
|----------------------------------|---------------------------------------|--------------|----------------------------------|----------------|--------------------------------|---------------------|---------------------|
| Cost or valuation | | | | | | | |
| At beginning of year | - | 384.8 | 58.6 | 2.3 | 24.5 | 470.2 | 450.4 |
| Additions | 0.7 | 6.1 | 3.9 | 0.7 | - | 11.4 | 11.9 |
| Exchange differences | - | (4.1) | - | - | - | (4.1) | 13.8 |
| Disposals | - | (6.4) | - | (0.5) | - | (6.9) | (5.9) |
| At end of year | 0.7 | 380.4 | 62.5 | 2.5 | 24.5 | 470.6 | 470.2 |
| Accumulated depreciation | | | | | | | |
| At beginning of year | - | 136.6 | 37.5 | 1.4 | 6.9 | 182.4 | 155.3 |
| Depreciation charge for the year | - | 21.7 | 3.9 | 0.4 | 0.5 | 26.5 | 27.0 |
| Exchange differences | - | (2.4) | - | - | - | (2.4) | 5.8 |
| Eliminated on disposals | - | (6.4) | - | (0.5) | - | (6.9) | (5.7) |
| At end of year | - | 149.5 | 41.4 | 1.3 | 7.4 | 199.6 | 182.4 |
| Carrying amount | | | | | | | |
| At end of year | 0.7 | 230.9 | 21.1 | 1.2 | 17.1 | 271.0 | 287.8 |
| At beginning of year | - | 248.2 | 21.1 | 0.9 | 17.6 | 287.8 | 295.1 |

The carrying amount of the Group's plant and equipment and vehicles includes an amount of €14.1 million (2005: €16.6 million) in respect of assets held under finance leases.

Certain of the Group's borrowings are secured on ships which have a carrying amount of approximately €108.0 million (2005: €112.9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006

14. Property, plant and equipment - continued - Company

| | Plant, and equipment €m | Vehicles €m | Land and buildings €m | 2006 Total €m | 2005 Total €m |
|----------------------------------|----------------------------------|----------------|--------------------------------|---------------------|---------------------|
| Cost | | | | | |
| At beginning of year | 7.1 | 0.6 | 0.6 | 8.3 | 31.0 |
| Additions | 4.4 | 0.1 | - | 4.5 | 1.8 |
| Disposals | (2.9) | - | - | (2.9) | (24.5) |
| At end of year | 8.6 | 0.7 | 0.6 | 9.9 | 8.3 |
| Accumulated depreciation | | | | | |
| At beginning of year | 5.9 | 0.3 | 0.6 | 6.8 | 16.5 |
| Depreciation charge for the year | 4.1 | 0.1 | - | 4.2 | 0.6 |
| Eliminated on disposals | (2.9) | - | - | (2.9) | (10.3) |
| At end of year | 7.1 | 0.4 | 0.6 | 8.1 | 6.8 |
| Carrying amount | | | | | |
| At end of year | 1.5 | 0.3 | - | 1.8 | 1.5 |
| At beginning of year | 1.2 | 0.3 | - | 1.5 | 14.5 |

The carrying amount of the Company's plant and equipment includes an amount of €0.6 million (2005: €0.7 million) in respect of assets held under finance leases.

In accordance with IAS 16 Property, Plant & Equipment the Group and Company have reviewed the residual values used for the purposes of depreciation calculations. In considering residual values, the directors have based the valuation on the current scrap value for metal. Residual values are reviewed annually and updated if required. Estimations of economic life and residual values of ships are a key judgemental estimate in the financial statements.

A floating charge has been given over all of the Group's and Company's property, plant and equipment to secure contingent liabilities of the Group and Company.

15. Intangible assets

| | Group | | Company | |
|------------------------|------------|------------|------------|------------|
| | 2006 €m | 2005 €m | 2006 €m | 2005 €m |
| Cost | | | | |
| At beginning of year | 6.0 | 4.4 | 5.7 | 4.1 |
| Additions | 0.6 | 1.6 | 0.5 | 1.6 |
| At end of year | 6.6 | 6.0 | 6.2 | 5.7 |
| Amortisation | | | | |
| At beginning of year | 2.7 | 1.9 | 2.4 | 1.6 |
| Charge for the year | 1.1 | 0.8 | 1.0 | 0.8 |
| At end of year | 3.8 | 2.7 | 3.4 | 2.4 |
| Carrying amount | | | | |
| At end of year | 2.8 | 3.3 | 2.8 | 3.3 |
| At beginning of year | 3.3 | 2.5 | 3.3 | 2.5 |

The intangible assets included above, all software, have finite useful lives of 5 years, over which the assets are amortised. Amortisation is on a straight line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006 - CONTINUED

16. Financial assets

| | 2006 €m | 2005 €m |
|---|------------|------------|
| Investment in subsidiaries at beginning of year | 11.0 | 11.1 |
| Write down to recoverable amount | - | (0.1) |
| Investment in subsidiaries at end of year | 11.0 | 11.0 |

The Company's principal subsidiaries at 31 December 2006 are as follows:

| Name of subsidiary | Country of incorporation and operation | Proportion of ownership interest | Proportion of voting power held | Principal activity |
|------------------------------------|--|----------------------------------|---------------------------------|------------------------------|
| Irish Ferries Limited | Ireland | 100% | 100% | Ferry Operator |
| Irish Ferries (UK) Limited | United Kingdom | 100% | 100% | Shipping & forwarding agents |
| Eucon Shipping & Transport Limited | Ireland | 100% | 100% | Container shipping services |
| Eurofeeders Limited | United Kingdom | 100% | 100% | Shipping & forwarding agents |
| Feederlink Shipping & Trading b.v. | Netherlands | 100% | 100% | Container shipping services |
| Zatarga Limited | Isle of Man | 100% | 100% | Ship owner |
| Irish Continental Line Limited | Ireland | 100% | 100% | Ship owner |
| Belfast Container Terminal | Northern Ireland | 100% | 100% | Container handling & storage |

17. Inventories

| | Group | | Company | |
|---------------------------|------------|------------|------------|------------|
| | 2006 €m | 2005 €m | 2006 €m | 2005 €m |
| Fuel and lubricating oil | 0.4 | 0.3 | - | - |
| Catering and other stocks | 0.2 | 0.3 | 0.2 | 0.1 |
| | 0.6 | 0.6 | 0.2 | 0.1 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006

18. Trade and other receivable

| | Group | | Company | |
|---------------------------------------|------------|------------|------------|------------|
| | 2006 €m | 2005 €m | 2006 €m | 2005 €m |
| Trade receivables | 42.3 | 32.3 | 0.8 | 0.3 |
| Allowance for doubtful debts | (1.7) | (1.8) | - | - |
| | 40.6 | 30.5 | 0.8 | 0.3 |
| Prepayments | 5.4 | 4.9 | - | - |
| Amounts due from subsidiary companies | - | - | 115.6 | 117.4 |
| Other receivables | 7.5 | 2.2 | 1.3 | 1.1 |
| | 53.5 | 37.6 | 117.7 | 118.8 |

The directors consider that the carrying amount of trade and other receivables approximates their fair value. No interest is charged on trade receivables.

Credit risk

The Group's and Company's principal financial assets are bank balances and cash, and trade and other receivables.

The Group's and Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Movement in the allowance for doubtful debts.

| | Group | | Company | |
|-------------------------------------|------------|------------|------------|------------|
| | 2006 €m | 2005 €m | 2006 €m | 2005 €m |
| Balance at beginning of the year | 1.8 | 1.8 | - | 0.2 |
| Amounts written off during the year | (0.2) | - | - | - |
| Increase in provision in the year | 0.2 | - | - | - |
| Amounts recovered during the year | (0.1) | - | - | (0.2) |
| Balance at end of year | 1.7 | 1.8 | - | - |

In determining the recoverability of a trade receivable the Group and Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the exposure being spread over a large number of counterparties and customers. Accordingly, the directors believe that there is no further provision required in excess of the allowance for doubtful debts.

This allowance has been determined by reference to past default experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2006 - CONTINUED

19. Cash and cash equivalents

Bank balances and cash comprise cash held by the Group and Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

20. Share capital

Group and Company

| | Number | 2006 €m | 2005 €m |
|---|-------------|------------|------------|
| Authorised | | | |
| Ordinary shares of par value €0.65 each | 45,000,000 | 29.3 | 29.3 |
| Redeemable shares of par value €0.0001 each | 450,000,000 | - | - |
| | | 29.3 | 29.3 |

| | Number | 2006 €m | Number | 2005 €m |
|--|--------------|------------|--------------|------------|
| Allotted, called up and fully paid: | | | | |
| Ordinary shares | | | | |
| At beginning of year | 24,250,958 | 15.8 | 24,243,298 | 15.8 |
| Share issue | 155,250 | 0.1 | 7,660 | - |
| At end of year | 24,406,208 | 15.9 | 24,250,958 | 15.8 |
| Redeemable shares | | | | |
| At beginning of year | 121,254,790 | - | 169,703,086 | - |
| Share issue | 702,450 | - | 48,460 | - |
| Redemption of redeemable shares | | | | |
| – transfer to Capital Redemption Reserve | (48,738,616) | - | (48,496,756) | - |
| At end of year | 73,218,624 | - | 121,254,790 | - |

The Company has one class of share unit, comprising one ordinary share and ten redeemable shares, or such number of redeemable shares as remains after any redemption of such shares. At 31 December 2006 the number of such redeemable shares is three (2005: five). The share unit carries no right to fixed income.

Included in the share capital above are 899,500 (2005: 899,500) ICG share units which are held as treasury shares. In prior years, retained earnings have been reduced by €10.0 million in relation to these treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2006

21. Reconciliation of shareholders funds

Group – 2006

| | Share Capital €m | Share Premium €m | Capital Reserve €m | Share Options Reserve €m | Hedging Reserve €m | Translation Reserve €m | Retained Earnings €m | Total €m |
|---|------------------------|------------------------|--------------------------|-----------------------------------|--------------------------|------------------------------|----------------------------|--------------|
| Balance at 1 January 2006 – (as previously stated) | 15.8 | 39.6 | 2.2 | 0.1 | (0.1) | 3.6 | 77.7 | 138.9 |
| Prior year adjustment - Deferred revenue (note 5) | - | - | - | - | - | - | 1.5 | 1.5 |
| At beginning of year as restated | 15.8 | 39.6 | 2.2 | 0.1 | (0.1) | 3.6 | 79.2 | 140.4 |
| Total recognised income and expense for the year | - | - | - | - | 0.6 | (0.9) | 43.9 | 43.6 |
| Share issue | 0.1 | - | - | - | - | - | - | 0.1 |
| Exercise of share options - shares issued at premium | - | 1.0 | - | - | - | - | - | 1.0 |
| Employee share options expense | - | - | - | 0.4 | - | - | - | 0.4 |
| Redemption of redeemable share capital | - | - | - | - | - | - | (7.2) | (7.2) |
| | 0.1 | 1.0 | - | 0.4 | 0.6 | (0.9) | 36.7 | 37.9 |
| Balance at 31 December 2006 | 15.9 | 40.6 | 2.2 | 0.5 | 0.5 | 2.7 | 115.9 | 178.3 |
| Analysed as follows: | | | | | | | | |
| Share capital | | | | | | | | 15.9 |
| Share premium | | | | | | | | 40.6 |
| Other reserves | | | | | | | | 5.9 |
| Retained earnings | | | | | | | | 115.9 |
| | | | | | | | | 178.3 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006

21. Reconciliation of shareholders funds – continued

Group – 2005

| | Share Capital €m | Share Premium €m | Capital Reserve €m | Share Options Reserve €m | Hedging Reserve €m | Translation Reserve €m | Retained Earnings €m | Total €m |
|---|------------------------|------------------------|--------------------------|-----------------------------------|--------------------------|------------------------------|----------------------------|--------------|
| Balance at 1 January 2005 | | | | | | | | |
| – (as previously restated) | 15.8 | 39.6 | 2.2 | - | - | (2.2) | 95.7 | 151.1 |
| Prior year adjustment - Deferred revenue (note 5) | - | - | - | - | - | - | 1.7 | 1.7 |
| At beginning of year as restated | 15.8 | 39.6 | 2.2 | - | - | (2.2) | 97.4 | 152.8 |
| Total recognised income and expense for the year | - | - | - | - | (0.1) | 5.8 | (11.9) | (6.2) |
| Employee share options expense | - | - | - | 0.1 | - | - | - | 0.1 |
| Redemption of redeemable share capital | - | - | - | - | - | - | (6.3) | (6.3) |
| | - | - | - | 0.1 | (0.1) | 5.8 | (18.2) | (12.4) |
| Balance at 31 December 2005 | 15.8 | 39.6 | 2.2 | 0.1 | (0.1) | 3.6 | 79.2 | 140.4 |
| Analysed as follows: | | | | | | | | |
| Share capital | | | | | | | | 15.8 |
| Share premium | | | | | | | | 39.6 |
| Other reserves | | | | | | | | 5.8 |
| Retained earnings | | | | | | | | 79.2 |
| | | | | | | | | 140.4 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006

21. Reconciliation of shareholders funds

Company – 2006

| | Share Capital €m | Share Premium €m | Capital Reserve €m | Share Options Reserve €m | Hedging Reserve €m | Retained Earnings €m | Total €m |
|---|------------------------|------------------------|--------------------------|-----------------------------------|--------------------------|----------------------------|-------------|
| Balance at 1 January 2006 | 15.8 | 39.6 | 2.1 | - | - | 12.2 | 69.7 |
| Total recognised income and expense for the year | - | - | - | - | 0.1 | 3.9 | 4.0 |
| Share issue | 0.1 | - | - | - | - | - | 0.1 |
| Exercise of share options - shares issued at premium | - | 1.0 | - | - | - | - | 1.0 |
| Employee share options expense | - | - | - | 0.3 | - | - | 0.3 |
| Redemption of redeemable share capital | - | - | - | - | - | (7.2) | (7.2) |
| | 0.1 | 1.0 | - | 0.3 | 0.1 | (3.3) | (1.8) |
| Balance at 31 December 2006 | 15.9 | 40.6 | 2.1 | 0.3 | 0.1 | 8.9 | 67.9 |
| Analysed as follows: | | | | | | | |
| Share capital | | | | | | | 15.9 |
| Share premium | | | | | | | 40.6 |
| Other reserves | | | | | | | 2.5 |
| Retained earnings | | | | | | | 8.9 |
| | | | | | | | 67.9 |

Company – 2005

| | Share Capital €m | Share Premium €m | Capital Reserve €m | Retained Earnings €m | Total €m |
|---|------------------------|------------------------|--------------------------|----------------------------|-------------|
| Balance at 1 January 2005 | 15.8 | 39.6 | 2.1 | 7.0 | 64.5 |
| Total recognised income and expense for the year | - | - | - | 11.5 | 11.5 |
| Redemption of redeemable share capital | - | - | - | (6.3) | (6.3) |
| | - | - | - | 5.2 | 5.2 |
| Balance at 31 December 2005 | 15.8 | 39.6 | 2.1 | 12.2 | 69.7 |
| Analysed as follows: | | | | | |
| Share capital | | | | | 15.8 |
| Share premium | | | | | 39.6 |
| Other reserves | | | | | 2.1 |
| Retained earnings | | | | | 12.2 |
| | | | | | 69.7 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006 - CONTINUED

21. Reconciliation of shareholders funds – continued

Group and Company

Share premium

The share premium account comprises the excess of monies received in respect of share capital over the nominal value of shares issued.

Capital reserves

This consists of reserves arising on consolidation and the capital redemption reserve. Reserves arising on consolidation relate to the acquisition of a subsidiary. At 31 December 2006 the reserve balance stands at €0.1 million. The balance is unchanged from 1 January 2005 and 1 January 2006.

The Capital Redemption reserve represents the nominal value of share capital repurchased. At 31 December 2006 the reserve balance stands at €2.1 million. The balance is unchanged from 1 January 2005 and 1 January 2006.

Share options reserve

The share options reserve represents the cumulative charge to the Income Statement of share options issued which are not yet exercised and issued as shares.

Hedging reserve

The hedging reserve represents the fair value of derivative financial instruments.

Translation reserve

The translation reserve represents the value of retranslation of the reserves of subsidiary companies.

22. Borrowings

| | Group | | Company | |
|---|------------|------------|------------|------------|
| | 2006 €m | 2005 €m | 2006 €m | 2005 €m |
| Bank overdrafts | 0.1 | 0.1 | 0.1 | - |
| Bank loans | 117.1 | 111.0 | 10.0 | 10.1 |
| | 117.2 | 111.1 | 10.1 | 10.1 |
| The borrowings are repayable as follows: | | | | |
| On demand or within one year | 11.9 | 11.7 | 0.1 | - |
| In the second year | 11.8 | 11.6 | - | - |
| In the third year | 9.1 | 11.6 | - | - |
| In the fourth year | 84.4 | 9.2 | - | - |
| In the fifth year | - | 67.0 | 10.0 | 10.1 |
| | 117.2 | 111.1 | 10.1 | 10.1 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (11.9) | (11.7) | (0.1) | - |
| Amount due for settlement after 12 months | 105.3 | 99.4 | 10.0 | 10.1 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006

22. Borrowings - continued

All of the Company's borrowings are denominated in euro and are unsecured.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | Euro €m | Sterling €m | US Dollar €m | Total €m |
|-----------------|------------|----------------|-----------------|-------------|
| 2006 | | | | |
| Bank overdrafts | 0.1 | - | - | 0.1 |
| Bank Loans | 85.8 | 16.7 | 14.6 | 117.1 |
| | 85.9 | 16.7 | 14.6 | 117.2 |
| 2005 | | | | |
| Bank overdrafts | 0.1 | - | - | 0.1 |
| Bank loans | 70.1 | 24.6 | 16.3 | 111.0 |
| | 70.2 | 24.6 | 16.3 | 111.1 |

The weighted average interest rates paid were as follows:

| | Group | | Company | |
|-----------------|------------|------------|------------|------------|
| | 2006 €m | 2005 €m | 2006 €m | 2005 €m |
| Bank overdrafts | 4.5% | 3.7% | 4.5% | 3.7% |
| Bank loans | 4.4% | 4.0% | 3.7% | 3.1% |

All borrowings are arranged at floating rates, thus exposing the Group and Company to cash flow interest rate risk.

Bank overdrafts are repayable on demand and are unsecured. The average effective interest rate on bank overdrafts is calculated by reference to the lenders prime rate and approximated 4.5% (2005: 3.7%) for the Group and 4.5% (2005: 3.7%) for the Company in the year.

The bank loans have been drawn under a Multi-currency and Revolving Facilities agreement dated 4 October 2005. At 31 December 2006 €16.7 million (2005: €25.1 million) of the amounts drawn were secured by statutory marine mortgages on two of the Group's vessels. The balance of the drawings in the Group were unsecured.

The bank loans drawn by the Company under the Group facility agreement were unsecured.

Interest on all debt is calculated by reference to inter bank interest rates (EURIBOR and LIBOR). At 31 December 2006 the Group had two principal drawings under the Group loan facility:

(a) Amortising Debt of €38.4 million repayable in four annual instalments.

(b) Revolving debt of €78.7 million repayable by 4 October 2010.

At 31 December 2006 the Company had drawn down €10.0 million (2005: €10.1 million) under the revolving facility which is repayable by 4 October 2010.

At 31 December 2006, the Group and Company had available €26.8 million (2005: €44.3 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2006 - CONTINUED

23. Derivative financial instruments

Group

| | 2006 Assets €m | 2006 Liabilities €m | 2005 Assets €m | 2005 Liabilities €m |
|--|----------------------|---------------------------|----------------------|---------------------------|
| Interest rate swaps | | | | |
| – current assets / non current liabilities | 0.5 | - | - | 0.1 |

Company

| | 2006 Assets €m | 2006 Liabilities €m | 2005 Assets €m | 2005 Liabilities €m |
|---------------------|----------------------|---------------------------|----------------------|---------------------------|
| Interest rate swaps | | | | |
| – current assets | 0.1 | - | - | - |

Interest rate swaps

The Group and Company uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowing by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with nominal values of €59.5 million have fixed interest payments at an average rate of 3.5% for periods up until 2008 and have floating interest receipts calculated by reference to EURIBOR or LIBOR at each interest fixing date.

The fair value of swaps entered into at 31 December 2006 is estimated at €0.5 million (2005: (€0.1 million)) for the Group and €0.1 million (2005: €0.043 million) for the Company. These amounts are based on quoted market prices for equivalent instruments at the balance sheet date. All of these interest rate swaps are designated and effective as cash flow hedges and the fair value thereof has been deferred in equity. Cash flows under these contracts are expected to arise over the life of the contract which range from 12 to 36 months from the balance sheet date.

Receipts totalling €0.1 million (2005: payments of €0.8 million) have been included in Group interest payments made in the period.

Currency derivatives

The Group and Company utilises currency derivatives to hedge future cash flows in the management of its exchange rate exposures. At 31 December 2006 and 31 December 2005 the Group and Company had no unsettled foreign currency forward contracts.

Interest rate risk profile of financial assets and liabilities

The interest rate and currency profile of the Group's borrowings as at 31 December was as follows:

| | 2006 Euro €m | 2006 Sterling €m | 2006 US Dollar €m | Total €m |
|---|--------------------|------------------------|-------------------------|-------------|
| Fixed rate debt | (51.2) | - | - | (51.2) |
| Variable rate debt | (42.3) | (16.7) | (14.6) | (73.6) |
| Gross debt | (93.5) | (16.7) | (14.6) | (124.8) |
| Cash deposits | 5.8 | 4.5 | 0.7 | 11.0 |
| Net debt | (87.7) | (12.2) | (13.9) | (113.8) |
| Weighted average fixed rate | 4.3% | - | 8.1% | 4.3% |
| Weighted average period of fixed interest (years) | 3.5 | - | 9.1 | 3.5 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2006

23. Derivative financial instruments – continued

| | 2005 Euro €m | 2005 Sterling €m | 2005 US Dollar €m | Total €m |
|---|--------------------|------------------------|-------------------------|-------------|
| Fixed rate debt | (37.6) | (8.8) | (4.5) | (50.9) |
| Variable rate debt | (41.1) | (15.9) | (12.0) | (69.0) |
| Gross debt | (78.7) | (24.7) | (16.5) | (119.9) |
| Cash deposits | 9.3 | 2.9 | 1.8 | 14.0 |
| Net debt | (69.4) | (21.8) | (14.7) | (105.9) |
| Weighted average fixed rate | 4.1% | 5.1% | 3.9% | 4.3% |
| Weighted average period of fixed interest (years) | 3.8 | 2.7 | 3.4 | 3.6 |

24. Deferred tax liabilities

The Company and its subsidiaries, where appropriate, have elected to be taxed under the Irish Tonnage Tax system in respect of all eligible activities. Certain activities will not fall within the tonnage tax regime and will continue therefore to be subject to standard rates of corporation tax. These activities give rise to deferred tax assets and liabilities and the impact of these is shown below.

In both the Group and the Company taxable losses, in excess of expected future reversing taxable temporary differences, have been incurred that are available for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses where suitable taxable profits are not expected to arise within the next financial year.

Group

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods.

| | Accelerated tax depreciation €m | Tax losses €m | Retirement benefit obligation €m | 2006 Total €m | 2005 Total €m |
|---|--|---------------------|---|---------------------|---------------------|
| At beginning of year | 6.6 | (2.2) | 0.5 | 4.9 | 5.1 |
| (Credit) / charge to the income statement for the year | (0.6) | 0.5 | 0.2 | 0.1 | (0.3) |
| Charge to the Statement of Recognised Income and Expenses | - | - | 0.5 | 0.5 | - |
| Exchange differences | 0.1 | - | - | 0.1 | 0.1 |
| At end of year | 6.1 | (1.7) | 1.2 | 5.6 | 4.9 |

Company

The following are the major deferred tax liabilities and assets recognised by the Company, and the movements thereon, during the current and prior reporting periods.

| | Accelerated tax depreciation €m | Tax losses €m | 2006 Total €m | 2005 Total €m |
|---|--|---------------------|---------------------|---------------------|
| At beginning of year | 0.1 | (0.1) | - | 0.1 |
| Credit to income statement for the year | - | - | - | (0.1) |
| At end of year | 0.1 | (0.1) | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006 - CONTINUED

24. Deferred tax liabilities - continued

Unrecognised deferred tax assets – Group and Company

The estimated value of the deferred tax asset not recognised is €0.6 million (2005: €2.9 million) in the Group and €0.2 million (2005: €0.2 million) in the Company. These amounts are analysed as follows:

| | Group | | Company | |
|-----------------------------------|------------|------------|------------|------------|
| | 2006 €m | 2005 €m | 2006 €m | 2005 €m |
| Accelerated capital allowances | (0.1) | 0.2 | - | - |
| ACT not immediately recoverable | 0.1 | 0.1 | 0.1 | 0.1 |
| Tax losses carried forward | 0.6 | 2.6 | 0.1 | 0.1 |
| Deferred tax asset not recognised | 0.6 | 2.9 | 0.2 | 0.2 |

25. Obligations under finance leases
Group

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---------------------------|------------|---|------------|
| | 2006 €m | 2005 €m | 2006 €m | 2005 €m |
| Amounts payable under finance leases: | | | | |
| Within one year | 2.8 | 3.6 | 2.6 | 3.5 |
| In the second to fifth years inclusive | 5.0 | 5.7 | 4.6 | 5.2 |
| After five years | 0.4 | 0.1 | 0.4 | 0.1 |
| | 8.2 | 9.4 | 7.6 | 8.8 |
| Less: future finance charges | (0.6) | (0.6) | - | - |
| Present value of lease obligations | 7.6 | 8.8 | 7.6 | 8.8 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (2.6) | (3.5) | (2.6) | (3.5) |
| Amount due for settlement after 12 months | 5.0 | 5.3 | 5.0 | 5.3 |

Company

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---------------------------|------------|---|------------|
| | 2006 €m | 2005 €m | 2006 €m | 2005 €m |
| Amounts payable under finance leases: | | | | |
| Within one year | 0.2 | 0.2 | 0.2 | 0.2 |
| In the second to fifth years inclusive | - | 0.2 | - | 0.2 |
| Present value of lease obligations | 0.2 | 0.4 | 0.2 | 0.4 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (0.2) | (0.2) | (0.2) | (0.2) |
| Amount due for settlement after 12 months | - | 0.2 | - | 0.2 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006

25. Obligations under finance leases - continued

It is the Group's and Company's policy to lease certain of its fixtures and equipment under finance leases. Lease terms vary from 3 to 12 years for the Group and vary from 3 to 4 years for the Company depending on the type of asset. For the year ended 31 December 2006, the average effective borrowing rate was 4.3% (2005: 4.2%) in the Group and 3.7% (2005: 3.5%) in the Company. Interest rates are fixed at the contract date, and thus expose the Group and Company to fair value interest rate risk. All leases are on a fixed repayment basis.

Group lease obligations at 31 December are denominated in the following currencies:

| | 2006 €m | 2005 €m |
|-----------|------------|------------|
| Euro | 7.6 | 8.6 |
| US Dollar | - | 0.2 |
| | 7.6 | 8.8 |

Company lease obligations at 31 December 2006 and 31 December 2005 are denominated in euro.

The fair value of the Group and Company's lease obligations approximates their carrying amount.

The Group and Company's obligations under finance leases are secured by the lessors' title to the leased assets.

26. Trade and other payables

| | Group As restated | | Company As restated | |
|-------------------------------------|----------------------|------------|------------------------|------------|
| | 2006 €m | 2005 €m | 2006 €m | 2005 €m |
| Trade creditors and accruals | 47.8 | 49.7 | 3.2 | 5.2 |
| Amounts due to subsidiary companies | - | - | 48.2 | 48.8 |
| | 47.8 | 49.7 | 51.4 | 54.0 |
| - payable within one year | 47.8 | 46.0 | 51.4 | 52.7 |
| - payable after one year | - | 3.7 | - | 1.3 |
| | 47.8 | 49.7 | 51.4 | 54.0 |

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are non-interest bearing.

The directors consider that the carrying amount of trade payables approximates their fair value.

Taxation amounts payable by the Group and Company at 31 December are as follows:

| | Group | | Company | |
|------------------------------|------------|------------|------------|------------|
| | 2006 €m | 2005 €m | 2006 €m | 2005 €m |
| Corporation tax | 0.7 | 1.8 | - | - |
| Payroll taxes | 1.0 | 1.1 | 0.3 | 0.3 |
| Pay related social insurance | 0.5 | 1.1 | 0.1 | 0.1 |
| Value added tax | 1.4 | 0.8 | - | - |
| | 3.6 | 4.8 | 0.4 | 0.4 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006 - CONTINUED

27. Provisions

Group

| | Claims provision €m | Restructuring provision €m | Deferred grant €m | 2006 Total €m | 2005 Total €m |
|----------------------------------|---------------------------|----------------------------------|-------------------------|---------------------|---------------------|
| At beginning of year | 1.2 | 33.0 | 1.6 | 35.8 | 8.6 |
| Additional provision in the year | - | 3.7 | - | 3.7 | 34.5 |
| Utilisation of provision | (0.4) | (35.4) | (0.1) | (35.9) | (6.0) |
| Release of overprovision | - | - | - | - | (1.3) |
| At end of year | 0.8 | 1.3 | 1.5 | 3.6 | 35.8 |
| Analysed as: | | | | | |
| Current liabilities | 0.4 | 1.3 | 0.1 | 1.8 | 33.7 |
| Non-current liabilities | 0.4 | - | 1.4 | 1.8 | 2.1 |
| | 0.8 | 1.3 | 1.5 | 3.6 | 35.8 |

The claims provision comprises the insurance excess payable by the Group in a number of potential compensation claims, principally from passengers. It is estimated that 50% of these claims will be settled within one year. The deferred grant is in respect of capital assets and is amortised to the income statement over the life of the assets. Restructuring costs and the related provision are explained in note 7 and are all payable within one year.

Company

| | 2006 €m | 2005 €m |
|--------------------------|------------|------------|
| Claims provision | | |
| At beginning of year | 0.1 | 0.6 |
| Release of overprovision | - | (0.5) |
| At end of year | 0.1 | 0.1 |

The claims provision comprises the insurance excess payable by the Company in a number of routine potential compensation claims, principally from passengers. It is estimated that these claims will be settled within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2006

28. Commitments

| | Group 2006 €m | 2005 €m | Company 2006 €m | 2005 €m |
|--|---------------------|------------|-----------------------|------------|
| Commitments under port operating agreements | 3.4 | 3.2 | - | - |
| Commitments for the acquisition of property, plant and equipment | 7.1 | 2.2 | - | 1.6 |

The Group has given commitments under a number of port operating agreements which give rise to a minimum annual charge as noted above. These agreements are due to expire within two to four years.

29. Operating lease agreements

| | Group 2006 €m | 2005 €m | Company 2006 €m | 2005 €m |
|--|---------------------|------------|-----------------------|------------|
| Minimum lease payments under operating leases recognised as an expense in the year | 32.4 | 32.7 | - | 0.1 |

At the balance sheet date outstanding commitments under non-cancellable operating leases fall due as follows:

| | Group 2006 €m | 2005 €m | Company 2006 €m | 2005 €m |
|--|---------------------|------------|-----------------------|------------|
| Within one year | 15.4 | 29.0 | 0.1 | 0.1 |
| In the second to fifth years inclusive | 3.0 | 12.1 | - | - |
| After five years | 45.7 | 46.4 | - | - |
| | 64.1 | 87.5 | 0.1 | 0.1 |

Group

Operating lease payments represent rentals payable by the Group for certain of its properties, for the charter of container ships and for the hire of containers and other equipment. The outstanding term of the operating leases of the Group at 31 December 2006 ranges from 2 months to 116 years. Property rentals are fixed for periods ranging from two to six years. All other rentals are fixed for the term of the contract.

Company

Operating lease payments represent rentals payable by the Company for one of its office properties. This lease can be terminated with six months notice. Property rentals are fixed for an average of three years.

30. Operating lease income

The aggregate future minimum lease payments receivable under non-cancellable operating leases for the Group are as follows:

| | 2006 €m | 2005 €m |
|--|------------|------------|
| Within one year | 10.2 | 10.8 |
| In the second to fifth years inclusive | 22.4 | 6.3 |
| After five years | - | - |
| | 32.6 | 17.1 |

The group charters two ships under operating lease to a third party. The ships are chartered at fixed rates for terms expiring in 2010, with the charterer's option to extend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006 - CONTINUED

31. Share-based payments

The Group and Company operates equity settled share option schemes. Certain employees of the Group and Company have been issued with share options under the Group's and Company's share option plans adopted in 1988 and 1998.

Options granted prior to March 1998 are governed by the provisions of the 1988 share option scheme as amended, most recently in 1994. The scheme provides for two forms of share options to be granted as follows:

- 1. Three year options: These may be exercised between the third and tenth anniversary of grant only if earnings per share growth exceeded the rate of inflation for the period.
- 2. Five year options: These may be exercised between the fifth and tenth anniversary of grant provided earnings per share growth would place the Group in the top quartile of companies in the ISEQ.

Options granted subsequent to March 1998 are governed by the provisions of the 1998 share option scheme. In the case of this plan the performance criteria are as follows:

- 1. Basic options may be exercised between the third and tenth anniversary of grant only if earnings per share growth is 2% per annum above inflation for the period.
- 2. Super options may be exercised between the fifth and tenth anniversary of grant only if earnings per share growth is such as to place the Group in the top quartile of ISEQ companies and the Group's earnings per share growth is at least 10% per annum above inflation for the period.

The number of shares over which options may be granted may not exceed 10% of the shares of the company in issue.

Options are forfeited when the grantee ceases employment with the Group or Company.

The number and weighted average exercise price of share options granted under the above plans is as follows:

| | Number of share options | 2006 Weighted average exercise price € | Number of share options | 2005 Weighted average exercise price € |
|--|-------------------------------|---|-------------------------------|---|
| Outstanding at 1 January | 2,164,000 | 8.41 | 1,936,500 | 8.17 |
| Granted during the year | 265,000 | 10.67 | 252,500 | 10.00 |
| Forfeited during the year | (282,000) | 11.10 | (17,500) | 5.30 |
| Exercised during the year | (155,000) | 6.66 | (7,500) | 5.54 |
| Expired during the year | - | - | - | - |
| Outstanding at 31 December | 1,992,000 | 8.46 | 2,164,000 | 8.42 |
| Exercisable at 31 December | 398,750 | 6.25 | 550,000 | 6.44 |
| Weighted average share price at date of exercise of options | | 11.74 | | 9.97 |
| Weighted average remaining contractual life of options outstanding at year end | | 4.6 years | | 4.5 years |

The options outstanding at 31 December 2006 can be exercised at prices ranging from 530 cent to 1143 cent.

Options issued after 7 November 2002

Since the 7th of November 2002 options have been granted on the 13th of April 2005 and on the 18th of September 2006. The estimated fair values of the options are €4.01 and €4.43 respectively per share under option. No other options have been granted since 7 November 2002.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006

31. Share-based payments - continued

Equity settled share-based payments for share options granted after 7 November 2002 are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. Fair value is measured using the Binomial option pricing model (2005: Black-Scholes). The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The inputs into the model were as follows:

| | 2006 | 2005 |
|---------------------------------|----------|----------|
| Weighted average share price | €10.67 | €10 |
| Weighted average exercise price | €10.67 | €10 |
| Expected volatility | 35% | 36% |
| Expected life | 10 years | 10 years |
| Risk free rate | 3.765% | 3.293% |
| Expected dividend yield | 1.87% | 1.69% |

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. In 2006 the Group recognised total expenses of €0.4 million (2005: €0.1 million) and the Company €0.3 million (2005: €0.04 million), relating to equity share-based payment transactions. The balance on the share option reserve in the Group Balance Sheet at 31 December 2006 is €0.5 million (2005: €0.1 million) as per note 21. The balance on the share option reserve in the Company Balance Sheet at 31 December 2006 is €0.3 million (2005: nil) as per note 21.

32. Retirement benefit plans

(a) Group Retirement benefit plans

(i) Group sponsored schemes

The Group operates contributory defined benefit pension schemes, which provide retirement and death benefits for virtually all full-time employees. The assets of these schemes are held separately from those of the Group in funds under the control of trustees.

The pension contributions paid in the year ended 31 December 2006 amounted to €1.7 million (2005: €2.0 million) while the current service cost charged to the income statement, amounted to €3.2 million (2005: €4.2 million). In 2005 a curtailment credit of €5.4 million was recognised as a credit to restructuring costs in the income statement. There is no corresponding credit in 2006. At 31 December 2006 the number of pensioners in payment from the Group company sponsored funds was 744 (2005: 732).

The pensions charge and payments in respect of the schemes are in accordance with the advice of professionally qualified actuaries. The latest actuarial valuation reports for these schemes, which are not available for public inspection, are dated between 1 October 2003 and 31 March 2006. The valuations employed for disclosure purposes have been based on the most recent funding valuations for each scheme adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2006 and to take account of financial conditions at this date. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method and assets have been valued at market value.

(ii) Merchant Navy Officers Pension Fund (MNO PF)

In addition to the pension schemes operated by the Group, certain employees are included in the Merchant Navy Officers Pension Fund. In prior years due to the unavailability of data the MNO PF sheme was recorded as a defined contribution scheme included in trade and other receivables. From January 2006, however, the trustees were able to obtain sufficient data to enable a valuation to be completed on this scheme and in the current year accounts this scheme is treated as a defined benefit scheme included with the other Group schemes.

The deficit apportioned to the Group is €10.0 million at 31 December 2006 (2005: €4.3 million included in trade and other payables) and this is the value included in the Groups pension scheme in 2006.

In the year to 31 December 2005 there was a defined contribution charge to the Income Statement of €5.0 million. In the current year there is a credit to the Income Statement in relation to the MNO PF scheme of €0.5 million comprising a service cost of €0.1 million included in Employee Benefit Expense and a credit of €0.6 million included within finance charges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006 - CONTINUED

32. Retirement benefit plans - continued

(iii) *Principal assumptions*

The principal assumptions used for the purpose of the actuarial valuations were as follows:

| | EURO LIABILITIES | | STERLING LIABILITIES | |
|---|------------------|--------------|----------------------|-------|
| | 2006 | 2005 | 2006 | 2005 |
| Discount rate | 4.75% | 4.25% | 5.10% | 4.75% |
| Inflation rate | 2.25% | 2.25% | 2.75% | 2.75% |
| Rate of increase of pensions in payment | 2.0% - 2.25% | 2.0% - 2.50% | 2.75% | 2.75% |
| Rate of general salary increases | 3.75% - 4.25% | 3.75% | 4.25% | 4.25% |

The long term expected rates of return at 31 December were as follows:

| | EURO ASSETS | | STERLING ASSETS | |
|----------|-------------|-------|-----------------|-------|
| | 2006 | 2005 | 2006 | 2005 |
| Equities | 7.25% | 7.25% | 7.50% | 8.25% |
| Bonds | 4.10% | 3.60% | 4.50% | 4.10% |
| Property | 6.25% | 6.25% | 6.50% | 7.25% |
| Other | 3.00% | 2.00% | 3.50% | 2.50% |

The average life expectancy used in all schemes at age 60 is as follows;

| | 2006 |
|------------------|------------|
| Current retirees | 24.5 years |
| Future retirees | 25.3 years |

The directors have taken independent actuarial advice on the discount rate and the expected long term rates of return as these are key judgements used in the estimate of retirement benefit scheme assets and liabilities.

(iv) *Retirement benefit assets and liabilities*

The amount recognised in the balance sheet in respect of the Group's defined benefit retirement benefit plan including an apportionment in repect of MNOFP is as follows:

| | SCHEMES WITH LIABILITIES IN EURO | | SCHEMES WITH LIABILITIES IN STERLING | |
|-------------------------------------|-------------------------------------|---------|---|--------|
| | 2006 | 2005 | 2006 | 2005 |
| Equities | 184.5 | 165.6 | 32.2 | 8.1 |
| Bonds | 28.6 | 31.3 | 23.3 | 12.1 |
| Property | 17.6 | 17.0 | 3.7 | 0.3 |
| Other | 6.2 | 5.4 | 1.0 | 0.1 |
| Market value of scheme assets | 236.9 | 219.3 | 60.2 | 20.6 |
| Present value of scheme liabilities | (210.0) | (213.6) | (67.3) | (18.9) |
| Excess / (deficit) in schemes | 26.9 | 5.7 | (7.1) | 1.7 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006

32. Retirement benefit plans

Three of the defined benefit schemes accounted for by the Group are in a net surplus position and are shown in non current assets on the consolidated balance sheet.

Two of the defined benefit schemes accounted for by the Group are in a net deficit position and are shown in non current liabilities. The split between the amounts shown in each category is as follows:

| | 2006 €m | 2005 €m |
|--|------------|------------|
| Non current assets – retirement benefit surplus | 29.9 | 8.0 |
| Non current liabilities – retirement benefit deficit | (10.1) | (0.6) |
| Net surplus in pension schemes | 19.8 | 7.4 |

Investment of the plan assets in the Employer Company did not exceed 5% of the total market value of the Fund.

(v) *Movements in retirement benefit assets*

Movements in the present value of fair value of scheme assets in the current year were as follows:

| | Schemes in Sterling €m | Schemes in Euro €m | Total 2006 €m | Total 2005 €m |
|--|------------------------------|--------------------------|---------------------|---------------------|
| At beginning of year | 20.5 | 219.4 | 239.9 | 205.8 |
| MNOFP reclassification from trade and other payables in 2005 | 34.4 | - | 34.4 | - |
| Expected return on scheme assets | 3.6 | 14.2 | 17.8 | 13.1 |
| Actuarial gains | 0.5 | 8.8 | 9.3 | 25.5 |
| Exchange difference | 1.1 | - | 1.1 | 0.5 |
| Contributions from sponsoring company | 0.8 | 0.9 | 1.7 | 2.1 |
| Contributions from scheme members | 0.1 | 0.8 | 0.9 | 1.5 |
| Benefits paid | (0.8) | (7.2) | (8.0) | (8.6) |
| At end of year | 60.2 | 236.9 | 297.1 | 239.9 |

(vi) *Movements in retirement benefit liabilities*

Movements in the present value of defined benefit obligations in the year were as follows:

| | Schemes in Sterling €m | Schemes in Euro €m | Total 2006 €m | Total 2005 €m |
|--|------------------------------|--------------------------|---------------------|---------------------|
| At beginning of year | 18.9 | 213.6 | 232.5 | 207.8 |
| MNOFP reclassification from trade and other payables in 2005 | 38.7 | - | 38.7 | - |
| Service cost | 0.5 | 2.7 | 3.2 | 4.2 |
| Interest cost | 2.7 | 9.0 | 11.7 | 9.9 |
| Contributions from scheme members | 0.1 | 0.8 | 0.9 | 1.5 |
| Actuarial gains and losses | 6.1 | (8.9) | (2.8) | 21.5 |
| Exchange difference | 1.1 | - | 1.1 | 0.6 |
| Benefits paid | (0.8) | (7.2) | (8.0) | (8.6) |
| Curtailment gain | - | - | - | (5.4) |
| Past service cost | - | - | - | 1.0 |
| At end of year | 67.3 | 210.0 | 277.3 | 232.5 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006 - CONTINUED

32. Retirement benefit plans - continued

(vii) Amounts recognised in consolidated income statement

Amounts recognised in the Consolidated Income Statement in respect of the defined benefit plan are as follows:

| | 2006 €m | 2005 €m |
|--|------------|------------|
| Charged to Employee benefits expense | | |
| Current service cost | 3.2 | 4.2 |
| Past service cost | - | 1.0 |
| | 3.2 | 5.2 |
| Other (credits) / charges to Income statement | | |
| Expected return on scheme assets (note 8) | (17.8) | (13.1) |
| Interest on scheme liabilities (note 9) | 11.7 | 9.9 |
| | (6.1) | (3.2) |

(Credit) / charge to the Income Statement

In the current year the Expected return on scheme assets has been recorded under Investment revenue (note 8) and the interest on scheme liabilities has been recorded in the income statement under Finance costs (note 9).

In the prior year financial statements, the net of these two amounts (€3.2 million) was offset against Employee benefits expense. This change in accounting policy has been made so that the trading profit better reflects the trading performance of the Group and the comparatives have been restated accordingly.

| | 2006 €m | 2005 €m |
|---|------------|------------|
| Credited to restructuring costs (note 7) | | |
| Curtailment credit | - | 5.4 |

The estimated amounts of contributions expected to be paid to the schemes during 2007 is €1.7 million (2006: €1.3 million).

(viii) Amounts recognised in consolidated statement of recognised income and expense

Amounts recognised in the Consolidated Statement of Recognised Income and Expense (SORIE) in respect of the defined benefit plan are as follows:

| | 2006 €m | 2005 €m |
|--|------------|------------|
| Actual return less expected return on scheme assets | 9.3 | 25.4 |
| Experience (loss) / gain on scheme liabilities | (12.3) | 3.1 |
| Gain / (loss) due to change in assumptions used to value liabilities | 15.1 | (24.6) |
| Actuarial gain recognised in Group SORIE | 12.1 | 3.9 |

(ix) Experience adjustments

The three-year history of experience adjustments is as follows:

| | 2006 €m | 2005 €m | 2004 €m |
|--|------------|------------|------------|
| Present value of defined benefit obligations | (277.3) | (232.5) | (207.8) |
| Fair value of scheme assets | 297.1 | 239.9 | 205.8 |
| Net surplus / (deficit) in pension scheme | 19.8 | 7.4 | (2.0) |
| Experience adjustments on scheme liabilities | (2.8) | 21.5 | 22.0 |
| Experience adjustments on scheme assets | 9.3 | 25.5 | 7.7 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006

32. Retirement benefit plans

(b) Company Retirement benefit plans

(i) Company sponsored / Group affiliated schemes

Employees of the Company are members of one of three retirement benefit pension schemes. Certain employees of the company are members of a defined benefit pension scheme which is sponsored by another Group company, Irish Ferries Limited. The stated policy between the sponsoring entity and the company does not require the company to recognise the net defined benefit in its individual financial statements. Consequently the company recognises a retirement benefit cost in its income statement in respect of this scheme equal to its contribution payable for the year. Detailed information in respect of this scheme is given within part (a) of this note. Other employees are members of the ICG Executive Pension Scheme, which is sponsored by the Company.

The contributory defined benefit pension schemes sponsored by the Company and the Group companies provide retirement and death benefits for employees. The assets of these schemes are held separately from those of the Company and the Group in funds under the control of trustees. The pensions charge and payments in respect of the schemes are in accordance with the advice of professionally qualified actuaries.

The latest actuarial valuation report for the ICG Executive Pension Scheme, which is not available for public inspection, is dated 1 July 2004. The valuation employed for disclosure purposes has been based on the most recent funding valuations for the scheme adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2006 and to take account of financial conditions at this date. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method and assets have been valued at market value.

(ii) Merchant Navy Officers Pension Fund (MNOF)

In addition to the pension schemes operated by the Group, certain employees are included in the Merchant Navy Officers Pension Fund. This is a multi-employer defined benefit scheme. In prior years due to the unavailability of data the MNOF scheme was recorded as a defined contribution scheme included in trade and other receivables. From January 2006, however, the trustees were able to obtain sufficient data to enable a valuation to be completed on this scheme and in the current year accounts this scheme is treated as a defined benefit scheme included with the other Company scheme.

The deficit apportioned to the Company is €3.5 million at 31 December 2006 and this is the value included in the Company's pension scheme in 2006.

(iii) Principal assumptions

The principal assumptions used for the purpose of the actuarial valuations are set out in part (a) of this note.

(iv) Retirement benefit assets and liabilities

The amount recognised in the balance sheet in respect of the Company's defined benefit retirement benefit plans, including an apportionment in respect of the MNOF are as follows:

| | SCHEMES WITH LIABILITIES IN EURO | | SCHEMES WITH LIABILITIES IN STERLING | |
|-------------------------------------|-------------------------------------|-------|---|------|
| | 2006 | 2005 | 2006 | 2005 |
| Equities | 1.4 | 1.1 | 8.4 | - |
| Bonds | 0.2 | 0.1 | 3.5 | - |
| Property | 0.2 | 0.2 | 1.2 | - |
| Other | - | - | 0.4 | - |
| Market value of scheme assets | 1.8 | 1.4 | 13.5 | - |
| Present value of scheme liabilities | (1.9) | (2.0) | (17.0) | - |
| Deficit in schemes | (0.1) | (0.6) | (3.5) | - |

The two defined benefit pension schemes accounted for by the Company are in net deficit.

Investment of the plan assets in the Employer Company did not exceed 5% of the total market value of the Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006 - CONTINUED

32. Retirement benefit plans - continued

(v) *Movement in retirement benefit assets*

Movements in the present value of fair value of scheme assets in the current year were as follows:

| | Schemes in Sterling €m | Schemes in Euro €m | Total 2006 €m | Total 2005 €m |
|--|------------------------------|--------------------------|---------------------|---------------------|
| At beginning of year | - | 1.3 | 1.3 | 1.0 |
| MNOPF reclassification from trade and other payables in 2005 | 12.0 | - | 12.0 | - |
| Expected return on scheme assets | 0.8 | 0.1 | 0.9 | 0.1 |
| Actuarial gains | 0.2 | 0.2 | 0.4 | 0.1 |
| Exchange difference | 0.2 | - | 0.2 | (0.1) |
| Contributions from sponsoring company | 0.2 | 0.2 | 0.4 | 0.2 |
| At end of year | 13.4 | 1.8 | 15.2 | 1.3 |

(vi) *Movement in retirement benefit liabilities*

Movements in the present value of defined benefit obligations in the year were as follows:

| | Schemes in Sterling €m | Schemes in Euro €m | Total 2006 €m | Total 2005 €m |
|--|------------------------------|--------------------------|---------------------|---------------------|
| At beginning of year | - | 1.9 | 1.9 | 1.6 |
| MNOPF reclassification from trade and other payables in 2005 | 13.5 | - | 13.5 | - |
| Service cost | - | 0.1 | 0.1 | 0.1 |
| Interest cost | 0.6 | 0.1 | 0.7 | 0.1 |
| Actuarial gains and losses | 2.5 | (0.2) | 2.3 | 0.1 |
| Exchange difference | 0.3 | - | 0.3 | - |
| At end of year | 16.9 | 1.9 | 18.8 | 1.9 |

(vii) *Amounts recognised in the Company income statement*

Amounts recognised in the Company Income Statement in respect of the defined benefit plan are as follows:

| | 2006 €m | 2005 €m |
|--|------------|------------|
| Charged to Employee benefit expense | | |
| Current service cost | 0.1 | 0.1 |
| Other (credits) / charges to Income statement | | |
| Expected return on scheme assets | (0.9) | (0.1) |
| Interest on scheme liabilities | 0.7 | 0.1 |
| | (0.2) | - |

(Credit) / charge to the income Statement

In the current year the Expected return on scheme assets has been recorded under Investment revenue and the interest on scheme liabilities has been recorded in the income statement under Finance costs.

In the prior year financial statements, as the net of these two amounts was nil there was no adjustment necessary. This change in accounting policy has been made so that the trading profit better reflects the trading performance of the Company and the comparatives have been restated accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006

32. Retirement benefit plans

(viii) *Amounts recognised in the Company statement of recognised income and expense*

Amounts recognised in the Company Statement of Recognised Income and Expense (SORIE) in respect of the defined benefit plan are as follows:

| | Year Ended 31/12/06 €m | Year Ended 31/12/05 €m |
|---|------------------------------|------------------------------|
| Actual return less expected return on scheme assets | 0.2 | 0.2 |
| Experience gain / (loss) on scheme liabilities | (2.5) | (0.1) |
| Loss due to change in assumptions used to value liabilities | 0.4 | (0.1) |
| Actuarial loss recognised in Company SORIE | (1.9) | - |

(ix) *Experience adjustments*

The three-year history of experience adjustments is as follows:

| | 2006 €m | 2005 €m | 2004 €m |
|--|------------|------------|------------|
| Present value of defined benefit obligations | (18.8) | (1.9) | (1.6) |
| Fair value of scheme assets | 15.2 | 1.3 | 1.0 |
| Net deficit in pension scheme | (3.6) | (0.6) | (0.6) |
| Experience adjustments on scheme liabilities | 2.3 | 0.2 | 0.4 |
| Experience adjustments on scheme assets | 0.4 | 0.2 | 0.1 |

33. Related party transactions

Group

During the year, Group entities provided administration and accounting services to Irish Ferries Limited Pension Scheme and Irish Ferries UK Pension Scheme, related parties that are not members of the Group. The value of these transactions was €0.1 million (2005: €0.1 million). Amounts owed by the pension schemes to the Group at 31 December 2006 totalled €0.1 million (2005: €0.1 million).

Company

The Company does not trade with any of its subsidiary companies. During the year it advanced and received funds to and from certain companies. Net funds advanced to subsidiaries during the year amounted to €1.2 million (2005: received from subsidiaries €19.9 million).

During the year the Company received dividends of €8.0 million (2005: €15.0 million) from subsidiary companies.

At 31 December the following amounts were due to or from the Company by its subsidiaries:

| | 2006 €m | 2005 €m |
|---|------------|------------|
| Amounts due from subsidiary companies (note 18) | 115.6 | 117.4 |
| Amounts due to subsidiary companies (note 26) | (48.2) | (48.8) |
| | 67.4 | 68.6 |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. In 2005 €1.4 million was recognised in respect of bad debts on amounts owed by related parties. There is no corresponding amount in 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2006 - CONTINUED

33. Related party transactions - continued

Compensation of key management personnel

The remuneration of key management, including directors, during the year was as follows:

| | Group | | Company | |
|--------------------------|-------|------|---------|------|
| | 2006 | 2005 | 2006 | 2005 |
| Short-term benefits | 4.0 | 3.5 | 1.9 | 1.5 |
| Post-employment benefits | 0.5 | 1.0 | 0.2 | 0.2 |
| Share based payments | 0.4 | 0.1 | - | - |
| | 4.9 | 4.6 | 2.1 | 1.7 |

Post employment benefits comprise the past and present service cost calculated in accordance with IAS 19 Employment Benefits.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals, market trends and the performance of the Group and Company.

34. Net cash from operating activities

Group

| | 2006 €m | As restated 2005 €m |
|---|-------------|---------------------------|
| Operating activities | | |
| Profit / (loss) for the year | 32.3 | (15.8) |
| Adjustments for: | | |
| Finance costs (net) | (0.4) | 1.5 |
| Income tax expense | 1.0 | 0.8 |
| Retirement benefit obligations - service cost | 3.2 | 5.2 |
| Retirement benefit obligations - payments | (1.7) | (2.0) |
| Depreciation of property, plant and equipment | 26.5 | 27.0 |
| Amortisation of intangible assets | 1.1 | 0.8 |
| Amortisation of deferred income | (0.1) | (0.1) |
| Share-based payment expense | 0.4 | 0.1 |
| Gain on disposal of property, plant and equipment | (0.2) | (0.5) |
| Restructuring programme payments | (35.4) | (5.9) |
| Increase in restructuring provision | 3.7 | 34.4 |
| Decrease in other provisions | (0.5) | (1.1) |
| Operating cash flows before movements in working capital | 29.9 | 44.4 |
| Increase in receivables | (15.9) | (2.4) |
| Increase / (decrease) in payables | 2.4 | (2.7) |
| Cash generated from operations | 16.4 | 39.3 |
| Income taxes paid | (1.7) | (1.7) |
| Interest paid | (6.0) | (5.9) |
| Net cash from operating activities | 8.7 | 31.7 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2006

34. Net cash from operating activities - continued

Company

| | 2006 €m | 2005 €m |
|---|------------|--------------|
| Operating activities | | |
| Profit for the year | 5.8 | 11.5 |
| Adjustments for: | | |
| Finance costs (net) | 0.1 | 0.8 |
| Income tax credit | - | (0.1) |
| Retirement benefit obligation - service cost | 0.1 | - |
| Retirement benefit obligation - payments | (0.4) | - |
| Dividend income | (8.0) | (15.0) |
| Depreciation of property, plant and equipment | 4.4 | 0.6 |
| Amortisation of intangible assets | 1.0 | 0.8 |
| Share-based payment expense | 0.3 | - |
| Loss on write off of investment | - | 0.1 |
| Decrease in provisions | - | (0.5) |
| Operating cash flows before movements in working capital | 3.3 | (1.8) |
| Increase in inventories | (0.1) | - |
| Decrease / (increase) in receivables | 1.1 | (0.1) |
| (Decrease) / increase in payables | (1.4) | 2.9 |
| Cash generated from operations | 2.9 | 1.0 |
| Interest paid | (0.3) | (0.8) |
| Net cash from operating activities | 2.6 | 0.2 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2006 - CONTINUED

35. Non-cash transactions

Additions to property, plant and equipment during the year amounting to €2.4 million (2005: €0.2 million) in the Group and €0.1million (2005: €0.1 million) in the Company were financed by new finance leases.

36. Contingent liabilities
Group

Pursuant to the provision of Section 17 of the Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of certain of its subsidiaries and, as a result, such subsidiaries have been exempted from the provisions of Section 7 of the Companies (Amendment) Act, 1986.

The Group has issued counter indemnities to Allied Irish Banks plc in relation to bonds required by regulatory authorities and suppliers, amounting to €0.9 million. The Group regards these financial guarantee contracts as insurance contracts and accordingly the accounting treatment applied is that applicable to insurance contracts. No claims have been notified to the Group in respect of these contracts, therefore no provision has been made in respect of amounts payable.

The Group has entered into leasing transactions in respect of two of the Group's vessels the early termination of which could, in certain circumstances, require the Group to compensate a counterparty for a benefit foregone to a current value of €13.5 million in present value terms (2005: €18.0 million). These leases are for a twenty year term and expire in 2018. The directors consider that no obligation had arisen at the balance sheet date nor is likely to arise as the likelihood of termination is remote. The Group has fair valued this financial guarantee contract at nil at 31 December 2006 (2005: nil) based on projected cash flows. Arising from the lease transaction, a net benefit accrues to the Group which is being recognised over the term of the lease. The amount included under other financial income in respect of this net benefit for 2006 was €0.2 million (2005: €0.7 million).

Company

Pursuant to the provision of Section 17 of the Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of certain of its subsidiaries and, as a result, such subsidiaries have been exempted from the provisions of Section 7 of the Companies (Amendment) Act, 1986. The Company has fair valued this financial guarantee contract at nil at 31 December 2006 (2005: nil) based on projected cash flows.

The Company has provided Letters of Financial Support for certain of its other subsidiaries. The Company has fair valued this financial guarantee contract at nil at 31 December 2006 (2005: nil) based on projected cash flows.

The Company has provided a guarantee in respect of certain leasing obligations arising in a subsidiary company amounting to a current value of €13.5 million in present value terms (2005: €18.0 million). The directors consider that no obligation had arisen at the balance sheet date nor is likely to arise. The Company has fair valued this financial guarantee contract at nil at 31 December 2006 (2005: nil) based on projected cash flows.

37. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 7 March 2007.

INVESTOR INFORMATION

ICG units

An ICG unit consists of one Ordinary Share and ten Redeemable Shares (or such lesser number thereof should any of the Redeemable Shares be redeemed). The shares comprising a unit are not separable for sale or transfer purposes.

The number of Redeemable Shares comprised in an ICG Unit at any particular time will be displayed on the Irish Continental Group plc website (www.icg.ie). The redemption of redeemable shares is solely at the discretion of the directors.

At 7 March 2007 an ICG unit consisted of one Ordinary share and three Redeemable shares.

Redemption of redeemable units

The Board of Directors, at its discretion, may, from time to time, redeem some or all of the Redeemable Shares at a premium over their nominal value. If any such redemption takes place it is unlikely that a dividend would also be paid in the same period, and vice versa.

Shareholders are offered the option of having any distributions paid in euro or in pounds sterling and made by way of cheque payment or electronic transfer. Shareholders should contact the Company's Registrars for further information.

The Company is obliged to deduct Dividend Withholding Tax (DWT) at the standard rate of income tax in Ireland (currently 20%) from dividends paid to its shareholders, unless a shareholder is entitled to an exemption from DWT and has returned a declaration form to the Company's Registrars claiming such entitlement.

Shareholder analysis at 7 March 2007

| Range of ICG units held | Number Number of shareholders | % | Number Number of units | % |
|-----------------------------|-------------------------------------|-------|------------------------------|----------|
| Over 100,000 | 38 | 1.8 | 18,140,914 | 74.3 |
| 10,001 - 100,000 | 117 | 5.6 | 3,387,769 | 13.9 |
| 5,001 - 10,000 | 115 | 5.5 | 814,326 | 3.3 |
| 1,001 - 5,000 | 690 | 33.0 | 1,614,090 | 6.6 |
| 1 - 1,000 | 1,132 | 54.1 | 454,109 | 1.9 |
| TOTAL | 2,092 | 100% | 24,411,208 | 100% |
| | | | | |
| ICG unit price data (€) | | High | Low | Year end |
| Year ended 31 December 2006 | | 14.60 | 10.40 | 13.90 |
| Year ended 31 December 2005 | | 12.20 | 9.25 | 10.78 |

Share listings

ICG units are traded on the Irish Stock Exchange. ICG units are quoted on the official lists of both the Irish Stock Exchange and the UK Listing Authority.

ICG's ISIN code is IE0033336516.

ICG is a member of the CREST share settlement system. Shareholders may choose to hold paper share certificates or hold their shares in electronic form.

Investor Relations

Please address investor enquiries to:

Irish Continental Group plc
Ferryport
Alexandra Road
Dublin 1

Telephone: +353 1 855 22 22
Fax: +353 1 855 22 68
E-mail: investorrelations@icg.ie

INVESTOR INFORMATION - CONTINUED

Registrar

The Company's Registrar deals with all administrative queries about the holding of ICG units.

Shareholders should contact the Registrar in order to:

- Register to receive shareholder information electronically.
- Elect to receive any distributions from the company by bank transfer.
- Amalgamate accounts where shareholders have multiple accounts in their name, to avoid duplicate sets of Company mailings being sent to one shareholder.

The registrar also offers a share dealing service to shareholders.

The company's registrar is Computershare Investor Services (Ireland) Limited
Heron House
Corrig Road
Sandyford Industrial Estate
Dublin 18

Telephone: +353 1 216 31 00
Fax: +353 1 216 31 51
E-mail: web.queries@computershare.co.uk

Financial calendar 2007

| | |
|---|---------------|
| Announcement of preliminary Statement of Results to 31 Dec 2006 | 8 March 2007 |
| Annual General Meeting | To Be Advised |

Travel discounts for Shareholders

Registered shareholders of 100 or more ICG shares can avail of a discount when travelling with Irish Ferries. The availability of the discount, the conditions applicable and the level of discount are subject to review and are varied from time to time. The principal features of the scheme at 7 March 2007 are:

- 20% discount on passenger & car ferry services between Ireland & Britain;
- 10% discount on passenger & car ferry services between Ireland & France (direct sailings only);
- 5% discount on Irish Ferries inclusive package holidays (incorporating travel with Irish Ferries).

To qualify for the discount the person travelling must be the registered holder of the shares, book online at www.irishferries.com, and apply for the discount at the time of booking. The discount is not available in conjunction with any other discount scheme.

For further information please contact Irish Ferries Customer Support in Dublin on + 353 1 855 2222 or e-mail shareholders@irishferries.com.

Other information

| | | | |
|-------------------|--|------------|--|
| Registered office | Ferryport Alexandra Road Dublin 1 | Registrars | Computershare Investor Services (Ireland) Limited Heron House, Corrig Road Sandyford Industrial Estate Dublin 18 |
| Solicitors | A&L Goodbody, Dublin DLA, Liverpool | | |
| Auditors | Deloitte & Touche Chartered Accountants and Registered Auditors Earlsfort Terrace, Dublin 2 | Website | www.icg.ie |
| | | Email | info@icg.ie |
| | | Reuters | ICG_u.i |
| | | Bloomberg | ICGc |
| Principal bankers | IIB Bank Ltd, Dublin AIB Bank, Dublin | Telerate | icg.u |
| | | ISE Extra | IR5 |
| Stockbrokers | NCB Stockbrokers Ltd, Dublin | | |

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