Irish Continental Group

REPORT AND FINANCIAL STATEMENTS

2011


ULYSSES

IRISH CONTINENTAL GROUP

Irish Continental Group (ICG) is a leading Irish based maritime transport group. We carry 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. We also operate container terminals in the ports of Dublin and Belfast.

We aim for success 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 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.

CONTENTS

THE GROUP

The Group:

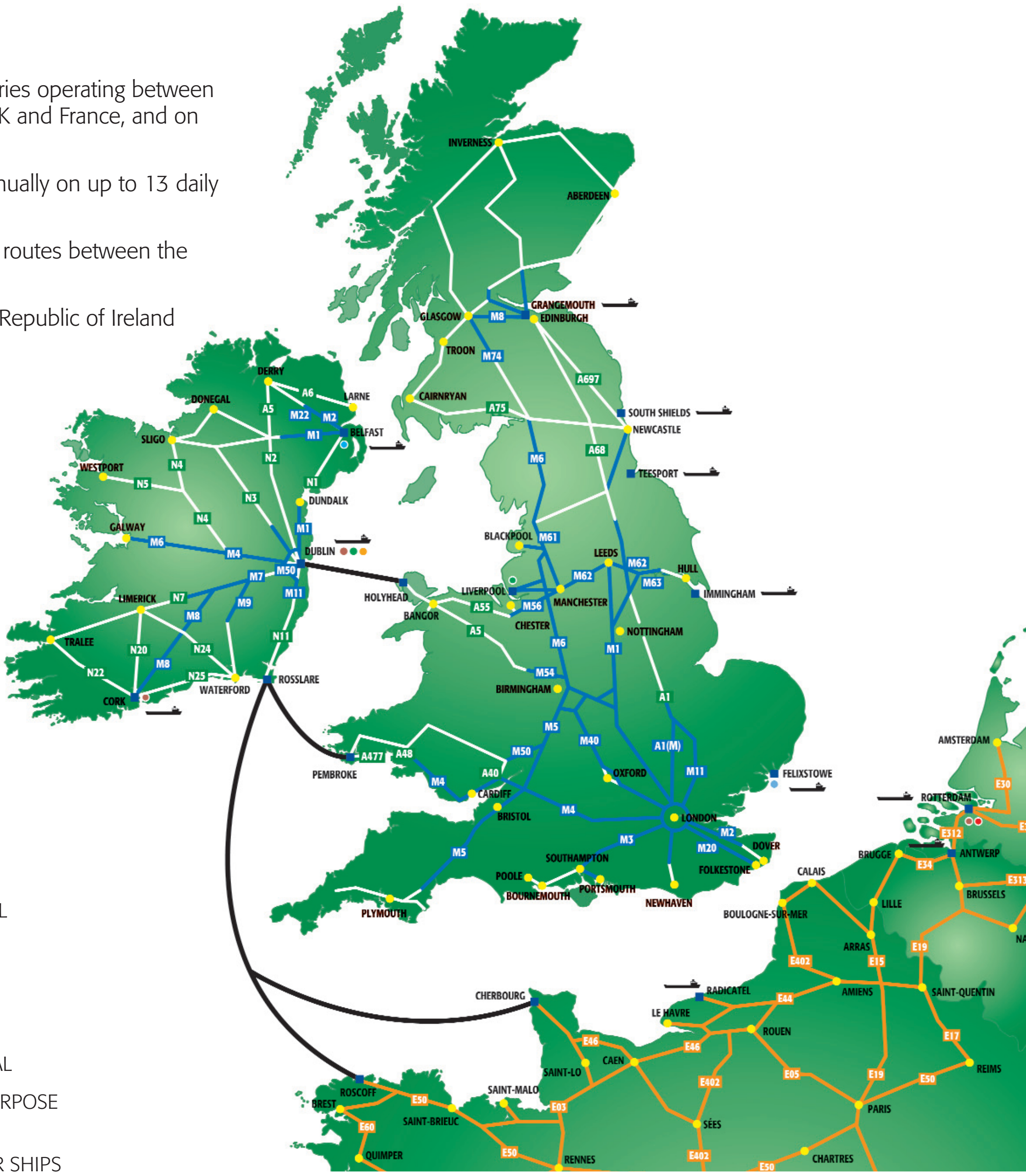
- Irish Continental Group (ICG) is a leading Irish based maritime transport group. We carry passengers and cars, Roll On Roll Off freight and Container Lift On Lift Off freight, on routes between Ireland, the United Kingdom and Continental Europe. We also operate container terminals in the ports of Dublin and Belfast.

Ferries Division:

- Modern fleet of multi-purpose ferries operating between the Republic of Ireland and the UK and France, and on charter.
- 1.5 million passengers carried annually on up to 13 daily sailings.
- Key freight positions on short sea routes between the Republic of Ireland and the UK.
- Inclusive package holidays to the Republic of Ireland and the UK.

Container and Terminal Division:

- Container shipping services between Ireland and Continental Europe operating modern fleet and equipment, including stevedoring and storage facilities for container traffic at Dublin and Belfast Ports. Dedicated feeder services linking Rotterdam and the UK's hub ports on the North Sea.

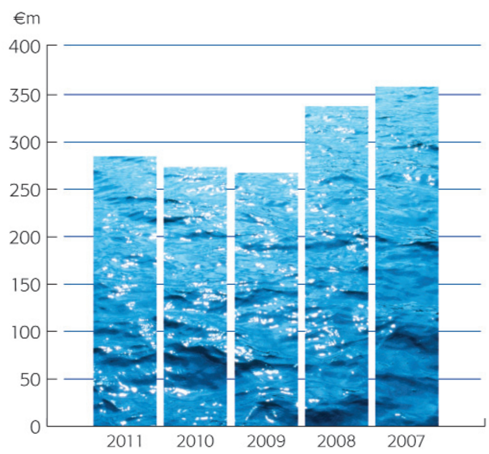


LOCATIONS

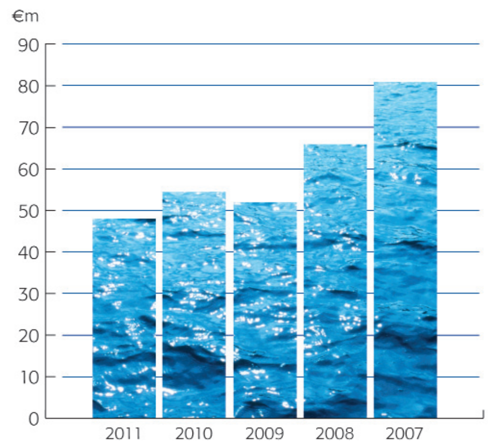
- IRISH FERRIES
- DUBLIN FERRYPORT TERMINAL
- EUCON
- FEEDERLINK
- EUROFEEDERS
- BELFAST CONTAINER TERMINAL
- ROUTES SERVED BY MULTI-PURPOSE FERRIES
- PORTS SERVED BY CONTAINER SHIPS

FINANCIAL HIGHLIGHTS

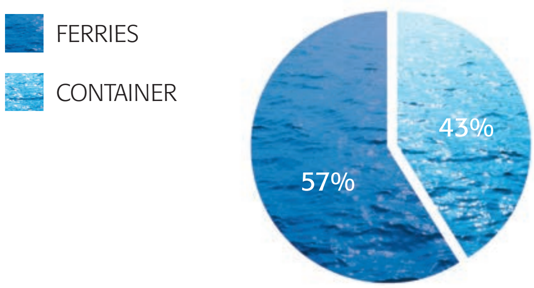
Revenue



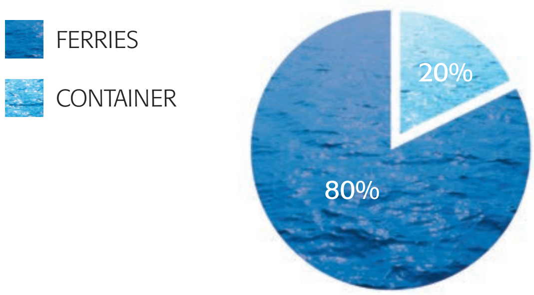
EBITDA *(Earnings before interest, tax, depreciation and amortisation)*



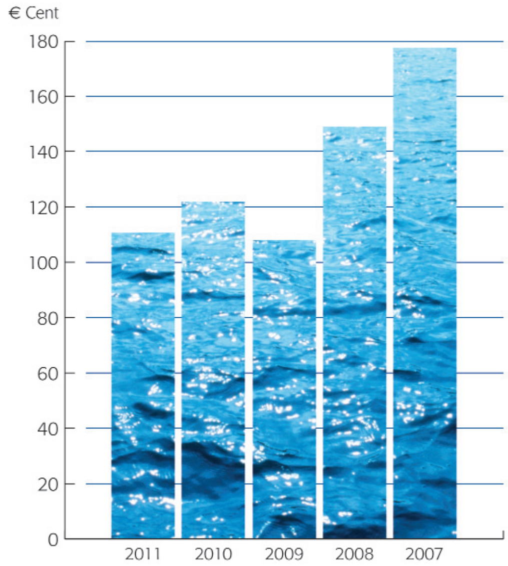
2011 Divisional Breakdown (Revenue)



2011 Divisional Breakdown (EBITDA)



Adjusted Earnings per Share (cent)*



* Adjusted earnings excludes pension interest and non-trading charges/credits.

FIVE YEAR SUMMARY

Consolidated Income Statement	2011 €m	2010 €m	2009 €m	2008 €m	2007 €m
Revenue	**273.3**	262.2	260.5	342.9	355.8
Employee benefits expense and other operating expenses	**(224.2)**	(208.6)	(209.8)	(276.9)	(275.6)
EBITDA	**49.1**	53.6	50.7	66.0	80.2
Depreciation / amortisation	**(20.2)**	(22.1)	(24.2)	(24.2)	(30.1)
	28.9	31.5	26.5	41.8	50.1
Non-trading credit / (charges)*	**-**	9.4	-	-	(10.1)
Interest (net)	**(0.7)**	(0.8)	(1.6)	1.2	0.7
Profit before taxation	**28.2**	40.1	24.9	43.0	40.7
Taxation	**(0.5)**	(1.1)	0.3	(2.5)	(2.4)
Profit for the financial year	**27.7**	39.0	25.2	40.5	38.3
Per share information (cent):					
Earnings per share - cent					
- Basic	**111.1**	156.8	102.4	164.7	160.9
- Adjusted**	**109.9**	121.0	107.7	148.9	178.6
Dividend / redemption per share	**133.0**	100.0	100.0	100.0	-
Shares in issue at year end	**m**	m	m	m	m
- ICG Units including treasury shares	**25.8**	25.9	25.5	25.5	25.4
- treasury shares	**0.9**	0.9	0.9	0.9	0.9
Average shares in issue	**24.8**	24.9	24.6	24.6	23.8
	Number	Number	Number	Number	Number
Number of shareholdings	**1,673**	1,551	1,421	1,177	1,259

* Non-trading charges and credits are material non-recurring items that derive from events or transactions that fall outside the ordinary activities of the Group and which individually, or if of a similar type, in aggregate are separately disclosed by virtue of their size or incidence.

** Adjusted earnings exclude pension interest and non-trading charges / credits.

Consolidated Statement of Financial Position	2011 €m	2010 €m	2009 €m	2008 €m	2007 €m
Property, plant and equipment and intangible assets	**182.9**	194.9	224.3	238.2	279.6
Retirement benefit surplus	**4.4**	4.0	2.4	2.7	32.5
Other assets	**67.3**	76.2	47.2	70.4	74.5
Total assets	**254.6**	275.1	273.9	311.3	386.6
Equity capital and reserves	**151.6**	178.0	152.3	152.2	212.3
Retirement benefit obligation	**36.9**	21.5	29.6	27.4	6.6
Other non-current liabilities	**23.1**	29.4	5.9	71.2	91.3
Current liabilities	**43.0**	46.2	86.1	60.5	76.4
	254.6	275.1	273.9	311.3	386.6
Net debt	**7.8**	6.3	21.7	48.7	84.5
Gearing	**5.1%**	3.5%	14.2%	32.0%	39.8%

Consolidated Statement of Cash Flows	2011 €m	2010 €m	2009 €m	2008 €m	2007 €m
Net cash from operating activities	**36.5**	42.8	51.3	51.3	77.5
Net cash (used in) / from investing activities	**(1.8)**	(5.0)	-	8.5	(57.0)
Net cash used in financing activities	**(42.3)**	(37.6)	(62.7)	(43.5)	(17.8)
Cash and cash equivalents at the beginning of year	**17.2**	17.0	28.5	12.4	11.0
Effect of foreign exchange rate changes	**(0.1)**	-	(0.1)	(0.2)	(1.3)
Closing cash and cash equivalents	**9.5**	17.2	17.0	28.5	12.4

CHAIRMAN'S STATEMENT

2011 Performance

Irish Continental Group (ICG) produced a strong performance in 2011 when account is taken of the weak economic environment and increased world oil prices. Revenue grew by 4.2% to €273.3 million while EBITDA was €49.1 million compared with €53.6 million in the previous year, down €4.5 million, a robust performance in the context of an increase of €10.7 million in fuel costs in the year. Operating Profit was €28.9 million compared with underlying operating profit (before non-trade credit) in 2010 of €31.5 million while adjusted EPS was 109.9 cent compared with 121.0 cent in 2010.

Divisionally, the Ferries Division achieved operating profit of €22.0 million compared with €24.5 million the previous year on revenue of €155.5 million (up 1.2%) while in the Container & Terminal Division operating profit of €6.9 million was achieved (€7.0 million in 2010) on turnover up 8.5% at €119.1 million.

Ferries Division

In the Ferries Division the markets in which we operated were challenging. In the car market, austerity programmes in Ireland, the UK, and in Europe, have reduced disposable income and have affected demand for travel. Total passenger movements, air and sea, into and out of Ireland were up 1% on 2010 but given that 2010 had been affected by volcanic ash a fairer comparison is with 2009 and the number of trips in 2011 was down 8% on 2009. By comparison the car market to and from the Republic of Ireland was down 7% on 2010 and down 5% on 2009. Irish Ferries outperformed the market with a 4% reduction in cars carried compared with 2010.

In the Roll On Roll Off Freight market overall market volumes were flat following growth of about 11% the previous year. During the year there were a number of significant capacity shifts. In early 2010 one operator ceased operating a service into Dublin from Liverpool and Heysham. In Northern Ireland, while there was no material change in capacity for most of the year, there were a number of route and vessel changes and some additional capacity was added late in the year on the Belfast to Cairnryan route. As a result we estimate that there may have been some shift of business, at the margin, to routes in Northern Ireland. Irish Ferries outperformed the Republic of Ireland market with a 9% growth in volume.

Container & Terminal Division

In the Container and Terminal Division, the performance on our routes between Ireland and the North West Continent and on our terminals more than offset the decline in volumes on the North Sea where we elected to forego certain business flows at uneconomic rate levels. Overall container volumes on all routes were broadly unchanged at 407,000 teu (twenty-foot equivalent unit). Our terminals in Dublin and Belfast had a strong year with volumes up 12% to 187,000 lifts.

Dividend and Balance Sheet

In June, the Group paid a final dividend of 100 cent per ICG unit in respect of 2010 (totalling €25.1 million). The Board also decided to return to the policy of paying an interim and final dividend rather than one single payment and consequently declared an interim dividend in respect of 2011 of 33 cent per ICG unit. This was paid in November 2011 and totalled €8.2 million. During the year the Company also purchased 1% of the outstanding equity which was subsequently cancelled. This means that in cash terms a total of €37.3 million was returned to shareholders during the year. The Board is proposing a final dividend for 2011 of 67 cent, to be paid in June of 2012.

During the year the Group's financial position remained strong. At the start of the year the Group's net debt was €6.3 million and, despite having returned €37.3 million to shareholders as I set out above, the Group ended the year with net debt of only €7.8 million.

Outlook

Ireland is a very open economy and trade flows in 2012 will be negatively affected by the slowdown in the UK and the Euro area and positively impacted by the growth in the USA and the emerging economies. The Irish consumer faces another difficult year as austerity programmes continue and this is likely to affect import volumes. However there continues to be significant growth in export driven companies opening new factories in Ireland. The integration story of Ireland becoming more intertwined with the UK and Euro area economies continues and should drive trade growth even in the absence of economic growth. Irish agricultural exports remain very strong.

Turning more specifically to the prospects for the Group, as we stated in the past fuel costs have been a significant headwind for the past number of years and this continues to be the case. Our fuel bill rose €10 million approximately in 2010, which we fully recovered, while fuel rose a further €10.7 million in 2011, of which we effectively recovered half. Based on current prices our fuel bill for 2012 is likely to be 17% (or approximately €8 million) higher again, which when combined with the €20.7 million of fuel increases already incurred will be a challenge to recover in the near term.

There is less tourism capacity in 2012 with the termination of the Cork - Swansea route and the withdrawal of a competitor's fastcraft on the Rosslare-Fishguard route. There are a number of other marginal operators on the Irish Sea who continue to lose money and are likely to address their capacity. We continue to focus on reducing costs and improving our cost leadership in the industry. We continue to have a strong balance sheet with strong cash flow which is unique in our sector.

On behalf of the Board I would like to thank the executive team and all the staff at ICG for their contribution to this strong set of results, in what is a demanding economic environment.

John B. McGuckian,
Chairman




OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review is presented in accordance with the requirements of Section 13 (1) (a) of the Companies (Amendment) Act, 1986. 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 a whole.

This Operating and Financial Review discusses the following:

- Long Term Strategy and Business Objectives
- Results for 2011 Financial Year
- Operating Review
- Outlook
- Principal Risks and Uncertainties
- Resources
- Environmental and Safety Review
- Financial Review

LONG TERM STRATEGY AND BUSINESS OBJECTIVES

Irish Continental Group plc is a focused 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 the two main ports on the island of Ireland.

Further details on these operations are set out in the Operating Review on page 9.

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; and
- Benchmarking costs to industry best practice to enable the Group to compete vigorously in its chosen markets.

Divisional performance is measured 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
- Return on average capital employed (ROACE)

Group performance is measured on the above objectives and also in addition uses the following financial objectives:

- Earnings per share (EPS)
- Free cash flow (operating cash flow less capital expenditure).

These financial objectives are supported by a primary operational objective which is:

- Schedule integrity (the number of sailings completed versus scheduled sailings).

RESULTS FOR 2011 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 in the Operating Review on page 9.

	Ferries		Container & Terminal		Inter-segment		Group	
	€m	€m	**€m**	€m	**€m**	€m	**€m**	€m
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Revenue	**155.5**	153.7	**119.1**	109.8	**(1.3)**	(1.3)	**273.3**	262.2
EBITDA	**39.3**	43.6	**9.8**	10.0	**-**	-	**49.1**	53.6
EBIT	**22.0**	24.5	**6.9**	7.0	**-**	-	**28.9**	31.5
Non-trading credit	**-**	9.4	**-**	-	**-**	-	**-**	9.4
Net pension interest credit / (charge)	**-**	-	**-**	-	**-**	-	**0.3**	(0.5)
Other finance charges	**-**	-	**-**	-	**-**	-	**(1.0)**	(0.3)
Net interest	**-**	-	**-**	-	**-**	-	**(0.7)**	(0.8)
PBT	**-**	-	**-**	-	**-**	-	**28.2**	40.1
Free Cash flow	**-**	-	**-**	-	**-**	-	**30.2**	35.6
EPS Basic	**-**	-	**-**	-	**-**	-	**111.1c**	156.8c
EPS Adjusted	**-**	-	**-**	-	**-**	-	**109.9c**	121.0c
ROACE	**13.3%**	14.4%	**21.7%**	22.4%	**-**	-	**14.7%**	15.6%
Schedule Integrity	**-**	-	**-**	-	**-**	-	**94%**	96%

- **EBITDA**: EBITDA for the year was down 8.4% at €49.1 million. The decrease in EBITDA was due to the rising cost of fuel, up €10.7 million, compared with 2010, partially offset by increased revenue flows.
- **Free cash flow**: The Group's free cash flow was €30.2 million (2010: €35.6 million). The decrease was due to a reduction in cash flow from operating activities, down €6.3 million to €36.5 million, partially offset by a decrease in capital expenditure, down €0.9 million to €6.3 million.
- **EPS**: Adjusted EPS (before non-trading items and the net interest credit / charge arising in the pension schemes) was 109.9 cent per share compared with 121.0 cent in 2010. Basic EPS was 111.1 cent per share compared with 156.8 cent per share in 2010. The changes were for the reasons set out above in relation to EBITDA, and also the reduction in the non-trading credit in 2011.
- **ROACE**: We achieved a return on average capital employed of 14.7% (2010: 15.6%). This decrease is due to the reduction in operating profit before non-trading credit from €31.5 million to €28.9 million, partially offset by a reduction in average capital employed from €202 million to €197 million.
- **Schedule integrity**: In the time sensitive Ferries Division 94% of scheduled sailings were achieved compared with 96% in the previous year. The reason for the decrease was due to adverse weather conditions which mainly affects fast ferry sailings. Conventional ferries achieved 99% (2010: 99%) schedule integrity.

OPERATING REVIEW
Ferries division

The Ferries division employs five owned multipurpose ferries, four of which are operating on routes to and from the Republic of Ireland and one on charter and operating in New Zealand. 4,311 sailings were operated by Irish Ferries in 2011, carrying passengers, passenger vehicles and Roll On Roll Off freight (RoRo), a reduction of 3% on the previous year. Utilisation of deck space was enhanced by the balanced demands of passenger traffic for day sailings and freight traffic for night sailings.

Fleet Summary:

Ferry	Type	Employment
Ulysses	RoPax*	Dublin-Holyhead
Jonathan Swift	High Speed Ferry	Dublin-Holyhead
Isle of Inishmore	RoPax*	Rosslare-Pembroke
Oscar Wilde	Cruise Ferry	Rosslare - Cherbourg / Roscoff
Kaitaki	RoPax*	Charter - New Zealand

*A RoPax ferry is a vessel with RoRo and passenger capacity.

Turnover in the division was 1.2% higher than the previous year at €155.5 million while earnings before interest and tax were €22.0 million compared with €24.5 million in 2010. The reduction in profit was due principally to higher fuel costs which were only partially recovered from the market place. Fuel cost in the division was up €6.9 million (24.7%) to €34.8 million. Revenue in the first half of the year was up 0.3% at €68.2 million while in the second half the increase was 1.9%, to €87.3 million.

Passenger

Following on from a very challenging previous year, when total passenger movements to and from Ireland (air & sea) declined by 9%, 2011 provided some relief with a 1% increase in the total travel market (a 2% increase in the air market and a 6% drop in the sea market). The benefits for surface carriers which arose from air traffic disruption events (Ash Cloud and weather related airport closures) in 2010 did not reoccur and the continued poor consumer sentiment in our key markets of the UK and Ireland did not assist performance. Austerity programmes in both markets affected discretionary spend which led to further downward pressure on passenger volumes.

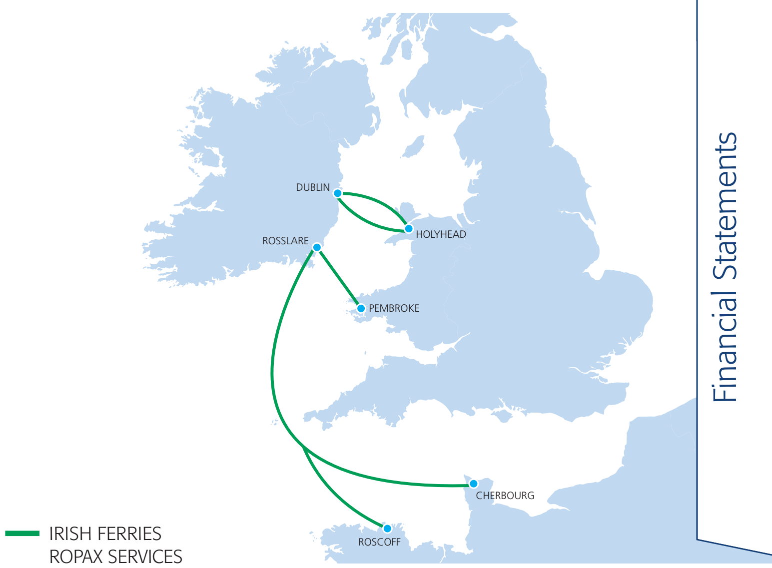
The car market to and from the Republic of Ireland fell by 7% in the year. Within this, trips to and from Britain were down about 8%, while the number of cars carried between Ireland and France grew 2.5%. Irish Ferries outperformed the market with a 4% reduction in cars carried to 353,000 (2010: 367,000).

Irish Ferries' passenger numbers carried were down 0.7% at 1.527 million (2010:1.538 million). Overall, in the first half, our passenger volumes were down 3.6% and the car numbers down 3.1%. In the second half of the year the growth in passenger numbers was 1.7% while cars carried were down 4.4% compared with the same period last year. Increase in yields over 2010 partially compensated for the effects of the decrease in volumes.

By continuing our focus on enhancing the experience of our passengers from the point of enquiry to on-board experience, we have managed to provide good value in an environment where discretionary travel spend is even more carefully considered by most consumers. We rely heavily on customer feedback when determining the nature and extent of new investment in all areas of our product offering.

Clearly, the sustained increase in our fuel costs once again provided real challenges in determining ticket prices. Our objective is to provide maximum value to our markets whilst maintaining some equilibrium in the returns we make from this key area of revenue earnings.

We are conscious of our need to assist in Ireland's efforts in the recovery of the island's tourism markets, particularly its largest market, Britain. We continue to work closely with all of the state agencies concerned which includes close cooperation with Tourism Ireland in their promotional campaigns. Our estimate of the current annual value of Irish Ferries tourist traffic into the Republic of Ireland exceeds €400 million and we are confident that we can increase that level as recovery of our tourism industry gains ground in the coming years.



Good on-line capability, whilst being standard in the Ferries business, remains a hallmark of Irish Ferries' positioning in all of its primary markets. With our website, www.irishferries.com, now also available in French, German and Italian, being the source of over 80% of our business, we continually strive to ensure that customers find that their experience with Irish Ferries when using technology is both easy and beneficial. During the year, we launched an App for iPhones which was the first of its kind to provide real time sailing updates and a booking facility for customers on the move. Delivery for an App for Android devices is expected in 2012.

We were pleased to receive 'Best Ferry Company 2011' at the annual Irish Travel Trade News Awards closely followed by the 'Best Ferry Company' Award 2012 at the Irish Travel Industry Awards, with votes cast by travel industry professionals across Ireland.

We were also delighted to be awarded the International Marketing Award at the 2011 'AIMs' (All Ireland Marketing Awards) for our 'Irish Ferries - Everything you go for' campaign in Britain. The AIM Awards are run by the Marketing Institute of Ireland, and judged by a panel of leading Irish marketeers.

Freight

The growth trend of the Republic of Ireland's Roll On Roll Off market remains challenging as the gains recorded in 2010 (+11%) slowed to a flat overall market in 2011.

There were some significant capacity changes during the year as one competitor opted to close its long sea routes into Dublin from Liverpool and Heysham whilst another decided to replace some of that capacity virtually immediately whilst adding to it in the later part of the year. Another competitor opted to increase driver accompanied capacity on the Dublin-Liverpool route.

There were also changes on the Northern Corridor, primarily around vessel replacement, along with some acquisition activity. Development of new terminal capacity at Cairnryan, which occurred very late in the year, did result in some transfer of traffic from the Central Corridor to the Northern Corridor with the Island of Ireland market flat during 2011. Once again, Irish Ferries outperformed the market with growth of 9%, carrying over 194,000 units during the year.

The extremely challenging economic circumstances in the Republic of Ireland contributed to the lack of growth in the market and the pressure on operating costs for our freight customers remained intense. Irish Ferries remained focused on delivering high quality service combined with real value for regular users of our services. The backdrop of increased fuel costs made life very difficult for ourselves and our customers.

Unfortunately, the pain of this increase has not always been spread evenly with many shippers and importers managing to avoid the effects of the extra costs by leveraging the competitive nature of the business. The end result of this approach is inevitably leading to the demise of some weaker players in the ferry and haulage sectors.

Irish Ferries' performance during the year was driven by the consistency of its service as the benefits of our investment in state of the art tonnage continued to be apparent in our sailing schedule integrity for RoRo customers. In addition, we made further progress in the rolling out of our superior web based booking system. This has been met with a very positive response from customers, particularly in respect of the mobile handset facilities which appeal to operations and driving staff alike.

Charter

The Kaitaki remained on bareboat charter to P&O during the period and operated between the North and South Islands of New Zealand on a sub-charter. The current charter runs until 30 June 2013.

CONTAINER AND TERMINAL DIVISION

The division includes Eucon and Feederlink's intermodal freight services which offer both door-to-door and feeder services. Within the division we operate a fleet of container vessels ranging in size from 400 - 1,000 teu capacity (teu = twenty foot equivalent unit, the standard measure in the container industry), employing 3,000 owned and leased containers (equivalent to 5,800 teu) and our strategically located container terminals in Dublin and in Belfast.

Turnover in the division rose by 8.5% to €119.1 million with an increase on our routes between Ireland and Continental Europe and in our port terminals more than compensating for a decline in North Sea revenue where we had elected, in the second half of 2010, to forego certain flows of business due to the uneconomic rates on offer. With our flexible chartered fleet we were able to adjust capacity to the volume of trade. Operating profit in the division was down 1.4% at €6.9 million due mainly to higher fuel costs (up 28.1% to €17.3 million). Overall container volumes shipped were in line with the previous year at 407,000 teu (2010: 406,000 teu) with a rise in volumes to and from Ireland offsetting a fall on the North Sea.

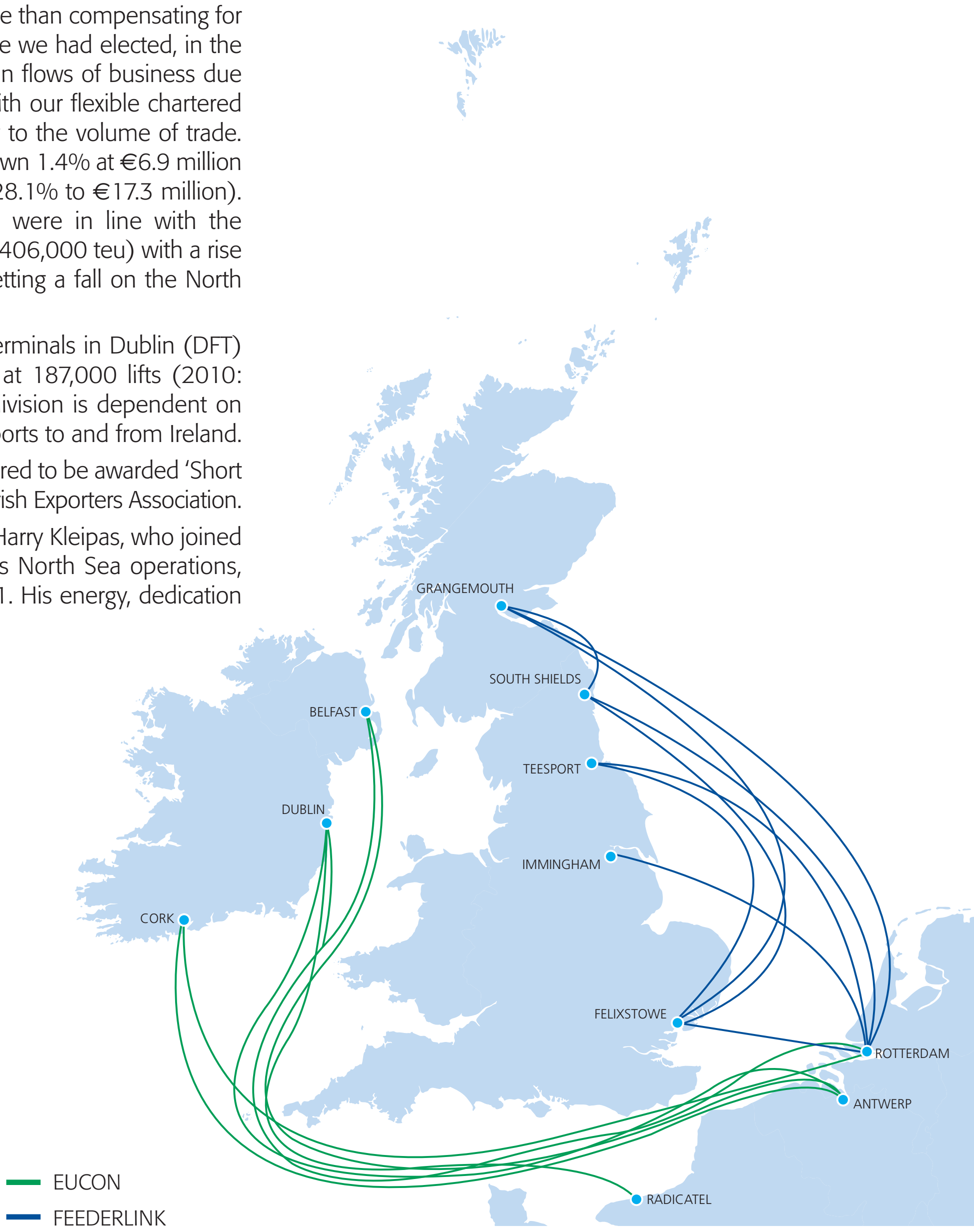
Containers handled at the Group's terminals in Dublin (DFT) and Belfast (BCT) were up 12.0% at 187,000 lifts (2010: 167,000 lifts). The outlook for the division is dependent on world trade and also exports and imports to and from Ireland.

In November 2011 Eucon was honoured to be awarded 'Short Sea Shipping Line of the year' by the Irish Exporters Association.

I would like to pay tribute to the late Harry Kleipas, who joined ICG in 1993 and set up the Group's North Sea operations, who passed away in December 2011. His energy, dedication and leadership will be missed.

IRISH exporters association

Short Sea Shipping
Line of the Year Award 2011



OUTLOOK

Ireland is a very open economy and trade flows in 2012 will be negatively affected by the slowdown in the UK and the Euro area and positively impacted by the growth in the USA and the emerging economies. The Irish consumer faces another difficult year as austerity programmes continue and this is likely to affect import volumes. However there continues to be significant growth in export driven companies opening new factories in Ireland. The integration story of Ireland becoming more intertwined with the UK and Euro area economies continues and should drive trade growth even in the absence of economic growth. Irish agricultural exports remain very strong.

Turning more specifically to the prospects for the Group, as we stated in the past, fuel costs have been a significant headwind for the past number of years and this continues to be the case. Our fuel bill rose €10 million approximately in 2010, which we fully recovered, while fuel rose a further €10.7 million in 2011, of which we effectively recovered half. Based on current prices our fuel bill for 2012 is likely to be 17% (or approximately €8 million) higher again, which when combined with the €20.7 million of fuel increases already incurred will be a challenge to recover in the near term.

There is less tourism capacity in 2012 with the termination of the Cork - Swansea route and the withdrawal of a competitor's fastcraft on the Rosslare-Fishguard route. There are a number of other marginal operators on the Irish Sea who continue to lose money and are likely to address their capacity. We continue to focus on reducing costs and improving our cost leadership in the industry. We continue to have a strong balance sheet with strong cash flow which is unique in our sector.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has a risk management structure in place which is designed to identify, manage and mitigate the threats to the business. The key risks facing the Group include operational risks such as risks to safety and business continuity, commercial and market risks due to reduced demand for passenger and freight services, combined with the risk of increased supply of shipping capacity due to the mobility of assets and financial and commodity risks arising from the current financial and economic environment.

Safety and business continuity

The Group is dependent on the safe operation of its vessels. There is a risk that any of the Group's vessels could be involved in an incident which could cause loss of life and cargo and cause significant interruption to the Group's business. In mitigation, the Group carries insurance in respect of passenger, cargo and third party liabilities, but does not carry insurance for business interruption due to the cost involved relative to the insurable benefits. The operation of vessels of the type listed by the Group is subject to significant regulatory oversight by flag state, port state and other regulatory authorities whose requirements can change from time to time. The business of the Group is also exposed to the risk of interruption from incidents such as mechanical failure or other loss of critical port installations or vessels or from labour disputes either within the Group or in key suppliers, for example ports or fuel suppliers, or from a loss of significant IT systems.

Commercial and market risk

The passenger market is subject to the current challenging economic conditions, the weakness of sterling relative to the euro which impacts on incoming demand to Ireland and to the competitive threat from short-haul and regional airlines.

The freight market is subject to general economic conditions and in particular the reduced level of international trade in North West Europe. Given the mobile nature of ships there is also the risk of additional capacity arising in any of the Group's trading areas at relatively short notice. The Group has commercial arrangements with freight customers which mitigate the immediate effects of additional market capacity but in the medium term the Group is exposed to the dilution of its customer base.

Financial and commodity risks

In light of the challenges arising in financial markets there is a higher degree of financial risk in the business. Specific risks include higher risk of default by debtors, reduced availability of credit insurance and potentially reduced availability, and higher cost, of financing. Other financial risks include the risks to the Group's defined benefit pension schemes from changes in interest and inflation rates, longevity, and changes in the market value of investments. In addition to normal risks attributable to the Group's defined benefit pension schemes, the Group is exposed to risk attributable to its membership of the multi-employer scheme, the Merchant Navy Officer Pension Fund (MNOPF), where the employers have joint and several liability for the obligations of the scheme.



The rules of the scheme provide for joint and several liability for employers for the obligations of the scheme which had a deficit of approximately £331 million sterling at 31 March 2011. This means the Group is exposed, with other performing employers, to a pro rata share of the obligations of any employers who default on their obligations. The Group is also exposed to the risk of a discontinuance basis debt arising (a "S 75 debt") if it ceases participation in the MNOPF. This would be a larger sum than the on-going deficit share and represents a contingent liability.

The Group's current committed bank facilities amount to €66 million comprising a multi-currency revolving credit facility of €60 million and an overdraft and trade guarantee facility of €6 million. Total amounts utilised at 31 December 2011 amounted to €15.6 million. The Group draws under its revolving facility to fund its seasonal working capital requirements. With the continuing volatility in the world financial markets the Group is exposed to the risk that these credit lines may not be available when required leading to increased costs.

In terms of commodity price risk the Group's vessels consume heavy fuel oil (HFO), marine diesel gas oil (MDO/MGO) and lubricating oils, all of which continue to be subject to price volatility. The Group's policy has been to purchase these commodities in the spot markets and to remain unhedged. The Group must also manage the risks inherent in changes to the specification of fuel oil which are introduced under international and EU law from time to time. The permissible sulphur content of fuel consumed was reduced in recent years to a maximum of 1% to 1.5% compared with 3.5% previously. Since 2010, in certain circumstances, only fuel with a maximum sulphur content of 0.1% may be consumed whilst passenger vessels are in port. Under the International Convention for the Prevention of Pollution from Ships (MARPOL, Annex VI) in 2015 this limit of 0.1% will apply to all vessels whilst operating within Sulphur Emission Control Areas (SECA's). In practice, for ICG, this means while vessels are at sea in the North Sea and the English Channel. In relation to the Irish Sea the next change in permissible sulphur content under MARPOL is scheduled for 2020 when the limit is due to reduce from 1.5% to 0.5%. This is subject to a fuel availability study to be carried out in 2018 which may result in a deferral to 2025. There is a risk that the EU will advance the application of further reduced sulphur content to the Irish Sea to a date earlier than the 2020 / 2025 envisaged by the International Maritime Organisation (IMO) in which case all the Group's vessels would be affected.

This would have adverse cost implications as the cost of low sulphur fuel is significantly higher than fuel with 1.5% sulphur content and this higher cost would have to be passed on to customers both passengers and freight.

RESOURCES

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

- A modern owned ferry fleet and container terminals
- Access to strategically located ports
- Recognised brand names
- Experienced, qualified staff.

Fleet and terminals

In the Ferries Division the Group employed 5 owned ferries during the year. Four ferries were operated by the Group, the Oscar Wilde (31,914 GT), delivered 1987, the Isle of Inishmore (34,031 GT), delivered 1997, the Jonathan Swift (5,992 GT), delivered 1999 and the Ulysses (50,938 GT), delivered 2001. In addition the Kaitaki (23,365 GT), delivered 1995, was chartered out on bareboat charter.

The Group's leased 33 acre terminal in Dublin Port comprises 480 metres of berths for container ships, with a depth of 9 to 11 metres and equipped with 3 modern Liebherr gantry cranes (40 tonne capacity), 8 rubber tyred gantries (40 tonne capacity) and one reachstacker (45 tonne capacity) on a strategically located site within three kilometres of Dublin City Centre and within one kilometre of the Dublin Port Tunnel which provides direct access to Ireland's motorway network. In Belfast our terminal comprises an 11.5 acre site on the County Antrim side of the port, equipped with 1 mobile crane (100 tonne capacity) and 3 straddle carriers.

Port access

The Group has access to strategically located ports in Ireland, the UK and France in respect of its scheduled ferry services. A key aspect of such access is appropriate 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.

Experienced, qualified staff

The Group, which has a rich history and 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. At the end of 2011 the Group had 319 employees compared with 327 at the start of the year, located in Ireland (Dublin, Rosslare and Cork), the UK (Liverpool, Holyhead, Pembroke, Felixstowe and Belfast) and The Netherlands (Rotterdam).

ENVIRONMENTAL AND SAFETY REVIEW

Environment

Irish Continental Group recognises that all forms of transport, including ships, have an unavoidable impact on the environment. Ships in particular generate CO_2 emissions, sulphur emissions and the requirement for waste disposal as well as other impacts. The Group is committed to minimising such negative impacts in the following ways:

CO_2 emissions

The volume of CO_2 emitted is directly proportional to fuel consumption. Therefore the Group seeks to minimise such emissions by reducing fuel consumption as much as possible consistent with the safe and efficient operation of the fleet. This is done through technical and operational initiatives.

Sulphur emissions

The quantity of sulphur emitted by the Group's vessels depends on the volume and type of fuel consumed. The permissible sulphur content of fuel consumed was reduced in recent years to a maximum of 1% to 1.5% compared with 3.5% previously. Since 2010, in certain circumstances, only fuel with a maximum sulphur content of 0.1% may be consumed whilst passenger vessels are in port. Under the International Convention for the Prevention of Pollution from Ships (MARPOL, Annex VI) in 2015 this limit of 0.1% will apply to all vessels whilst operating within Sulphur Emission Control Areas (SECA's). In practice, for ICG, this means while vessels are at sea in the North Sea and the English Channel. In relation to the Irish Sea the next change in permissible sulphur content under MARPOL is scheduled for 2020 when the limit is due to reduce from 1.5% to 0.5%. This is subject to a fuel availability study to be carried out in 2018 which may result in a deferral to 2025.

Waste disposal / other

We continue to minimise the impact of waste disposal through consistent compliance with the International Convention for the Prevention of Pollution from ships (MARPOL 73/78). We use an oil recovery system to recycle all waste oil from our ships. Our bulk purchasing reduces the number of deliveries and packaging, and we segregate all waste cardboard packaging for recycling. The painting of the underwater hulls of all our ferries is with tin-free non-toxic paints to avoid the release of harmful agents into the sea. We also minimise to the best of our ability wave generation to minimise disturbance of coastal habitats while we strive to be at the forefront in promoting customer awareness of the marine environment.

Community

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

It is a matter of priority for the Group, given the nature of our operations that the wellbeing of all those who work within the Group is safe guarded through adherence to statutory health and safety standards and international maritime regulations. The Safety, Health and Welfare at Work Act, 2005, impose certain requirements on employers and the Group has taken the necessary action to comply with the Act, including the adoption of safety statements in appropriate locations. Irish Continental Group ensures that management systems within its compass instil a safety culture throughout all aspects of operations both ashore and afloat. Management is responsible for ensuring that health and safety issues are identified, monitored, reviewed and developed. The Group ensures that there are appropriate policies and procedures in place with targets and monitoring of performance. Regular audits ensure continued compliance to these high standards is maintained. It is with deep regret we record the death of one of our contractors in an accident at our terminal in Dublin during the year. Irish Continental Group ensures that all its ships are operated to and compliant with the International Safety Management Code (ISM Code), which is the international standard for the safe management and operation of ships and for pollution prevention. Irish Continental Group is also in full compliance with the International Ship and Port Facility Security code requirements (ISPS Code). It is a priority for the Group to ensure that all those who work within its structures are provided with a high level of safety and quality training. Information for the promotion of a Health and Safety culture and its attendant responsibilities is made available. Instruction and training in the appropriate and relevant matters is followed so that all are enabled to work safely and to also contribute towards a safer working environment. In addition to the Group's own internal verification procedures, we are subject to inspection by the relevant National and International Statutory bodies, which are charged with the responsibility to monitor all regulated operations to ensure that all the specific requirements are compliant. During 2011 the on-board management of the Irish Ferries ships was performed by Dobson Fleet Management, Cyprus, on behalf of Irish Continental Group plc. In 2012 on-board management of the vessels was transferred to Matrix Ship Management Limited, Cyprus. There is an on-going monitoring and reporting system in place to ensure that at all times relevant statutory legislation is adhered to.

Eamonn Rothwell,

Chief Executive

FINANCIAL REVIEW

Results

Turnover for the year amounted to €273.3 million (2010: €262.2 million) while operating profit amounted to €28.9 million compared with underlying operating profit (before non-trade credit) in 2010 of €31.5 million. Principal variations on the prior year include group wide fuel costs which were substantially higher in the year at €52.1 million (2010: €41.4 million). The net interest charge was €1.0 million (2010: €0.3 million) before a net interest credit from defined benefit pension schemes of €0.3 million (2010: charge €0.5 million).

Taxation

The tax charge of €0.5 million compared with a charge of €1.1 million in 2010. The taxation charge comprises Irish, UK and Netherlands corporation tax. Certain activities qualify to be taxed under tonnage tax (which is an EU approved special tax rate for qualifying shipping activities) in Ireland and the Netherlands.

Earnings per share

Adjusted EPS (i.e. before non-trading items and the net pension interest charge) amounted to 109.9 cent (2010: 121.0 cent). Basic EPS was 111.1 cent (2010: 156.8 cent).

Cash flow and investment

EBITDA for the year was €49.1 million (2010: €53.6 million). There was a net outflow of working capital of €5.7 million, due to a decrease in payables of €3.0 million, an increase in receivables of €1.9 million and an increase in inventories of €0.8 million. The Group made payments to the Group's pension funds in excess of current service costs of €4.7 million. With other items of €0.2 million, this resulted in cash generated from operations amounting to €38.5 million (2010: €43.8 million).

Net interest paid was €1.0 million (2010: €0.3 million) while taxation paid was €1.0 million (2010: €0.6 million).

Capital expenditure was €6.3 million (2010: €7.2 million) which primarily included the annual refits of the vessels.

Arising from all of the cash flows set out above, dividend payments of €33.3 million and a share buyback of €4.0 million, net debt at year end was €7.8 million (2010: €6.3 million).

Dividend

During the year a final dividend of 100 cent per ICG Unit was paid for the year ended 31 December 2010 and also an interim dividend of 33 cent per ICG Unit was paid for the year ended 31 December 2011. The Board is proposing a final dividend of 67 cent per ICG Unit.

Pensions

The Group has five, separately funded, company sponsored defined benefit pension schemes covering employees in Ireland, the UK and the Netherlands. The Group also participates in the UK based industry-wide scheme, the Merchant Navy Officers Pension Fund (MNOPF) in which employers share joint and several liability. Aggregate pension assets in the five company sponsored schemes at year end were €193.5 million (2010: €200.3 million), while combined pension liabilities were €215.2 million (2010: €206.5 million). Of the Group's five schemes, three were in surplus at year end (€4.4 million versus €4.0 million in 2010), while two were in deficit (€26.1 million versus €10.2 million in 2010). In addition, the Group's estimated share of the deficit in the industry wide scheme, the MNOPF, is €10.8 million (2010: €11.3 million).

The Group is in discussions with the Trustees of the company sponsored schemes which are in deficit with the objective of agreeing a recovery plan to be agreed with the Pensions Board. This will involve an increase in payments to the fund over and above the current service cost. In relation to the MNOPF, the Group is making deficit payments over a fifteen year period from 2005 to 2020, current payments being approximately £1.4 million per annum up to 2014, reducing to £1.1 million per annum thereafter.

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 Group's current committed bank facilities amount to €66 million comprising a multi-currency revolving credit facility of €60 million and an overdraft and a trade guarantee facility of €6 million. Total amounts utilised at 31 December 2011 amounted to €15.6 million.

The Group had finance lease liabilities of €2.3 million at 31 December 2011 (2010: €3.0 million).

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 borrows in required currencies at both fixed and floating rates of interest, exposing it to interest rate risk.

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 Group uses interest rate swaps to hedge interest rate exposure. At 31 December 2011, there were no outstanding interest rate swaps as the interest rate risk exposure was considered low given the Group's current level of gearing. The Group also leases certain items of plant & equipment under finance leases where the interest rates are fixed at the contract date.

At 31 December 2011, 13% (2010: 13%) of the Group's gross debt was at fixed rates with a weighted average repricing period of 2.5 years (2010: 2.7 years). The weighted average fixed rate of interest is 5.1% (2010: 5.1%). Interest cover for the year was 30 times (2010: 125 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 is to match foreign currency assets and liabilities and to match cash flows of like 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 netted, with excess revenues available to offset dollar costs.

Commodity price management

Bunker oil costs constitute a separate and significant operational risk, partly as a result of historically significant price fluctuations. Bunker costs of the Container and Terminal division are offset to a large extent by the application of prearranged price-adjustments with our customers. Similar arrangements are in place with freight customers in the Ferries division. In the passenger sector, changes in bunker costs are included in the ticket price to the extent that market conditions will allow. Bunker consumption was 103,200 tonnes in 2011 (2010: 101,400 tonnes). The cost per tonne of HFO fuel in 2011 was 25% higher than in 2010 while MDO was 24% higher.

Credit risk

The Group's credit risk arising on its financial assets is principally attributable to its trade receivables. The concentration of credit risk is limited due to the exposure being spread over a large number of counterparties and customers.

Liquidity

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

Net debt at 31 December 2011 was €7.8 million (2010: €6.3 million) made up of borrowings of €17.6 million (2010: €23.5 million) which is offset by cash and bank balances of €9.8 million (2010: €17.2 million).

At the year-end, 98% of the Group's bank borrowings are due to mature after one year (2010: 100% maturing after one year).

Overdraft facilities are in place to secure short term funding.

Garry O'Dea,
Finance Director

THE FLEET

Oscar Wilde

Ulysses

Isle of Inishmore

Jonathan Swift

Elbtrader
one of 9 chartered container ships employed by the Container & Terminal Division.

Kaitaki

THE BOARD

NON-EXECUTIVE DIRECTORS

John B. McGuckian
BSc (Econ)
Chairman

John B. McGuckian, aged 72, has been a Director for 24 years having been appointed as a non-executive Director in 1988 and Chairman in 2004. He has a wide range of interests, both in Ireland and internationally. He is a Director of Cooneen Textiles Limited and TVC Holdings plc. He has previously acted as the Chairman of; the International Fund for Ireland, the Industrial Development Board for Northern Ireland , UTV Media plc (where he was also a member of the Remuneration Committee until 2004) and as Senior Pro-Chancellor and Chairman of the Senate of the Queen's University of Belfast.

Peter Crowley
BA, BAI, FCA
Senior Independent Director

Peter Crowley, aged 49, has been a Director for 9 years having been appointed to the Board in 2003.

Peter qualified as a chartered accountant with KPMG and was subsequently a Director of KPMG Corporate Finance. He is a founder partner of FL Partners, the private equity firm and he is a former CEO of IBI Corporate Finance.

Bernard Somers
BComm, FCA
Independent Director

Bernard Somers, aged 62, has been a Director for 8 years having been appointed to the Board in 2004.

He is a chartered accountant and a non-executive Director of DCC plc where he chairs the Audit Committee. He is the founder of Somers and Associates, a professional practice which specialises in corporate restructuring.

Catherine Duffy
BA LegSc, DipLeg Stds
Non-executive Director

Catherine Duffy, aged 50, was appointed to the Board on 14 March 2012. Catherine is a Partner and Head of the Banking and Financial Services Department at law firm A&L Goodbody. She is a non-executive Director of Beaumont Hospital. She was previously a member of the first Advisory Group to the Irish Maritime Development office set up to promote and assist the development of Irish shipping and shipping services.



EXECUTIVE DIRECTORS

Eamonn Rothwell
BComm, MBS, FCCA, CFA UK
Chief Executive Officer

Eamonn Rothwell, aged 56, has been a Director for 25 years having been appointed as a non-executive Director in 1987 and subsequently to the position of Chief Executive Officer in 1992. He is a Director of The United Kingdom Mutual Steam Ship Association (Bermuda) Limited, The United Kingdom Mutual War Risks Association Limited and Interferry Inc.

He is a past executive Director of stockbrokers NCB Group. Prior to that, he worked with Allied Irish Banks plc and Bord Fáilte Eireann (The Irish Tourist Board).

Garry O'Dea
BComm, FCA
Finance Director

Garry O'Dea, aged 56, joined the Group in 1988 and has been a Director for 24 years having been appointed to the Board in the same year. He qualified as a chartered accountant with KPMG, the international professional services firm, following which, in 1981, he joined the international building materials group CRH plc, where he worked in a number of financial positions until 1988.

Tony Kelly
FCIT
Marketing Director - Irish Ferries

Tony Kelly, aged 56, joined the Group in 1973 and worked in a variety of operational and marketing roles within the Group.

He has been a Director for 10 years having been appointed to the Board in 2002. He is a former Director of the all-Ireland tourism body Tourism Ireland and a council member and former Chairman of the Irish Tourism Industry Confederation.

COMPANY SECRETARY

Thomas Corcoran
BComm, FCA
Company Secretary

Thomas Corcoran, aged 47, joined the Company in 1989 from the international professional services firm PwC, where he qualified as a chartered accountant. He was appointed Company Secretary in 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 2011.

RESULTS AND BUSINESS DEVELOPMENTS

Details of the results for the year are set out in the Consolidated Income Statement on page 40 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 and Financial Review on pages 7 to 16. This includes a description of the principal risks and uncertainties and the key performance indicators.

The profit which has been transferred to reserves, and the dividends paid during the year ended 31 December 2011 are set out in the Consolidated Statement of Changes in Equity on page 42 for the Group, and the Company Statement of Changes in Equity on page 45 for the Company.

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.

DIVIDEND

On 8 June 2011 a final dividend of 100 cent per ICG Unit was paid in respect of the year ended 31 December 2010.

On 30 September 2011 an interim dividend of 33 cent per ICG Unit was paid in respect of the year ended 31 December 2011.

The Board is proposing a final dividend of 67 cent per ICG Unit.

ACQUISITION OF THE COMPANYS OWN SHARES

Under the authority granted at the AGM on 9 June 2010 and in the best interests of the Company and its shareholders, the Company made on-market purchases of 250,000 of its own shares units being 1.0% of the then called up share capital of the Company with a nominal value of €0.2 million for a total consideration of €4.0 million. These shares were subsequently cancelled.

BOARD OF DIRECTORS

The Board members are listed on pages 18 and 19 of this report. There were no changes in the composition of the Board in 2011.

In accordance with the Articles of Association, one third of the Directors are required to retire from office at each Annual General Meeting of the Company. However, in accordance with the provisions contained in the UK Corporate Governance Code, the Board has decided that all Directors should retire at the 2012 Annual General Meeting and offer themselves for re-election. Biographical details of the Directors are set out on pages 18 and 19 of this report and the result of the annual board evaluation is set out on page 28.

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

The Financial Statements have been prepared on the going concern basis and, as required by the UK Corporate Governance Code and the Irish Corporate Governance Annex as adopted by the Irish Stock Exchange and the UK Financial Services Authority, the Directors report that they have satisfied themselves at the time of approving the financial statements that the Group and Company are going concerns, having adequate financial resources to continue in operational existence for the foreseeable future. In forming this view the Directors have considered the future cash requirements of the Group's business in the context of the economic environment of 2012 (page 12), the principal risks and uncertainties facing the Group (page 12), the Group's 2012 budget plan and the medium term strategy of the Group, including capital investment plans. The future cash requirements have been compared to bank facilities which are available to the Group and Company.

The Group's current committed bank facilities amount to €66 million comprising a multi-currency revolving credit facility of €60 million and an overdraft and trade guarantee facility of €6 million. Total amounts utilised at 31 December 2011 amounted to €15.6 million.

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

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 17 to the financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Irish Continental Group presents its Financial Statements and Annual Report in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with 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 IASB) 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 2011 and that have been adopted by the European Union.

SUBSTANTIAL SHAREHOLDINGS

The latest notifications of substantial interests in the share capital of the Company received by the Company on or before 7 March 2012 were as follows:

Beneficial Holder as Notified	Number of Units	% of Issued Units
Eamonn Rothwell	3,938,971	15.8%
Moonduster Limited	3,067,085	12.3%
Threadneedle Asset Management Holding Ltd	2,235,267	9.0%
Franklin Templeton Institutional, LLC	1,569,013	6.3%
Marathon Asset Management LLP	1,431,440	5.8%
State Street Global Advisors Ireland Ltd	931,472	3.7%

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 2011 and 1 January 2011, all of which were beneficial, were as follows:

	31/12/2011 ICG Units	1/1/2011 ICG Units
John B. McGuckian	32,354	32,354
Eamonn Rothwell	3,938,971	3,938,971
Garry O'Dea	179,376	179,376
Tony Kelly	39,588	39,588
Peter Crowley	-	-
Bernard Somers	-	-
Thomas Corcoran	-	-

There were no changes in directors' shareholdings between 31 December 2011 and the date of this report. ICG Units are explained on page 111 of this report.

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 UK Corporate Governance Code and the Irish Corporate Governance Annex as adopted by the Irish Stock Exchange and the UK Financial Services Authority. A corporate governance statement is set out on pages 24 to 32 and incorporated into this report by cross reference.

KEY PERFORMANCE INDICATORS

The Group uses a set of headline key performance indicators to measure the performance of its operations. In addition, other performance indicators are measured at individual business unit level.

Return on average capital employed

Capital employed is taken as consolidated net assets, excluding net debt and pension assets/liabilities. Earnings before interest and tax (excluding the non-trading credit) of €28.9 million (2010: €31.5 million) expressed as a percentage of capital employed results in a return on the average of opening and closing capital employed of 14.7% in the current year (2010: 15.6%).

Free cash flow

The Group's free cash flow measure is net cash flow from operating activities adjusted for replacement capital expenditure. Group free cash flow was €30.2 million in 2011 (2010: €35.6 million) or 104% (2010: 113%) of Group operating profit before non-trading credit of €28.9 million (2010: €31.5 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA for the year was down 8.4% at €49.1 million. The decrease is due mainly to higher fuel costs, partially offset by increased revenue flows.

Earnings per share (EPS)

Adjusted EPS (before non-trading items and the net interest credit / charge arising in the pension schemes) was 109.9 cent per share compared with 121.0 cent in 2010. The changes were for the reasons set out above in relation to EBITDA, and a higher net interest charge (before net interest credit arising in the pension schemes) partially offset by a lower taxation charge. Basic EPS was 111.1 cent per share compared with 156.8 cent per share in 2010. Basic EPS is lower also because of the profit on sale of the vessel Bilbao in the prior year.

Schedule integrity

In the time sensitive Ferries Division 94% of scheduled sailings were achieved compared with 96% in the previous year. The reason for the decrease was due to adverse weather conditions which mainly affects fast ferry sailings. Conventional ferries achieved 99% (2010: 99%) schedule integrity.

FUTURE DEVELOPMENTS

Ireland is a very open economy and trade flows in 2012 will be negatively affected by the slowdown in the UK and the Euro area and positively impacted by the growth in the USA and the emerging economies. The Irish consumer faces another difficult year as austerity programmes continue and this is likely to affect import volumes. However there continues to be significant growth in export driven companies opening new factories in Ireland. The integration story of Ireland becoming more intertwined with the UK and Euro area economies continues and should drive trade growth even in the absence of economic growth. Irish agricultural exports remain very strong.

Turning more specifically to the prospects for the Group, as we stated in the past fuel costs have been a significant headwind for the past number of years and this continues to be the case. Our fuel bill rose €10 million approximately in 2010, which we fully recovered, while fuel rose a further €10.7 million in 2011, of which we effectively recovered half. Based on current prices our fuel bill for 2012 is likely to be 17% (or approximately €8 million) higher again, which when combined with the €20.7 million of fuel increases already incurred will be a challenge to recover in the near term.

There is less tourism capacity in 2012 with the termination of the Cork - Swansea route and the withdrawal of a competitor's fastcraft on the Rosslare-Fishguard route. There are a number of other marginal operators on the Irish Sea who continue to lose money and are likely to address their capacity. We continue to focus on reducing costs and improving our cost leadership in the industry. We continue to have a strong balance sheet with strong cash flow which is unique in our sector.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has a risk management structure in place which is designed to identify, manage and mitigate the threats to the business. The key risks facing the Group include operational risks such as risks to safety and business continuity, commercial and market risks due to reduced demand for passenger and freight services, combined with the risk of increased supply of shipping capacity due to the mobility of assets and financial and commodity risks arising from the current financial and economic environment. Further details of risks and uncertainties are set out on page 12.

ANNUAL GENERAL MEETING

Notice of the Annual General Meeting, which will be held on Wednesday 30 May 2012, will be notified to shareholders in April 2012.

On behalf of the Board
Eamonn Rothwell, *Director*
Garry O'Dea, *Director*

7 March 2012
REGISTERED OFFICE:
Ferryport, Alexandra Road, Dublin 1.

CORPORATE GOVERNANCE STATEMENT

The Board acknowledges the importance of good corporate governance and the Group applies the principles and provisions of The UK Corporate Governance Code ("the Code") as adopted by the Irish Stock Exchange (ISE) and the UK Financial Services Authority and of the Irish Corporate Governance Annex ("the Annex") issued by the ISE. Both the Code and the Annex came into effect for the Group from 1 January 2011 replacing the previous Combined Code on Corporate Governance which has been withdrawn. The Code can be viewed on the Financial Reporting Council's (FRC) website (www.frc.org.uk) and the Annex on the ISE website (www.ise.ie). This statement explains how the Group has applied the principles set out in the Code and the Annex.

In addition to the code, the Group is also subject to the requirements of Company law, comprising the Companies Acts, 1963 to 2009 and the listing rules of the ISE and the UK Listing Authority together with the Company's Memorandum and Articles of Association. Throughout the year ended 31 December 2011 and to date the Group has been in compliance with the provisions set out in Section 1 of the Code and the requirements set out in the Annex except for the following matters;

- Provision B1.2 - At least half the Board, excluding the Chairman, did not comprise non-executive Directors determined by the Board to be independent
- Provision B7.1 - All Directors were not presented for re-election at the 2011 Annual General Meeting
- Provision C3.1 - The Audit Committee did not comprise of at least three independent non-executive Directors
- Provision D2.1 - The Remuneration Committee did not comprise of at least three independent non-executive Directors

The non-compliances pertaining to board and committee composition arose from the fact that the Company does not qualify as a smaller company under the Code, which was the case under the previous Combined Code when the Company was a constituent, up to 2009, of the ISEQ Small Cap Index. The Group is currently reviewing the Board composition. On 7 March 2012 the Nomination Committee presented a recommendation for the appointment of an additional non-executive Director to the Board. This recommendation was approved and an offer letter will issue to the candidate in due course. It is further noted that all Directors should resign and present themselves for re-election at the 2012 Annual General Meeting.

BOARD OF DIRECTORS

The Board is collectively responsible for the long-term success of the Group. Pursuant to the Articles of Association, the Directors of the Company are empowered to exercise all such powers as are necessary to manage and run the Company, subject to the provisions of the Companies Acts, 1963 to 2009.

The Board consists of three executive and three non-executive Directors. Notwithstanding non-compliance with provision B1.2 of the code concerning executive and non-executive director balance, the Board believes that it is of a size and structure that enables it to effectively discharge its duties and responsibilities with no individual or group of individuals dominating the Board's decision making. The Board considers that between them, the Directors bring an appropriate balance of skills, experience, independence and knowledge to enable them to discharge their respective duties and responsibilities effectively. Each of the non-executive Directors has a broad range of business experience independent of the Group both domestically and internationally.

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.

CORPORATE GOVERNANCE STATEMENT - CONTINUED

BOARD OF DIRECTORS - CONTINUED

John B. McGuckian has served on the Board for more than nine years since his first appointment. Mr. McGuckian has a wide range of interests and experience both domestically and internationally. The Board has considered the knowledge, skills and experience that Mr. McGuckian contributes and believes him to be independent in character and judgement and to be of continued significant benefit to the Board. Mr. McGuckian was also considered to be independent at the date of appointment as Chairman in 2004.

All Directors are appointed by the Board for an initial term not exceeding three years. The terms and conditions of appointment of non-executive Directors appointed after 2002 are 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. On appointment, 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 may require. Non-executive Directors are deemed to be independent on appointment and this status is reviewed annually. Each Director brings independent judgement to bear on issues of strategy, risk and performance. Under the Articles each director is subject to re-election at least every three years. Commencing from the 2012 Annual General Meeting the Board has agreed that each Director will be subject to annual re-election.

The Board has appointed Peter Crowley as the Senior Independent Director, to provide a sounding board for the Chairman, and to serve as an intermediary for the other directors when necessary. Mr Crowley is also available to shareholders if they have concerns where contact through the normal channels of Chairman, Chief Executive, or other executive Directors has failed to resolve, or for which such contact is inappropriate.

BOARD PROCEDURES

The Board schedules regular meetings (normally at least eight per annum) and also meets on other occasions if necessitated with contact between meetings as required in order to progress the Group's business. Director attendances at scheduled meetings are set out on page 27. The Directors receive regular and timely information in a form and quality appropriate to enable the Board to discharge its duties. The agenda and relevant papers, including minutes of all Board and Committee meetings held since the previous meeting, are circulated in advance of meetings. Non-executive Directors are expected to constructively challenge proposals tabled at the meetings based on their expertise and knowledge. The non-executive Directors are also given regular opportunity to meet with executive management.

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, of which additional information is set out later in this report.

The roles of Chairman and Chief Executive are separate, set out in writing and approved by the Board. The Board has also delegated the management of the Group to the Executive Management, through the direction of the Chief Executive.

The Chairman holds meetings with the non-executive Directors without the executive present and the non-executives also meet once a year, without the Chairman present, to appraise the Chairman's performance.

There is a procedure for Directors in the furtherance of their duties to take independent professional advice, at the Group expense, if they consider this necessary. The Group carries director liability insurance which indemnifies Directors in respect of legal actions that may be taken against them in the course of discharging their duties as director. 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, company law developments and best practice.

BOARD COMMITTEES

During the year ended 31 December 2011, there were three standing Board Committees with formal terms of reference: the Audit Committee, the Nomination Committee and the Remuneration Committee. In addition the Board will establish ad-hoc sub-committees to deal with other matters as necessary. The terms of reference of each committee are available, on request, from the Company Secretary and on the Group's website.

THE AUDIT COMMITTEE

The Audit Committee comprises the non-executive Directors Peter Crowley (Chairman) and Bernard Somers, who have both served on this Committee for 8 years. The Board has determined that both appointees are independent and have recent and relevant financial experience as outlined in their biographies on page 18.

Its duties are to oversee the relationship with the external auditor, including consideration of the appointment of the external auditor, the level of 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 prepared by the Company.

The Committee keeps under review the effectiveness of the Company's internal controls and financial risk management systems, including the internal audit function. It meets with the internal auditor, 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 Committee invites the Finance Director and other senior management to attend meetings from time to time. The Committee will also meet with the internal auditor alone at least once a year.

The Audit Committee has considered all relationships between the Company and the external audit firm, Deloitte & Touche, including the provision of non-audit services as disclosed in Note 11 to the financial statements, which are approved by the Committee. The Committee does not consider that those relationships or the level of non-audit fees impair the auditor's judgement or independence.

The Audit Committee met on three occasions during 2011.

THE NOMINATION COMMITTEE

The Nomination Committee comprises the non-executive Directors John B. McGuckian (Chairman) and Peter Crowley, and executive Director Eamonn Rothwell, who have served on this Committee for 12 years, 8 years, and 12 years, respectively.

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. In discharging its duties the Committee is cognisant of the requirement to allow for orderly succession and refreshment of the Board.

The Nomination Committee met on two occasions during 2011 to discuss and initiate a search and appointment process for new non-executive Directors. This process was conducted by the Committee and no external consultant was appointed. The shortlisting of Board candidates was on merit against objective criteria and with due regard for the benefits of diversity on the Board, including gender and a recommendation was presented to the Board for the appointment of an additional non-executive Director on 7 March 2012.

THE REMUNERATION COMMITTEE

The Remuneration Committee comprises the non-executive Directors Peter Crowley (Chairman) and John B. McGuckian who have served on this Committee for 8 years and 17 years respectively. Both Directors bring significant professional expertise to their roles on this Committee as set out in their professional biographies on page 18.

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.

The Group's remuneration policy and details of Directors' remuneration are contained in the Report of the Remuneration Committee on pages 33 to 36.

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

Director	Board	Audit	Nomination	Remuneration
Scheduled Meetings	11	3	2	3
J.B. McGuckian (2 & 3)	11	-	2	3
P. Crowley (1, 2 & 3)	11	3	2	3
B. Somers (1)	11	3	-	-
E. Rothwell (2)	11	-	2	-
G. O'Dea	11	-	-	-
T. Kelly	11	-	-	-

1: Member of the Audit Committee

2: Member of the Nomination Committee

3: Member of the Remuneration Committee

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 and subject to the requirements of the Takeover Code, when applicable, the Chief Executive and the Finance Director have a regular dialogue with 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.

The Board encourages communications with shareholders and welcomes their participation at shareholder meetings.

Regular formal updates are provided to shareholders and are available on the Group's website. These include a trading update on the day of the Annual General Meeting, Interim Management Statements, the Half-Yearly Financial Report, and the Annual Report and Financial Statements.

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 Unit price.

Arrangements will be made for the 2011 Annual Report and 2012 Annual General Meeting 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. In compliance with the Transparency Directive, two Interim Management Statements will be issued during 2012.

Further investor relations information is available on pages 111 to 113 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 on-going 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.

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.

INTERNAL CONTROL - CONTINUED

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

- The Group Risk Management function which reviews key business processes and controls;
- An organisational structure with clearly defined lines of authority and accountability;
- A skilled and experienced Group and divisional management;
- A formally constituted Audit Committee which reviews the operation of the Group Risk Management function, the Internal Audit function, liaises with the external auditor and reviews the Group's internal control systems;
- The Board of Directors which reviews and approves the annual budget each year which is used for comparison with monthly management accounts throughout the year;
- A centralised treasury function which manages the financial risks of the Group;
- A standardised consolidation system for the preparation of the Group's monthly management accounts, interim and annual consolidated financial statements; and
- The Board of Directors which reviews and monitors the capital expenditure programme on an on-going basis.

Financial control

The Group has a comprehensive system of financial reporting involving budgeting, monthly reporting and variance analysis. The annual budget is reviewed and approved by the Board. Financial results with comparisons against budget are reported to the executive Directors on a monthly basis and are reported to the Board at each Board meeting, usually at least eight times a year. Forecasts are updated regularly to reflect changes in circumstances. Reports to the Board include compliance with banking covenants. At executive Director level, there is daily reporting of liquidity, commodity price and foreign exchange movements while advance passenger bookings and earned revenue reports are reviewed weekly. There is a monthly review of aged trade debtors and receivables to identify risk of non-payment arising from which corrective action can be taken.

Internal audit

An annual internal audit plan is formulated by the Internal Auditor and submitted for review and approval by the Audit Committee of the Board. Following this the Internal Auditor submits a written report to the Board at each Board meeting on a summarised basis. The Internal Auditor meets the Audit Committee on request but at least once a year, without the executive Directors present.

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

During the year the Board carried out a self-evaluation of the Board as a whole, the Board processes, its committees and individual Directors. The process was led by the Chairman and was based on the framework contained in the Guidance on Board Effectiveness issued by the FRC in March 2011. Within this process, the non-executive Directors, led by the Senior Independent Director, carried out an evaluation of the Chairman's performance.

The Chairman reported to the Board that the evaluation indicated that the Board was operating effectively for the long-term success of the Group and that each Director was contributing effectively and demonstrating commitment to the role. Separately, the Senior Independent Director reported that the Chairman was providing effective leadership of the Board. This self-evaluation process will be supplemented with an evaluation conducted by an external advisor on a triennial basis. The Board will commence an assessment of external advisors during the coming year.

DIRECTORS' REMUNERATION

The Report of the Remuneration Committee is set out on pages 33 to 36.

MATTER PERTAINING TO SHARE CAPITAL

The information set out below is required to be contained in the Report of the Directors under Regulation 21 of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 (S.I. 255/2006). The information represents the position at 31 December 2011.

For the purposes of Regulation 21(2)(c),(e) and (k) of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 (S.I. 255/2006), the information given under the following headings: (i) Substantial Shareholdings page 21; (ii) Share Option Plans page 34; (iii) Long Term Incentive Plan page 34; (iv) Service Contracts page 34; and (v) Share-Based Payments page 57, are deemed to be incorporated in to this statement.

Share capital

The authorised share capital of the Company is €29,295,000 divided into 45,000,000 ordinary shares of €0.65 each (Ordinary Shares) and 4,500,000,000 Redeemable Shares of €0.00001 cent each (Redeemable Shares). The Ordinary Shares represent approximately 99.85% and the Redeemable Shares represent approximately 0.15% of the authorised share capital.

Ordinary Shares and Redeemable Shares are inextricably linked as an ICG Unit. An ICG Unit consists of one Ordinary Share and ten Redeemable Shares (or such lesser number thereof, if any, resulting from the redemption of one or more redeemable share). At 31 December 2011 an ICG Unit consisted of one Ordinary Share and 10 Redeemable Shares. No Ordinary or Redeemable Share may be transferred unless they are transferred in connection with a simultaneous transfer of the other shares with which they are linked as an ICG Unit.

The rights and obligations attaching to the Ordinary Shares and Redeemable Shares are contained in the Articles of Association of the Company.

Under the Company's Memorandum and Articles of Association the Directors have the power to redeem redeemable shares from time to time.

The structure of the Group and Company's capital and movement during the year are set out in note 21 to the financial statements.

It is an event of default under the Group's bank facilities agreement if any person or group of persons acting together becomes the owner of more than fifty per cent of the voting share capital of the Company without the consent of the lenders.

Restrictions on the transfer of shares

Save as set out below there are no limitations in Irish law on the holding of ICG Units and there is no requirement to obtain the approval of the Company, or of other holders of ICG Units, for a transfer of ICG Units. Certain restrictions may from time to time be imposed by laws or regulations such as those relating to insider dealing.

All transfers of Ordinary Shares and Redeemable Shares can only be effected when they are transferred in connection with a simultaneous transfer of the other shares that they are linked as an ICG Unit.

ICG Units are, in general, freely transferable but the Directors may decline to register a transfer of ICG Units upon notice to the transferee, within two months after the lodgement of a transfer with the Company, in the following cases:

(i) a lien held by the Company; or

(ii) in the case of a purported transfer to an infant or a person lawfully declared to be incapable for the time being of dealing with their affairs.

ICG Units held in certificated form are transferable upon production to the Company's Registrars of the original share certificate and the usual form of stock transfer duly executed by the holder of the shares.

ICG Units held in uncertificated form are transferable in accordance with the rules or conditions imposed by the operator of the relevant system which enables title to the ICG Units to be evidenced and transferred without a written instrument and in accordance with the Companies Act, 1990 (Uncertificated Securities) Regulations 1996 (S.I. 68/1996).

The rights attaching to Ordinary Share and Redeemable Shares comprised in each ICG Unit remain with the transferor until the name of the transferee has been entered on the Register of Members of the Company.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights.

The powers of the directors including in relation to the issuing or buying back by the Company of its shares

Under the Articles of Association of the Company, the business of the Company is to be managed by the Directors who may exercise all the powers of the Company subject to the provisions of the Companies Acts, 1963 to 2009, the Memorandum and Articles of Association of the Company and to any directions given by special resolution of a General Meeting. The Articles further provide that the Directors may make such arrangement as may be thought fit for the management of the Company's affairs including the appointment of such attorneys or agents as they consider appropriate and delegate to such persons such powers as the Directors may deem requisite or expedient.

Pursuant to resolutions of the shareholders at the Company's 2011 Annual General Meeting, and in accordance with the provisions of the Companies Acts, 1963 to 2009: (i) the Directors are authorised until the conclusion of the next Annual General Meeting, to allot shares up to an aggregate nominal value of 33.33% of the then present issued Ordinary Share capital and the present authorised but unissued Redeemable Share capital of the Company equivalent to 8,286,407 ICG Units such authority to expire at the conclusion of the next Annual General Meeting of the Company; and (ii) the Company and its subsidiaries are authorised to make market purchases of shares of any class of the Company comprising up to 3,729,256 ICG Units, such authority to expire at the conclusion of the next Annual General Meeting or 1 December 2012 if earlier.

Pursuant to a resolution passed at the 2009 Annual General Meeting, the Company may from time to time and at any time, at the discretion of the Directors, redeem the redeemable shares (up to a maximum of two redeemable shares per ICG Unit). Any further redemptions of redeemable shares recommended by the Directors will require approval by an ordinary resolution of shareholders of the company in a General Meeting.

General Meetings and shareholder voting rights

Under the Articles of Association, the power to manage the business of the Company is generally delegated to the Directors. However, the shareholders retain the power to pass resolutions at a General Meeting of the Company which may give directions to the Directors as to the management of the Company.

The Company must hold a General Meeting in each year as its Annual General Meeting in addition to any other meetings in that year and no more than fifteen months may elapse between the date of one Annual General Meeting and that of the next. The Annual General Meeting will be held at such time and place as the Directors determine. All General Meetings, other than Annual General Meetings, are called Extraordinary General Meetings. The Directors may at any time call an Extraordinary General Meeting.

Extraordinary General Meetings shall also be convened by the Directors on the requisition of members holding, at the date of the requisition, not less than five percent of the paid up capital carrying the right to vote at General Meetings and in default of the Directors, within twenty one days, convening such a meeting to be held within two months, the requisitionists (or more than half of them) may, but only within three months, themselves convene a meeting.

No business may be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Three members present in person or by proxy and entitled to vote at such meeting constitutes a quorum.

The holders of ICG Units have the right to receive notice of a General Meeting. In the case of an Annual General Meeting or of a meeting for the passing of a Special Resolution or the appointment of a Director, twenty-one clear days' notice at the least, and any other case fourteen clear days' notice at the least (assuming that the shareholders have passed a resolution to this effect at the previous year's Annual General Meeting), needs to be given in writing in the manner provided for in the Articles to all the members (other than those who, under the provisions of the Articles or the conditions of issue of the shares held by them, are not entitled to receive the notice) and to the Auditor for the time being of the Company.

All business is deemed special that is transacted at an Extraordinary General Meeting. All business that is transacted at an Annual General Meeting is also deemed special with the exception of declaring a dividend, receiving the accounts, statements of financial position and reports of the Directors and Auditor, electing Directors in the place of those retiring, voting additional remuneration for the Directors, appointing the Auditor and fixing of the remuneration of the Auditor.

Voting at any General Meeting is by a show of hands unless a poll is properly demanded. On a show of hands, every member who is present in person or by proxy has one vote regardless of the number of shares held by him. On a poll, every member who is present in person or by proxy has one vote for each share of which he is the holder. A poll may be demanded by the Chairman of the meeting or by at least five members having the right to vote at the meeting or by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or by a member or members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Deadlines for exercising voting rights

Voting rights at General Meetings of the Company are exercised when the Chairman puts the resolution at issue to the vote of the meeting. A vote decided under show of hands is taken forthwith. A vote taken on a poll for the election of the Chairman or on a question of adjournment is also taken forthwith and a poll on any other question is taken either immediately, or at such time (not being more than thirty days from the date of the meeting at which the poll was demanded or directed) as the Chairman of the meeting directs. Where a person is appointed to vote for a shareholder as proxy, the instrument of appointment must be received by the Company not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the appointed proxy proposes to vote, or, in the case of a poll, not less than forty-eight hours before the time appointed for taking the poll.

Shareholders Rights (Directive 2007/36/EC) Regulations 2009 (S.I. 316/2009)

Every shareholder, irrespective of how many ICG Units they hold, have the right to attend, speak, ask questions and vote at General Meetings of the Company. The Company, pursuant to Section 134A of the Companies Act 1963 (as amended) and pursuant to Regulation 14 of the Companies Act, 1990 (Uncertificated Securities) Regulations 1996 (S.I. 68/1996), specifies record dates for General Meetings, by which date shareholders must be registered in the Register of Members of the Company shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at the time.

Pursuant to Section 133(B)(1)(a) of the Companies Act 1963, a shareholder, or a group of shareholders who holds at least 3% of the issued share capital of the Company has the right to put an item on the agenda of an AGM. In order to exercise this right, written details of the item to be included in the AGM agenda must be accompanied by stated grounds justifying its inclusion or a draft resolution to be adopted at the General Meeting together with evidence of the shareholder or group of shareholders shareholding must be received, by the Company, 42 days in advance of the meeting to which it relates.

Pursuant to Section 133(B)(1)(b) of the Companies Act 1963, a shareholder, or a group of shareholders who holds at least 3% of the issued share capital of the Company has the right to table a draft resolution for inclusion in the agenda of an AGM. In order to exercise this right, the text of the draft resolution and evidence of the shareholder or group of shareholders shareholding must be received, by the Company, 30 days in advance of the meeting to which it relates.

Details of the postal and e-mail address for shareholders to communicate the information pursuant to Sections 133(B)(1)(a) and 133(B)(1)(b) are set out in the notes to the Notice of the AGM.

Rules concerning amendment of the Company's Articles of Association

As provided in the Companies Acts, 1963 to 2009, the Company may, by special resolution, alter or add to its Articles of Association. A resolution is a special resolution when it has been passed by not less than 75% of the votes cast by shareholders entitled to vote and voting in person or by proxy, at a General Meeting at which not less than twenty-one days' notice specifying the intention to propose the resolution as a special resolution, has been duly given.

Rules concerning the appointment and replacement of directors of the Company

Other than in the case of a casual vacancy, Directors of the Company are appointed on a resolution of the shareholders at a General Meeting, usually the Annual General Meeting.

No person, other than a Director retiring at a General Meeting is eligible for appointment as a Director without a recommendation by the Directors for that person's appointment unless, not less than six or more than forty clear days before the date of the General Meeting, written notice by a shareholder, duly qualified to be present and vote at the meeting, of the intention to propose the person for appointment and notice in writing signed by the person to be proposed of willingness to act, if so appointed, shall have been given to the Company.

The Directors have power to fill a casual vacancy or to appoint an additional Director (within the maximum number of Directors fixed by the Articles (as may be amended by the Company in a General Meeting)) and any Director so appointed holds office only until the conclusion of the next Annual General Meeting following his appointment, when the Director concerned shall retire, but shall be eligible for reappointment at that meeting.

Each Director must retire from office not later than the third Annual General Meeting following his last appointment or reappointment. In addition, one third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to one third), are obliged to retire from office at each Annual General Meeting on the basis of the Directors who have been longest in office since their last appointment.

The Company intends to implement the requirements of the 2010 UK Corporate Governance Code in respect of the annual election of all Directors commencing at the 2012 Annual General Meeting of the Company to be held in 2012.

A person is disqualified from being a Director, and their office as a Director ipso facto vacated, in any of the following circumstances:

(i) if a receiving order is made against him, or he makes any arrangement or composition with his creditors generally;

(ii) if he becomes of unsound mind;

(iii) if he ceases to be a Director, or is prohibited from being a Director under the Companies Acts, 1963 to 2009;

(iv) if he resigns by notice in writing to the Company;

(v) if he is absent (without leave and without his alternative attending in his absence) for more than 12 consecutive months and the Directors resolve that his office be vacated;

(vi) if he is convicted of an indictable offence not being an offence under the Road Traffic Act, 1961 (or any statutory provision or modification thereof).

Notwithstanding anything in the Articles of Association or in any agreement between the Company and a Director, the Company may, by Ordinary Resolution of which extended notice has been given in accordance with the Companies Acts, 1963 to 2009, remove any Director before the expiry of his or her period of office.

REPORT OF THE REMUNERATION COMMITTEE

Remuneration policy

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 26. 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 regard to comparable companies in both size and complexity. Remuneration policy is also designed to align remuneration with the financial results of the Group. Total Directors' remuneration for the year was €2,092,000 compared with €2,506,000 in 2010 and €2,063,000 in 2009. The components of Directors' remuneration are set out below.

Salary

Basic salaries of executive Directors and other senior management are reviewed annually by the Remuneration Committee having regard to the job specification, level of responsibility, individual performance and market practice. There was no increase in basic salaries for executive Directors in 2011, the levels of salary remaining at 2008 levels.

Performance pay

Annual performance pay for executive Directors is determined by the Remuneration Committee based on the achievement of the Group's profitability objectives. The principal performance indicator is earnings per share as reported in the audited Financial Statements. Performance pay for the year was €565,000 compared with €948,000 in 2010 and €477,000 in 2009. Part of the performance pay in relation to any year is deferred until after the year-end and is normally paid no later than four months after that year-end. There is no explicit arrangement for the recovery of such amounts in the event that the data on which the awards (i.e. audited earnings per share) are based is subsequently found to be materially inaccurate.

Benefits

Benefits comprise the taxable value of Company cars and car expenses incurred by the Company.

Pensions

Up to 31 December 2010 the executive Directors had been participants in the Group's contributory defined benefit pension plans under which benefits are accrued annually to provide up to a maximum of two thirds of final pensionable salary at retirement. The plans also provide for death-in-service life insurance cover and also provide for spouse and dependents' pensions in the event of death-in-service or death-in-retirement. No element of remuneration, other than basic salary, was pensionable. Non-executive Directors do not participate in the Group's pension plans. In 2011, the executive Directors ceased to accrue further benefits under defined benefit pension arrangements. Since then, an allowance is payable to each Director in lieu of pension benefit accrual. The amount of the allowance payable was based on the advice of an independent actuary. The allowance ceases to be payable on the earlier of a Director leaving the service of the Company or on reaching the Director's normal retirement age. Death-in-service benefits continue to be provided to the executive Directors.

Fees

Directors' fees are payable only to non-executive Directors. The level of Directors' fees is determined by the Board and is reviewed from time to time. Directors' fees were last increased in 2004. Eamonn Rothwell is released to serve as a non-executive Director on the boards of The United Kingdom Mutual War Risks Association Limited and, with effect from 18 October 2011, The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. His fees for both of these positions are paid over to the Group.

Service contracts

There are no Directors' service contracts, except that there is an agreement between the Company and Eamonn Rothwell that, for management retention reasons, in the event of a change in control of the Company (where over 50% of the Company is acquired by a party or parties acting in concert, excluding Eamonn Rothwell) he will have the right to extend his notice period to two years or to receive remuneration in lieu thereof.

Long term incentive plans

There are no long term incentive plans in place other than the Group's 1998 and 2009 share option plans.

Share option plans

The Group has two share option plans, the 1998 plan (which expired as regards new grants in 2008) and subsequently the 2009 plan. The purpose of the share option plans is to encourage identification of option holders with shareholders' longer term interests. Under the plans, options have been granted both to Directors and to employees of the Group. The options were granted by the Remuneration Committee on a discretionary basis, based on the employees' expected contribution to the Group in the future. All unexercised options at 31 December 2011 had been granted under the 1998 plan. No share options have been granted under the 2009 share option plan. Non-executive Directors are not eligible to participate in the plan.

Share option expense

A charge is recognised in the Consolidated Income Statement in respect of share options issued to executive Directors. The charge in respect of executive Directors for the year ended 31 December 2011 is €77,000 (2010: €230,000) and is included in Employee benefit expense (note 6) and Related party transactions (note 34).

Details of Directors' remuneration for the year ended 31 December 2011 are set out below:

	Salary €'000	Performance Pay €'000	Benefits €'000	Pension €'000	Fees €'000	Total 2011 €'000	Total 2010 €'000
Executive Directors							
E. Rothwell	**499**	**396**	**37**	**133**	**-**	**1,065**	1,402
G. O'Dea	**283**	**99**	**14**	**104**	**-**	**500**	580
T. Kelly	**206**	**70**	**22**	**59**	**-**	**357**	354
Total for Executives	**988**	**565**	**73**	**296**	**-**	**1,922**	2,336
Non-executive Directors							
J.B. McGuckian	**-**	**-**	**-**	**-**	**90**	**90**	90
P. Crowley	**-**	**-**	**-**	**-**	**40**	**40**	40
B. Somers	**-**	**-**	**-**	**-**	**40**	**40**	40
Total for Non-Executives	**-**	**-**	**-**	**-**	**170**	**170**	170
Total	**988**	**565**	**73**	**296**	**170**	**2,092**	2,506

REPORT OF THE REMUNERATION COMMITTEE - CONTINUED

SHARE OPTION EXPENSE - CONTINUED

The aggregate pension benefits attributable to the executive Directors at 31 December 2011 are as follows:

	E. Rothwell €'000	**G. O'Dea €'000**	**T. Kelly €'000**	**Total 2011 €'000**	Total 2010 €'000
Increase in accumulated accrued annual benefits excluding inflation in the period	**-**	**-**	**2**	**2**	18
Transfer value of the increase in accumulated accrued benefits (excluding inflation) at year end*	**-**	**-**	**45**	**45**	285
Accumulated accrued annual benefits on leaving service at year end	**313**	**165**	**134**	**612**	595

* Note: Calculated in accordance with Actuarial Standard of Practice, Pen II.

Directors' and Secretary's share options are set out below:

Exercise Price	Exercise Period	Exercise Conditions	Director E. Rothwell	Director G. O'Dea	Director T. Kelly	Secretary T. Corcoran
€7.35	Jan 2007 - Mar 2012	Note 2	100,000	-	-	-
€5.30	Sep 2005 - Sep 2012	Note 1	50,000	-	-	-
€5.30	Sep 2007 - Sep 2012	Note 2	50,000	-	-	-
€10.00	Apr 2008 - Apr 2015	Note 1	25,000	-	-	-
€10.00	Apr 2010 - Apr 2015	Note 2	25,000	12,500	-	-
€10.67	Sep 2009 - Sep 2016	Note 1	50,000	25,000	-	7,500
€10.67	Sep 2011- Sep 2016	Note 2	50,000	25,000	25,000	7,500
€21.32	Dec 2010 - Dec 2017	Note 1	75,000	37,500	37,500	10,000
€21.32	Dec 2012 -Dec 2017	Note 2	75,000	37,500	37,500	10,000
At 31 December 2010			500,000	137,500	100,000	35,000
Exercised during the year	Date of Exercise	Market Price				
€7.35	7 April 2011	€17.25	(100,000)	-	-	-
€10.00	7 April 2011	€17.25	-	(12,500)	-	-
€10.67	7 April 2011	€17.25	-	(12,500)	-	-
At 31 December 2011			**400,000**	**112,500**	**100,000**	**35,000**

Business Review

Corporate Governance

Financial Statements

SHARE OPTION EXPENSE - CONTINUED

Exercise Conditions

Note 1: These options may only be exercised if Earnings Per Share growth between the financial year immediately preceding the financial year in which an option is granted and the financial year immediately preceding the financial year in which the option is exercised is at least 2% above the increase in the Consumer Price Index compounded per annum over such period.

Note 2: These options may only be exercised if the Earnings Per Share growth over any period of five financial years since the financial year immediately preceding the financial year in which the option was granted is such as to place the Company in the top quartile of companies in the Irish Stock Exchange Index ("ISEQ Index") by reference to Earnings Per Share growth over the same period and during that period the annual Earnings Per Share growth is at least 10% above the increase in the Consumer Price Index compounded per annum over such period.

Market Price of Shares

The market price of the shares at 31 December 2011 was €15.17 and the range during the year was €14.00 to €18.15.

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; and
- 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 the Group and to enable them to ensure that the financial statements are prepared in accordance with IFRS as adopted by the European Union and comply with Irish statute comprising the Companies Acts, 1963 to 2009, and as regards the Group financial statements 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company website.

The Directors of ICG plc acknowledge these responsibilities and accordingly have prepared this consolidated Annual Report for the year ended 31 December 2011 in compliance with the provisions of Regulation (EC) No. 1606/2002, regulations 4 and 5 of Statutory Instrument 277 of 2007 of Ireland, the Transparency Rules of the Irish Financial Services Regulatory Authority and the applicable International Financial Reporting Standards as adopted by the European Union.

The Directors also confirm that to the best of their knowledge:

- the Group consolidated financial statements for the year ended 31 December 2011 have been prepared in accordance with the applicable International Financial Reporting Standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole as at that date;
- the Business Review includes a fair review of the development and performance of the business for the year ended 31 December 2011 and the position of the Group and the undertakings included in the consolidation taken as a whole at the year end; and
- the Report of the Directors provides a description of the principal risks and uncertainties which may impact on future performance of the Group and the undertakings included in the consolidation taken as a whole.

On behalf of the Board

Eamonn Rothwell, *Director*
Garry O'Dea, *Director*

INDEPENDENT AUDITOR'S 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 2011 which comprise the Group Financial Statements including the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the Parent Company Financial Statements including the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows, and the related notes 1 to 40. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, 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 (IFRSs) as adopted by the European Union.

Our responsibility, as independent auditor, 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 IFRSs as adopted by the European Union and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009, and Article 4 of the IAS Regulation. 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 the Directors is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purpose of our audit and whether the parent company 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 are required by law to report to you our opinion as to whether the description in the annual corporate governance statement set out in the Report of the Directors of the main features of the internal control and risk management systems in relation to the process for preparing the group financial statements is consistent with the group financial statements.
In addition, we review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex 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 board's 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 Chairman's Statement, the Operating & Financial Review, the Report of the Directors including the Corporate Governance Statement and the Report of the Remuneration Committee.
Our responsibilities do not extend to other information.

Continued on next page /

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRISH CONTINENTAL GROUP PLC - CONTINUED

/ Continued from previous page

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.

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the affairs of the group as at 31 December 2011 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 2009 and Article 4 of the IAS Regulations;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the parent company affairs as at 31 December 2011; and
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

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 parent company. The parent company balance sheet is in agreement with the books of account.

In our opinion the information given in the Report of the Directors is consistent with the financial statements and the description in the annual corporate governance statement of the main features of the internal control and risk management systems in relation to the process for preparing the group financial statements is consistent with the group financial statements.

The net assets of the parent company, as stated in the parent company 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 2011 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 parent company.

Gerard Fitzpatrick
For and on behalf of Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin
7 March 2012

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2011

	Notes	2011 €m	2010 €m
Continuing operations			
Revenue	4	**273.3**	262.2
Depreciation and amortisation	11	**(20.2)**	(22.1)
Employee benefits expense	6	**(19.5)**	(24.0)
Other operating expenses		**(204.7)**	(184.6)
		28.9	31.5
Non-trading credit	7	**-**	9.4
Operating profit		**28.9**	40.9
Investment revenue	8	**12.0**	11.6
Finance costs	9	**(12.7)**	(12.4)
Profit before tax		**28.2**	40.1
Income tax expense	10	**(0.5)**	(1.1)
Profit for the year: all attributable to equity holders of the parent	11	**27.7**	39.0
Earnings per share - expressed in € cent per share			
From continuing operations:			
Basic	13	**111.1c**	156.8c
Diluted	13	**110.4c**	155.7c

The financial statements were approved by the Board of Directors on 7 March 2012 and signed on its behalf by:

Eamonn Rothwell, *Director*
Garry O'Dea, *Director*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	Notes	2011 €m	2010 €m
Profit for the year		**27.7**	39.0
Cash flow hedges:			
- Fair value gains arising during the year	24	**-**	0.1
- Transfer to Consolidated Income Statement - net settlement of cashflow hedge	24	**(0.1)**	-
Exchange differences on translation of foreign operations		**2.3**	3.7
Actuarial (loss) / gain on retirement benefit obligation	33a viii	**(19.7)**	5.9
Deferred tax movements	25	**(0.1)**	(0.5)
Exchange difference on defined benefit schemes	33a viii	**(0.3)**	(0.3)
Currency translation differences recycled to Consolidated Income Statement on disposal of vessel	7	**-**	(0.8)
Other comprehensive (expense) / income for the year		**(17.9)**	8.1
Total comprehensive income for the year: all attributable to equity holders of the parent		**9.8**	47.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

	Notes	2011 €m	2010 €m
Assets			
Non-current assets			
Property, plant and equipment	14	**182.1**	194.0
Intangible assets	15	**0.8**	0.9
Finance lease receivable	16	**20.7**	23.4
Retirement benefit surplus	33a iv	**4.4**	4.0
		208.0	222.3
Current assets			
Inventories	18	**2.7**	1.9
Trade and other receivables	19	**34.1**	33.6
Derivative financial instruments	24	**-**	0.1
Cash and bank balances	20	**9.8**	17.2
		46.6	52.8
Total assets		**254.6**	275.1
Equity and liabilities			
Equity			
Share capital	21	**16.7**	16.8
Share premium	22	**52.7**	51.8
Other reserves	22	**(18.9)**	(21.3)
Retained earnings		**101.1**	130.7
Equity attributable to equity holders of the parent		**151.6**	178.0
Non-current liabilities			
Borrowings	23	**16.7**	22.8
Trade and other payables	26	**0.9**	1.1
Deferred tax liabilities	25	**4.4**	4.2
Provisions	27	**0.3**	0.3
Deferred grant	28	**0.8**	1.0
Retirement benefit obligation	33a iv	**36.9**	21.5
		60.0	50.9
Current liabilities			
Borrowings	23	**0.9**	0.7
Trade and other payables	26	**38.9**	41.6
Current tax liabilities	26	**2.8**	3.5
Provisions	27	**0.3**	0.3
Deferred grant	28	**0.1**	0.1
		43.0	46.2
Total liabilities		**103.0**	97.1
Total equity and liabilities		**254.6**	275.1

The financial statements were approved by the Board of Directors on 7 March 2012 and signed on its behalf by:

Eamonn Rothwell, *Director*
Garry O'Dea, *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	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 2011	**16.8**	**51.8**	**2.2**	**1.5**	**0.1**	**(25.1)**	**130.7**	**178.0**
Profit for the year	-	-	-	-	-	-	**27.7**	**27.7**
Other comprehensive (expense) / income	-	-	-	-	**(0.1)**	**2.3**	**(20.1)**	**(17.9)**
Total comprehensive (expense) / income for the year	-	-	-	-	**(0.1)**	**2.3**	**7.6**	**9.8**
Employee share options expense	-	-	-	**0.1**	-	-	-	**0.1**
Share Issue	**0.1**	**0.9**	-	-	-	-	-	**1.0**
Share buyback	**(0.2)**	-	**0.2**	-	-	-	**(4.0)**	**(4.0)**
Dividends	-	-	-	-	-	-	**(33.3)**	**(33.3)**
Transferred to retained earnings on exercise of share options	-	-	-	**(0.1)**	-	-	**0.1**	-
	(0.1)	**0.9**	**0.2**	-	**(0.1)**	**2.3**	**(29.6)**	**(26.4)**
Balance at 31 December 2011	**16.7**	**52.7**	**2.4**	**1.5**	-	**(22.8)**	**101.1**	**151.6**

Analysed as follows:	
Share capital	**16.7**
Share premium	**52.7**
Other reserves	**(18.9)**
Retained earnings	**101.1**
	151.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

	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 2010	16.6	48.7	2.2	1.9	-	(28.0)	110.9	152.3
Profit for the year	-	-	-	-	-	-	39.0	39.0
Other comprehensive income	-	-	-	-	0.1	2.9	5.1	8.1
Total comprehensive income for the year	-	-	-	-	0.1	2.9	44.1	47.1
Employee share options expense	-	-	-	0.3	-	-	-	0.3
Share Issue	0.2	3.1	-	-	-	-	-	3.3
Dividends	-	-	-	-	-	-	(25.0)	(25.0)
Transferred to retained earnings on exercise of share options	-	-	-	(0.7)	-	-	0.7	-
	0.2	3.1	-	(0.4)	0.1	2.9	19.8	25.7
Balance at 31 December 2010	16.8	51.8	2.2	1.5	0.1	(25.1)	130.7	178.0

Analysed as follows:	
Share capital	16.8
Share premium	51.8
Other reserves	(21.3)
Retained earnings	130.7
	178.0

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

	Notes	2011 €m	2010 €m
Assets			
Non-current assets			
Property, plant and equipment	14	**0.4**	0.2
Intangible assets	15	**0.8**	0.9
Investments in subsidiaries	17	**11.0**	11.0
Retirement benefit surplus	33b iv	**0.6**	0.7
		12.8	12.8
Current assets			
Inventories	18	**0.8**	0.6
Trade and other receivables	19	**137.4**	138.8
Cash and bank balances	20	**0.5**	0.7
		138.7	140.1
Total assets		**151.5**	152.9
Equity and liabilities			
Equity			
Share capital	21	**16.7**	16.8
Share premium	22	**52.7**	51.8
Other reserves	22	**3.5**	3.3
Retained earnings		**47.0**	4.9
Equity attributable to equity holders		**119.9**	76.8
Non-current liabilities			
Provisions	27	**0.1**	0.1
Retirement benefit obligation	33b iv	**3.8**	3.9
		3.9	4.0
Current liabilities			
Trade and other payables	26	**27.2**	71.1
Current tax liabilities	26	**0.4**	0.9
Provisions	27	**0.1**	0.1
		27.7	72.1
Total liabilities		**31.6**	76.1
Total equity and liabilities		**151.5**	152.9

The financial statements were approved by the Board of Directors on 7 March 2012 and signed on its behalf by:

Eamonn Rothwell, *Director*
Garry O'Dea, *Director*

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Share Capital €m	Share Premium €m	Capital Reserve €m	Share Options Reserve €m	Retained Earnings €m	Total €m
Balance at 1 January 2011	**16.8**	**51.8**	**2.1**	**1.2**	**4.9**	**76.8**
Profit for the year	-	-	-	-	**79.8**	**79.8**
Other comprehensive expense	-	-	-	-	**(0.5)**	**(0.5)**
Total comprehensive income for the year	-	-	-	-	**79.3**	**79.3**
Employee share options expense	-	-	-	**0.1**	-	**0.1**
Share Issue	**0.1**	**0.9**	-	-	-	**1.0**
Share buyback	**(0.2)**	-	**0.2**	-	**(4.0)**	**(4.0)**
Dividends	-	-	-	-	**(33.3)**	**(33.3)**
Transferred to retained earnings on exercise of share options	-	-	-	**(0.1)**	**0.1**	-
	(0.1)	**0.9**	**0.2**	-	**42.1**	**43.1**
Balance at 31 December 2011	**16.7**	**52.7**	**2.3**	**1.2**	**47.0**	**119.9**

Analysed as follows:	
Share capital	**16.7**
Share premium	**52.7**
Other reserves	**3.5**
Retained earnings	**47.0**
	119.9

Business Review

Corporate Governance

Financial Statements

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

	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 2010	16.6	48.7	2.1	1.3	-	22.5	91.2
Profit for the year	-	-	-	-	-	7.1	7.1
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	7.1	7.1
Employee share options expense		-	-	0.2	-	-	0.2
Share Issue	0.2	3.1	-	-	-	-	3.3
Dividends	-	-	-	-	-	(25.0)	(25.0)
Transferred to retained earnings on exercise of share options	-	-	-	(0.3)	-	0.3	-
	0.2	3.1	-	(0.1)	-	(17.6)	(14.4)
Balance at 31 December 2010	16.8	51.8	2.1	1.2	-	4.9	76.8

Analysed as follows:	
Share capital	16.8
Share premium	51.8
Other reserves	3.3
Retained earnings	4.9
	76.8

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2011

	Notes	2011 €m	2010 €m
Net cash generated from operating activities	35	**36.5**	42.8
Cash flow from investing activities			
Interest received		**-**	0.1
Proceeds on disposal of property, plant and equipment		**0.4**	0.5
Net proceeds received on disposal of vessel		**-**	1.6
Payment received on finance lease receivable		**4.1**	-
Purchases of property, plant and equipment		**(5.9)**	(6.9)
Purchases of intangible assets		**(0.4)**	(0.3)
Net cash utilised by investing activities		**(1.8)**	(5.0)
Cash flow from financing activities			
Dividends paid to equity holders of the Company		**(33.3)**	(25.0)
Repayments of borrowings		**(27.8)**	(17.4)
Repayments of obligations under finance leases		**(0.7)**	(0.8)
Proceeds on issue of ordinary share capital		**1.0**	3.3
Share buyback		**(4.0)**	-
New bank loans raised		**22.5**	-
Inception of new finance leases		**-**	2.3
Net cash used in financing activities		**(42.3)**	(37.6)
Net (decrease) / increase in cash and cash equivalents		**(7.6)**	0.2
Cash and cash equivalents at the beginning of the year		**17.2**	17.0
Effect of foreign exchange rate changes		**(0.1)**	-
Cash and cash equivalents at the end of the year	36	**9.5**	17.2

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2011

	Notes	2011 €m	2010 €m
Net cash (utilised by) / generated from operating activities	35	**(46.4)**	3.3
Cash flow from investing activities			
Dividend received from subsidiary		**84.7**	19.5
Purchases of property, plant and equipment		**(1.8)**	(1.3)
Purchases of intangible assets		**(0.4)**	(0.3)
Net cash from investing activities		**82.5**	17.9
Cash flow from financing activities			
Dividends paid to equity holders of the Company		**(33.3)**	(25.0)
Proceeds on issue of ordinary share capital		**1.0**	3.3
Share buyback		**(4.0)**	-
Repayments of obligations under finance leases		**-**	(0.1)
Net cash used in financing activities		**(36.3)**	(21.8)
Net decrease in cash and cash equivalents		**(0.2)**	(0.6)
Cash and cash equivalents at the beginning of the year		**0.7**	1.3
Cash and cash equivalents at the end of the year			
Cash and bank balances		**0.5**	0.7

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

1. General information

Irish Continental Group plc (ICG) is a public limited company incorporated in Ireland under the Companies Acts, 1963 to 2009. 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 5.

The Group carries passengers and cars, RoRo freight and Container LoLo freight, on routes between Ireland, the United Kingdom and Continental Europe. The Group also operates container terminals in the ports of Dublin and Belfast.

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. Summary of accounting policies

Statement of Compliance

The financial statements have been prepared in accordance with IFRS. The financial statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore the Group's financial statements comply with Article 4 of the IAS Regulations. The financial statements have also been prepared in accordance with the Companies Acts, 1963 to 2009, and the Listing Rules of the Irish Stock Exchange and the UK Listing Authority.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments.

All figures presented in the financial statements are in Euro millions rounded to one decimal place except where otherwise indicated.

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.

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

New standards and interpretations

The Group did not adopt any new International Financial Reporting Standards (IFRS) or Interpretations in the year that had a material impact on the Group's Financial Statements.

The following standards and interpretations became effective since the last Annual Report but had no material impact on the Financial Statements:

- IFRS 1 (Amendment) First-time Adoption of International Financial Reporting Standards (effective for accounting periods beginning on or after 1 July 2010 and 1 January 2011);
- IFRS 3 (Amendment) Business Combinations (effective for accounting periods beginning on or after 1 July 2010);
- IFRS 7 (Amendment) Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011);
- IAS 1 (Amendment) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011);
- IAS 24 (Revised) Related Party Disclosures (effective for accounting periods beginning on or after 1 January 2011);
- IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2010);
- IAS 32 (Amendment) Financial Instruments: Presentation (effective for accounting periods beginning on or after 1 February 2010);
- IAS 34 (Amendment) Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011);
- IFRIC 13 (Amendment) Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011);
- IFRIC 14 (Amendment) Prepayments of a Minimum Funding Requirement (effective for accounting periods beginning on or after 1 January 2011); and

2. Summary of accounting policies - continued

New standards and interpretations - continued

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010).

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 1 (Amendment) First-time Adoption of International Financial Reporting Standards (effective for accounting periods beginning on or after 1 July 2011);
- IFRS 7 (Amendment) Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 July 2011, 1 January 2013 and 1 January 2015);
- IFRS 9 Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2015);
- IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013);
- IFRS 11 Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013);
- IFRS 12 Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2013);
- IFRS 13 Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013);
- IAS 1 (Amendment) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 July 2012);
- IAS 12 (Amendment) Income Taxes (effective for accounting periods beginning on or after 1 January 2012);
- IAS 19 (Amendment) Employee Benefits (effective for accounting periods beginning on or after 1 January 2013);
- IAS 27 (Revised) Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013);
- IAS 28 (Revised) Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013);
- IAS 32 (Amendment) Financial Instruments: Presentation (effective for accounting periods beginning on or after 1 January 2014); and
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for accounting periods beginning on or after 1 January 2013).

The Directors are currently assessing the impact in relation to the adoption of these Standards and Interpretations for future periods of the Group. None are expected to have a material impact except possibly for IAS 19 which will have the effect of calculating the expected return on defined benefit pension scheme assets on the discount rate rather than the assumed long term expected rates of return currently used.

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 in accordance with standard terms and conditions.

Passenger ticket revenue is recognised at the date of travel. Unused tickets which are non-refundable once the booked travel date has passed are treated as revenue in accordance with the Group's terms and conditions of sale. Freight revenue is recognised at the date of transportation. Proceeds from passenger tickets sold before the year end for a travel date after the year end is included in the statement of financial position in current liabilities under the caption 'trade and other payables'. Sale of passenger tickets which result in future discounts for customers are accounted for as multiple element revenue transactions and the fair value of the consideration received is allocated between the original tickets supplied and the future travel discount granted. The consideration allocated to the future travel discount is measured by reference to its fair value, the amount for which the reduction being the future sales value could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the future travel discount is granted and the Group's obligations have been fulfilled.

Cash & credit card revenue from on-board sales is recognised immediately.

Revenue received under vessel charter agreements is recognised on a daily basis at the applicable daily rate under the terms of the charter agreement.

2. Summary of accounting policies - continued

Revenue recognition - continued

Investment revenue

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Non-trading credit / charge

Non-trading charges and credits are material non-recurring items that derive from events or transactions that fall outside the ordinary activities of the Group and Company and which individually or, if of a similar type, in aggregate are separately disclosed by virtue of their size or incidence. Judgement is used by the Group and Company in assessing the particular items which should be disclosed in the Consolidated Income Statement and related notes as non-trading items.

Leasing

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.

The Group as lessee

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.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The capital element of future lease rentals is treated as a liability and is included in the Consolidated Statement of Financial Position 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.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term as a reduction of the rental expense.

The Group as lessor

Under IAS 17 Leases the Group treats long term bareboat hire purchase agreements in relation to disposal of vessels as finance leases. The sales proceeds recognised at the commencement of the lease term by the Group is the fair value of the asset. The carrying amount of the asset is offset against the sales proceeds and the net amount is recognised as the profit / loss on disposal, which is recognised in the Consolidated Income Statement. Costs incurred by the Group in connection with negotiating and arranging a finance lease are recognised as an expense at the commencement of the lease term.

Amounts due from lessees under the finance lease are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the lease.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the lease asset and recognised on a straight-line basis over the lease term.

2. Summary of accounting policies - continued

Foreign currencies

The individual financial statements of each Group entity are prepared 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.

In preparing the financial statements of the individual companies, 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 statement of financial position date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items, are included in the Consolidated 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 Euro using exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used.

Exchange differences arising on the translation of foreign currency subsidiaries, if any, are recognised in the Consolidated Statement of Comprehensive Income and accumulated in equity in the 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 page 56 for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and on borrowings and other currency instruments of such investments, are recognised in other comprehensive income and accumulated in equity.

Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, gains and losses on hedging instruments that are recognised in the Consolidated Income Statement and the unwinding of discounts on provisions.

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.

The interest expense component of finance lease payments is recognised in the Consolidated Income Statement using the effective interest rate method.

The finance cost on defined benefit pension scheme liabilities is recognised in the Consolidated Income Statement in accordance with IAS 19.

Government grants

Grants of a capital nature are treated 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 in the same periods as the related expenditure is charged. Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

2. Summary of accounting policies - continued

Retirement benefit schemes

Defined benefit schemes

For defined benefit schemes, the cost of providing benefits and the liabilities of the schemes are determined using the projected unit credit method with assets valued at bid price and actuarial valuations being carried out by independent and professionally qualified actuaries at each statement of financial position date. Current service cost, interest cost and return on scheme 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 Consolidated Statement of Comprehensive Income. 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. When a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the Consolidated Income Statement during the period in which the curtailment occurs.

In addition to the pension schemes operated by the Group, certain employees are included in the Merchant Navy Officers Pension Fund (MNOPF). As the Group has no control over the calls for contributions made from the MNOPF, it has determined that the fund should be accounted for as a defined benefit scheme and its liability recognised accordingly.

The Group's share of the MNOPF deficit as advised by the trustees is 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 Consolidated Income Statement under Finance costs.

The surplus or deficit on the Group's defined benefit pension schemes is recognised in full in the Consolidated Statement of Financial Position. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

The retirement benefit obligation recognised in the Consolidated Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Defined contribution schemes

Payments to defined contribution retirement benefit plans are recognised as an expense as they fall due. Any contributions outstanding at the period end are included as an accrual in the Consolidated Statement of Financial Position.

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 Consolidated 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 statement of financial position 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. In accordance with the IFRIC guidance on IAS 12 Income taxes, the tonnage tax charge is included within other operating expenses in the Consolidated Income Statement.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Summary of accounting policies - continued

Taxation - continued

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 based on tax laws and rates that have been enacted at the statement of financial position date. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited directly to equity, via the Consolidated Statement of Comprehensive Income in which case the deferred tax is also dealt with in equity.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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, less accumulated depreciation and any accumulated impairment losses.

The amount initially recognised in respect of passenger ships less estimated residual value, is allocated between hull and machinery and hotel and catering areas for depreciation purposes.

In considering residual values of passenger ships, the Directors have taken into account the valuation of the scrap value of the ships per light displacement tonne. Residual values are reviewed annually and updated if required. Estimations of economic life and residual values of ships are a key accounting judgement and estimate in the financial statements.

For passenger ships, hotel and catering components are depreciated on a straight line basis over 10 years. Hull and machinery components are depreciated over the useful lives of the ships of 15 years for fast ferries and 30 years to residual value for conventional ferries.

The carrying values of passenger ships are reviewed for impairment when there is any indication that the carrying values may not be recoverable in which case the assets are written down to their recoverable amount.

Drydocking

Costs incurred in renewing the vessel passenger certificate are capitalised as a separate component within passenger ships and depreciated over the period to expiry of certificate.

Other assets

Property, plant and equipment, other than passenger ships and freehold land, are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is stated at cost and is not depreciated. The carrying values of other assets are reviewed for impairment when there is any indication that the carrying values may not be recoverable in which case the assets are written down to their recoverable amount. Cost comprises purchase price and directly attributable costs.

The amount initially recognised in respect of an item of other assets 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 property, plant and equipment other than passenger ships but including leased assets is charged so as to write off the cost or deemed cost of assets, other than freehold land and assets under construction, over the estimated useful lives, using the straight-line method, on the following bases:

Buildings	0.7%-10%
Plant and Equipment	4%- 25%
Vehicles	20%

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the lease term, taking into account the time period over which benefits from the leased assets are expected to accrue to the Group.

Assets under construction, the construction of which takes a substantial period of time are recorded at the cost incurred to date less any impairment loss and no depreciation is charged on these amounts. Depreciation commences when the assets are ready for their intended use. Cost includes borrowing costs capitalised in accordance with the Group's accounting policies.

2. Summary of accounting policies - continued

Property, plant and equipment - continued

Gains or losses on the disposal of property, plant and equipment represent the difference between the net proceeds and the carrying value at the date of sale. Income is accounted for when there is an unconditional exchange of contracts, or when all necessary terms and conditions have been fulfilled.

Intangible assets

Computer Software

Costs incurred on the acquisition of computer software are capitalised, as are costs directly associated with developing computer software programmes, if it is probable that the expected future economic benefits that are attributable to these assets will flow to the Group and the cost of these assets can be measured reliably. Computer software costs recognised as assets are written off on a straight line basis over their estimated useful lives, which is normally 5 years.

Investments in subsidiaries

Investments in subsidiaries held by the Company are carried at cost less any accumulated impairment losses.

Impairment of property, plant and equipment and intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets (cash generating units) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position 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.

Trade receivables are classified as loans and receivables which are subsequently measured at amortised cost, using the effective interest method.

Cash and bank balances

Cash and bank balances 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.

2. Summary of accounting policies - continued

Financial instruments - continued

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. 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 recorded at the proceeds received, net of direct issue costs which approximates to fair value. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for in the profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Bank borrowings are classified as financial liabilities and are measured subsequently at amortised cost using the effective interest rate method.

Trade payables

Trade payables are classified as other financial liabilities, are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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.

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.

Derivative financial instruments are held in the Consolidated Statement of Financial Position 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 Other Comprehensive Income. 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 was previously recognised in Other Comprehensive Income and accumulated in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts accumulated in equity are recognised in the Consolidated Income Statement in the same period in which the hedged item affects profit or loss.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Income Statement as they arise.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument accumulated in equity is retained in equity until the forecasted transactions occur. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss accumulated in equity is transferred to the Consolidated Income Statement in the period.

Contingent liability

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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 statement of financial position date, and are discounted to present value where the effect is material.

2. Summary of 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 expected to vest as a result of the effect of non-market based vesting conditions.

Fair value is measured using the Binomial pricing model. The Binomial pricing model has been used as in the opinion of the Directors this is more appropriate given the nature of the schemes.

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.

Employee benefit expense

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by the employees of the Group. Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Distributions / Premium on shares redeemed

Distributions are accounted for when they are approved, through retained earnings. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Dividends received from fellow subsidiaries are eliminated on consolidation.

Operating Profit

Operating profit is stated after non-trading charge or credit items, which is a material non-recurring item that derives from an event or transaction that falls outside the ordinary activities of the Group and which individually or, if of a similar type, in aggregate are separately disclosed by virtue of their size or incidence but before investment income and finance costs.

Adjusted earnings per share

Adjusted earnings per share is earnings per share, adjusted to exclude expected return on defined benefit pension scheme assets, the interest on defined benefit pension scheme liabilities and non-trading charges or credits.

Treasury shares

Consideration paid to purchase the Company's equity share capital is deducted from the total shareholders' equity and classified as treasury shares until such shares are cancelled. No gain or loss is recognised on the purchase, sale, issue or cancellation of the treasury shares. Where such shares are subsequently sold or reissued, any consideration received is included in total shareholders' equity.

The Capital Redemption reserve represents the nominal value of share capital repurchased.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these amounts. The estimates and underlying assumptions are reviewed on an on-going basis.

Key sources of estimation uncertainty and critical accounting judgements are as follows:

Post-retirement benefits

The Group's and Company's total obligation in respect of defined benefit schemes is calculated by independent, qualified actuaries, updated at least annually. The size of the obligation is sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used. The size of the scheme asset is also sensitive to asset return levels and the level of contributions from the Group and Company. Further details are set out in note 33.

The Group and Company is a participating employer in the Merchant Navy Officer Pension Fund (MNOPF), a multi-employer defined benefit pension scheme. The MNOPF is in deficit. Under the rules of the fund all employers are liable for the deficit. The deficit included in these accounts for the Group and Company represents an apportionment of the overall scheme deficit based on notification received from the trustees which is currently 1.57% for the Group and 0.52% for the Company. Should other participating employers default on their obligations; the Group and Company will be required to absorb a larger share of the scheme deficit calculated in the same manner as the current apportionment.

Recoverability of finance lease receivable

The Group has assessed the recoverability of the finance lease receivable and a provision against recovery is not considered necessary. The assessment included a review of the performance of the hire purchase agreement to date and an assessment of the value of the Princess Anastasia (formerly 'Bilbao') which the Group is entitled to withdraw from the service of the lessee and terminate the Agreement where the lessee fails to perform certain of its obligations under the Agreement, including failure to make scheduled payments within stated time limits.

Useful lives for Property, Plant and Equipment and Intangible Assets

Long-lived assets comprising primarily of property, plant and equipment and intangible assets represent a significant portion of total assets. The annual depreciation and amortisation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. Management regularly reviews these lives and changes them if necessary to reflect current conditions. In determining these useful lives management considers technological change, patterns of consumption, physical condition and expected economic utilisation of the asset. Changes in the useful lives or residual values may have a significant impact on the annual depreciation and amortisation charge. Details of the useful lives are included in the accounting policy headed property, plant and equipment. Further details are set out in note 14.

Going concern

The Directors have satisfied themselves that the Group and Company are going concerns having adequate financial resources to continue in operational existence for the foreseeable future. In forming their view the Directors have taken into consideration the future financial requirements of the Group and Company and the existing bank facilities which have an expiry date in August 2013.

Impairment

As the Group does not have assets which are required to be tested annually for impairment, no impairment review for long lived assets is necessitated.

In relation to other assets, the Group assessed those assets to determine if there were any indications of impairment. Factors considered in identifying whether there were any indications of impairment included the economic performance of assets, technological developments, new rules and regulations, shipbuilding costs and carrying value versus market capitalisation of the Group. No internal or external indications of impairment were identified and consequently no impairment review was performed.

4. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	2011 €m	2010 €m
Ferries	**155.5**	153.7
Container & Terminal	**119.1**	109.8
Inter-segment	**(1.3)**	(1.3)
	273.3	262.2

5. Segmental information

Business segments

The Board is deemed the chief operating decision maker within the Group. For management purposes, the Group is currently organised into two operating segments; Ferries and Container & Terminal. These segments are the basis on which the Group reports internally and are the only two revenue generating segments of the Group.

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

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

2011	**Ferries €m**	**Container & Terminal €m**	**Inter-segment €m**	**Total (all continuing operations) €m**
Revenue				
External sales	**155.5**	**117.8**	**-**	**273.3**
Inter-segment sales	**-**	**1.3**	**(1.3)**	**-**
Total revenue from continuing operations	**155.5**	**119.1**	**(1.3)**	**273.3**
Inter-segment sales are charged at prevailing market prices.				
Result				
Operating profit from continuing operations before non-trading credit	**22.0**	**6.9**	**-**	**28.9**
Investment income	**11.8**	**0.2**	**-**	**12.0**
Finance costs	**(12.3)**	**(0.4)**	**-**	**(12.7)**
Profit before tax	**21.5**	**6.7**	**-**	**28.2**
Income tax (expense) / credit	**(0.6)**	**0.1**	**-**	**(0.5)**
Profit for the year from continuing operations	**20.9**	**6.8**	**-**	**27.7**
Other Information				
Capital additions	**5.6**	**0.7**	**-**	**6.3**
Depreciation and amortisation	**17.3**	**2.9**	**-**	**20.2**

5. Segmental information - continued

2011	**Ferries €m**	**Container & Terminal €m**	**Inter-segment €m**	**Total (all continuing operations) €m**
Statement of Financial Position				
Assets				
Segment assets	**195.0**	**49.8**	**-**	**244.8**
Cash and bank balances	**6.5**	**3.3**	**-**	**9.8**
Consolidated total assets	**201.5**	**53.1**	**-**	**254.6**
Liabilities				
Segment liabilities	**67.1**	**18.3**	**-**	**85.4**
Debt	**15.3**	**2.3**	**-**	**17.6**
Consolidated total liabilities	**82.4**	**20.6**	**-**	**103.0**

2010	Ferries €m	Container & Terminal €m	Inter-segment €m	Total (all continuing operations) €m
Revenue				
External sales	153.7	108.5	-	262.2
Inter-segment sales	-	1.3	(1.3)	-
Total revenue from continuing operations	153.7	109.8	(1.3)	262.2

Inter-segment sales are charged at prevailing market prices.

Result				
Operating profit from continuing operations before non-trading credit	24.5	7.0	-	31.5
Non-trading credit	9.4	-	-	9.4
Investment income	11.4	0.2	-	11.6
Finance costs	(12.1)	(0.3)	-	(12.4)
Profit before tax	33.2	6.9	-	40.1
Income tax expense	(1.1)	-	-	(1.1)
Profit for the year from continuing operations	32.1	6.9	-	39.0
Other Information				
Capital additions	4.1	3.1	-	7.2
Depreciation and amortisation	19.1	3.0	-	22.1

5. Segmental information - continued

2010	Ferries €m	Container & Terminal €m	Inter-segment €m	Total (all continuing operations) €m
Statement of financial position				
Assets				
Segment assets	207.2	50.7	-	257.9
Cash and bank balances	10.5	6.7	-	17.2
Consolidated total assets	217.7	57.4	-	275.1
Liabilities				
Segment liabilities	49.6	19.1	-	68.7
Debt	20.5	3.0	-	23.5
Other liabilities	4.3	0.6	-	4.9
Consolidated total liabilities	74.4	22.7	-	97.1

The revenue by principal customer Group is as follows:

	2011 €m	2010 €m
Passenger	**97.7**	98.3
Freight	**171.0**	157.2
Other	**4.6**	6.7
	273.3	262.2

No single external customer revenue in the current or prior year amounted to 10 per cent or more of the Group's revenues.

Geographic analysis

	2011 €m	2010 €m
Ireland	**125.0**	118.7
United Kingdom	**64.0**	60.7
Netherlands	**51.2**	54.8
Belgium	**17.2**	14.8
France	**7.4**	9.2
Other	**8.5**	4.0
	273.3	262.2

5. Segmental information - continued

Property, plant and equipment

	2011 €m	2010 €m
Vessels at sea / assets in transit		
Passenger ships	**142.2**	151.9
Containers	**2.6**	3.2
	144.8	155.1
On Shore		
Ireland	**33.8**	35.2
Other	**3.5**	3.7
	37.3	38.9
Carrying amount at 31 December	**182.1**	194.0

Due to the mobile nature of some of the assets in property, plant and equipment, their location is not always fixed.

Information regarding the divisional performance measures is set out on pages 7 and 8.

6. Employee benefits expense

	2011	2010
The average number of employees during the year was as follows:		
Ferries	**212**	226
Container & Terminal	**110**	136
	322	362
The number of employees at year end was	**319**	327

	2011 €m	2010 €m
Aggregate costs of employee benefits were as follows:		
Wages and salaries	**16.2**	19.3
Social welfare charge	**1.7**	1.5
Current service cost (note 33a vii)	**1.2**	1.7
Curtailment gain (note 33a vii)	**-**	(1.8)
Restructuring charge	**0.3**	3.0
Share options expense	**0.1**	0.3
	19.5	24.0

7. Non-trading credit

During 2010 the Group completed the sale of the vessel Bilbao (formerly "Pride of Bilbao") to St Peter Line of St Petersburg in Russia. The sale agreement is in the form of a bareboat hire purchase agreement under which the vessel is chartered by the Group to St Peter Line and is treated as a finance lease terminating in 2016.

The vessel had been on charter to P&O European Ferries since 1993 and following notification of termination of charter the vessel was redelivered to the Group during 2010.

	2011 €m	2010 €m
Consideration		
Consideration received in cash & cash equivalents	-	3.0
Finance lease receivable (note 16)	-	27.5
Total consideration	-	30.5
Gain on disposal of vessel		
Consideration	-	30.5
Disposal costs	-	(3.1)
Net proceeds	-	27.4
Carrying value of vessel disposed of	-	(18.8)
Currency translation differences recycled to the Consolidated Income Statement on disposal of vessel	-	0.8
Gain on disposal	-	9.4

In 2010 the gain on disposal of the vessel is included in the profit for the year and is disclosed on a separate line in the Consolidated Income Statement.

8. Investment revenue

	2011 €m	2010 €m
Interest on bank deposits	**-**	0.1
Expected return on defined benefit pension scheme assets (note 33a vii)	**12.0**	11.5
	12.0	11.6

9. Finance costs

	2011 €m	2010 €m
Interest on bank overdrafts and loans	**0.9**	0.3
Interest on obligations under finance leases	**0.1**	0.1
Interest on defined benefit pension scheme liabilities (note 33a vii)	**11.7**	12.0
	12.7	12.4

10. Income tax expense

	2011 €m	2010 €m
Current tax	**0.4**	0.8
Deferred tax (note 25)	**0.1**	0.3
Income tax expense for the year	**0.5**	1.1

The Company and its Irish tax resident subsidiaries have elected to be taxed under the Irish tonnage tax method. The Group's Dutch subsidiary has also elected to be taxed under the Dutch tonnage tax system. Under the tonnage tax method, taxable profit on eligible activities is calculated on a specified notional profit per day related to the tonnage of the ships utilised.

In accordance with the IFRIC guidance on IAS 12, Income Taxes, the tonnage tax charge is not considered an income tax expense and has been included in other operating expenses in the Consolidated Income Statement.

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 and range between 25.5% and 26% (2010: 25.5% and 28%).

10. Income tax expense - continued

The total expense for the year is reconciled to the accounting profit as follows:

	2011 €m	2010 €m
Profit before tax from continuing operations	**28.2**	40.1
Tax at the domestic income tax rate of 12.5% (2010: 12.5%)	**3.5**	5.0
Tax exempted earnings	**-**	(1.2)
Net utilisation of tax losses	**(0.4)**	(0.4)
Unrealised foreign exchange loss / (gain)	**0.2**	(0.2)
Difference in effective tax rates	**0.2**	0.3
Effect of tonnage relief	**(2.8)**	(2.7)
Other items	**(0.2)**	0.3
Income tax expense recognised in the Consolidated Income Statement	**0.5**	1.1

11. Profit for the year

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

	2011 €m	2010 €m
Profit on disposal of property, plant and equipment	**(0.3)**	(0.4)
Profit on disposal of vessel	**-**	(9.4)
Foreign exchange losses / (gains)	**0.2**	(1.2)
Fuel cost	**52.1**	41.4
Amortisation of intangible assets (note 15)	**0.5**	0.5
Depreciation of property, plant and equipment (note 14)	**19.9**	21.7
	20.4	22.2
Amortisation of deferred grant (note 28)	**(0.2)**	(0.1)
Net depreciation and amortisation expense	**20.2**	22.1
Auditor's remuneration:		
Audit of the Parent Company	**0.1**	0.1
Other assurance services (subsidiaries audit)	**0.1**	0.1
Tax advisory services	**0.1**	0.1
Other non-audit services	**-**	-

Disclosure of Directors' emoluments as required by Section 191 Companies Act, 1963 is given in the Report of the Remuneration Committee. In accordance with section 148(8) of the Companies Act, 1963 and Section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit for the financial year determined in accordance with IFRS was €79.8 million (2010: €7.1 million).

12. Dividends

	2011 €m	2010 €m
Final dividend of 100c per ICG Unit for year ended 31 December 2010 (2009: 100c)	**25.1**	25.0
Interim dividend of 33c per ICG Unit for year ended 31 December 2011	**8.2**	-
Total	**33.3**	25.0

During the year a final dividend of 100 cent per ICG Unit was paid for the year ended 31 December 2010. Also the Board decided to resume payment of an interim dividend during the year. An interim dividend of 33 cent per ICG Unit was paid for the year ended 31 December 2011.

In the prior year a final dividend of 100 cent per ICG Unit was paid for the year ended 31 December 2009.

13. Earnings per share - all from continuing operations

	2011 Cent	2010 Cent
Basic earnings per share	**111.1**	156.8
Diluted earnings per share	**110.4**	155.7
Adjusted basic earnings per share	**109.9**	121.0
Adjusted diluted earnings per share	**109.2**	120.2

13. Earnings per share - all from continuing operations - continued

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:

	2011 €m	2010 €m
Earnings		
Earnings for the purposes of basic earnings per share - Profit for the year attributable to equity holders of the parent	**27.7**	39.0
Earnings for the purposes of diluted earnings per share	**27.7**	39.0
Earnings for the purposes of basic earnings per share - Profit for the year attributable to equity holders of the parent	**27.7**	39.0
Effect of non-trading credit	**-**	(9.4)
Effect of expected return on defined benefit pension scheme assets	**(12.0)**	(11.5)
Effect of interest on defined benefit pension scheme liabilities	**11.7**	12.0
Earnings for the purposes of adjusted earnings per share	**27.4**	30.1
Number of shares	**'000**	**'000**
Weighted average number of ordinary shares for the purposes of basic earnings per share	**24,932**	24,874
Effect of dilutive potential ordinary shares: Share options	**156**	170
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**25,088**	25,044

The denominator for the purposes of calculating both basic and diluted earnings per share has been adjusted to reflect shares issued during the year and excludes treasury shares (note 22).

The earnings used in both the adjusted basic and diluted earnings per share have been adjusted to take into account the non-trading credit together with the net figure for the expected return on defined benefit pension scheme assets and the interest on defined pension scheme liabilities (note 33a).

Management consider the adjusted earnings per share calculation to be a better indication of the continuing underlying performance of the Group.

14. Property, plant and equipment

Group	Assets under construction €m	Passenger ships €m	Plant and equipment €m	Vehicles €m	Land and buildings €m	Total €m
Cost						
At 1 January 2010	0.1	338.8	55.5	2.4	25.5	422.3
Additions	0.6	3.4	2.6	0.2	0.1	6.9
Reclassification	(0.7)	-	0.7	-	-	-
Exchange differences	-	10.4	-	-	-	10.4
Disposals	-	(65.9)	(2.6)	(0.5)	-	(69.0)
At 1 January 2011	**-**	**286.7**	**56.2**	**2.1**	**25.6**	**370.6**
Additions	**-**	**4.4**	**1.0**	**0.5**	**-**	**5.9**
Exchange differences	**-**	**4.9**	**0.1**	**-**	**-**	**5.0**
Disposals	**-**	**(3.5)**	**(1.4)**	**(0.7)**	**-**	**(5.6)**
At 31 December 2011	**-**	**292.5**	**55.9**	**1.9**	**25.6**	**375.9**
Accumulated depreciation						
At 1 January 2010	-	158.2	32.3	1.6	7.0	199.1
Depreciation charge for the year	-	17.8	3.2	0.3	0.4	21.7
Exchange differences	-	5.9	-	-	-	5.9
Eliminated on disposals	-	(47.1)	(2.6)	(0.4)	-	(50.1)
At 1 January 2011	**-**	**134.8**	**32.9**	**1.5**	**7.4**	**176.6**
Depreciation charge for the year	**-**	**16.2**	**3.1**	**0.3**	**0.3**	**19.9**
Exchange differences	**-**	**2.8**	**-**	**-**	**-**	**2.8**
Eliminated on disposals	**-**	**(3.5)**	**(1.4)**	**(0.6)**	**-**	**(5.5)**
At 31 December 2011	**-**	**150.3**	**34.6**	**1.2**	**7.7**	**193.8**
Carrying amount						
At 31 December 2010	-	151.9	23.3	0.6	18.2	194.0
At 31 December 2011	**-**	**142.2**	**21.3**	**0.7**	**17.9**	**182.1**

At 31 December 2011 no charges or mortgages involving third parties were secured on any of the Group's property, plant and equipment assets (2010: €nil), other than lessors title on leased assets as set out in note 23.

The carrying amount of the Group's plant and equipment includes an amount of €2.8 million (2010: €3.3 million) in respect of assets held under finance leases.

14. Property, plant and equipment - continued

Company	Plant and equipment €m	Vehicles €m	Land and buildings €m	Total €m
Cost				
At 1 January 2010	2.8	0.4	0.1	3.3
Additions	1.2	0.1	-	1.3
Disposals	(1.6)	(0.2)	-	(1.8)
At 1 January 2011	**2.4**	**0.3**	**0.1**	**2.8**
Additions	**1.8**	**-**	**-**	**1.8**
Disposals	**(1.2)**	**(0.1)**	**-**	**(1.3)**
At 31 December 2011	**3.0**	**0.2**	**0.1**	**3.3**
Accumulated depreciation				
At 1 January 2010	2.3	0.4	0.1	2.8
Depreciation charge for the year	1.5	0.1	-	1.6
Eliminated on disposals	(1.6)	(0.2)	-	(1.8)
At 1 January 2011	**2.2**	**0.3**	**0.1**	**2.6**
Depreciation charge for the year	**1.6**	**-**	**-**	**1.6**
Eliminated on disposals	**(1.2)**	**(0.1)**	**-**	**(1.3)**
At 31 December 2011	**2.6**	**0.2**	**0.1**	**2.9**
Carrying amount				
At 31 December 2010	0.2	-	-	0.2
At 31 December 2011	**0.4**	**-**	**-**	**0.4**

The carrying amount of the Company's plant and equipment includes an amount of €nil (2010: €0.1 million) in respect of assets held under finance leases.

In accordance with IAS 16 Property, Plant and Equipment of the Group and Company has been reviewed in relation to the residual values used for the purpose of depreciation calculations. In considering residual values of passenger ships, the Directors have taken into consideration the valuation of the scrap value of the ships per light displacement tonne. 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 10% increase / decrease in residual values of ships would have a €0.1 million decrease / increase on depreciation in the Consolidated Income Statement and a €0.1 million increase / decrease on the carrying value of property, plant and equipment in the Statement of Financial Position. In relation to the remaining estimated economic life of the ships, a one year increase / decrease in this would have a €1.8 million decrease / €1.5 million increase in depreciation in the Consolidated Income Statement and a €1.8 million increase / €1.5 million decrease on the carrying value of property, plant and equipment in the Statement of Financial Position.

15. Intangible assets

	Group 2011 €m	Group 2010 €m	Company 2011 €m	Company 2010 €m
Cost				
At 1 January	**8.4**	8.1	**8.0**	7.7
Additions	**0.4**	0.3	**0.4**	0.3
Disposals	**(0.1)**	-	**(0.1)**	-
At 31 December	**8.7**	8.4	**8.3**	8.0
Amortisation				
At 1 January	**7.5**	7.0	**7.1**	6.6
Charge for the year	**0.5**	0.5	**0.5**	0.5
Disposals	**(0.1)**	-	**(0.1)**	-
At 31 December	**7.9**	7.5	**7.5**	7.1
Carrying amount				
At 1 January	**0.9**	1.1	**0.9**	1.1
At 31 December	**0.8**	0.9	**0.8**	0.9

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.

16. Finance lease receivable

Group	2011 €m	2010 €m
Current finance lease receivables	**2.7**	4.1
Non-current finance lease receivables	**20.7**	23.4
	23.4	27.5
Opening balance	**27.5**	-
Additions	**-**	30.5
Finance income recognised in Revenue	**1.7**	-
Amounts received	**(5.8)**	(3.0)
	23.4	27.5

In 2010 the Group entered into a bareboat hire purchase sale agreement with a third party for the sale of the vessel Bilbao. The payments are to be received in instalments over a 5.75 year term from inception and in accordance with IAS 17 Leases the deferred consideration has been treated as a finance lease receivable at an amount equal to the net investment in the lease.

16. Finance lease receivable - continued

Amounts receivable under finance leases	Minimum Lease payments 2011 €m	2010 €m	Present value of minimum lease payments 2011 €m	2010 €m
Within 1 year	**4.2**	5.8	**2.7**	4.1
In the second to fifth years inclusive	**24.7**	17.0	**20.7**	12.0
After five years	**-**	11.9	**-**	11.4
	28.9	34.7	**23.4**	27.5
Less: unearned finance income	**(5.5)**	(7.2)	**-**	-
Present value of minimum lease payments receivable	**23.4**	27.5	**23.4**	27.5

Unguaranteed residual values of assets leased under finance leases at the end of the reporting period are estimated at €nil (31 December 2010: €nil).

The interest rate inherent in the lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted is approximately 7.0% (31 December 2010: 7.0 %) per annum.

The Group has assessed the recoverability of the finance lease receivable and a provision against recovery is not considered necessary. The assessment included a review of the performance of the hire purchase agreement to date and an assessment of the value of the Princess Anastasia (formerly 'Bilbao') which is considered to be more than the carrying value of the finance lease receivable. The Group is entitled to withdraw the vessel from the service of the lessee and terminate the Agreement where the lessee fails to perform certain of its obligations under the Agreement, including a failure to make scheduled payments within stated time limits.

Accordingly, the Directors assess the finance lease receivable at the end of the reporting period to be neither past due nor impaired.

17. Investment in subsidiaries

Company	**2011 €m**	2010 €m
Investment in subsidiaries at beginning and end of year	**11.0**	11.0

The Company's principal subsidiaries at 31 December 2011 are as follows:

Name of subsidiary	Country of incorporation and operation	Proportion of ownership in Ordinary Share Capital	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 leasing
Irish Continental Line Limited	Ireland	100%	100%	Ship leasing
Belfast Container Terminal Limited	Northern Ireland	100%	100%	Container handling & storage
Irish Ferries Services Limited	Ireland	100%	100%	Administration services

The registered office for Irish Ferries Limited, Eucon Shipping & Transport Limited, Irish Continental Line Limited and Irish Ferries Services Limited is Ferryport, Alexandra Road, Dublin 1.

The registered office for Irish Ferries (UK) Limited is Corn Exchange Building, Fenwick Street, Liverpool L2 7TP, England.

The registered office for Eurofeeders Limited is 249 West George Street, Glasgow G2 4RB, Scotland.

The registered office for Feederlink Shipping & Trading b.v. is Seattleweg 15, ND Rotterdam, Netherlands.

The registered office for Zatarga Limited is Top Floor, 14 Athol Street, Douglas, IM1 1JA, Isle of Man.

The registered office for Belfast Container Terminal Limited is, Arnott House, 12/16 Bridge Street, Belfast BT1 1LS, Northern Ireland.

18. Inventories

	Group 2011 €m	Group 2010 €m	Company 2011 €m	Company 2010 €m
Fuel and lubricating oil	**2.6**	1.7	**0.7**	0.5
Catering and other stocks	**0.1**	0.2	**0.1**	0.1
	2.7	1.9	**0.8**	0.6

The Directors consider that the carrying amount of inventories approximates their replacement value.

Cost of inventories recognised as an expense within other operating expenses amounted to €56.5 million during the year (2010: €45.9 million).

19. Trade and other receivables

	Group 2011 €m	Group 2010 €m	Company 2011 €m	Company 2010 €m
Trade receivables	**27.4**	26.1	**1.2**	1.2
Allowance for impaired debts	**(1.4)**	(1.5)	**-**	-
	26.0	24.6	**1.2**	1.2
Prepayments	**4.7**	2.3	**0.2**	-
Amounts due from subsidiary companies	**-**	-	**135.9**	136.4
Other receivables	**0.7**	2.6	**0.1**	1.2
Finance lease receivable (note 16)	**2.7**	4.1	**-**	-
	34.1	33.6	**137.4**	138.8

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Credit risk

The Group and Company review all receivables that are past their agreed credit terms and assesses whether any amounts are irrecoverable, determined by reference to past default experience, together with any particular risk factor applicable to an individual customer.

The Group and Company extend credit to certain trade customers after conducting a credit risk assessment. The average credit terms applied range from seven days to sixty days. Year-end trade receivables represent 37 days sales at 31 December 2011 (2010: 36 days).

19. Trade and other receivables - continued

The Group's trade receivables are analysed as follows:

	Gross value 2011 €m	**Impairment 2011 €m**	**Net value 2011 €m**	Gross value 2010 €m	Impairment 2010 €m	Net value 2010 €m
Not past due						
- Within terms	**25.2**	**(0.8)**	**24.4**	22.4	(0.7)	21.7
Past due						
- Within 3 months	**2.0**	**(0.4)**	**1.6**	2.4	(0.7)	1.7
- After 3 months	**0.2**	**(0.2)**	**-**	1.3	(0.1)	1.2
	27.4	**(1.4)**	**26.0**	26.1	(1.5)	24.6

The amounts presented in the statement of financial position are net of allowances for impaired 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 impaired debts

	Group 2011 €m	Group 2010 €m
Balance at beginning of the year	**1.5**	2.4
Amounts written off during the year	**-**	(0.2)
Decrease in provision in the year	**(0.1)**	(0.7)
Balance at end of year	**1.4**	1.5

In determining the recoverability of a trade receivable the Group and Company consider 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 impaired debts.

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

The amounts for prepayments, amounts due from subsidiary companies and other receivables are neither past due nor impaired at 31 December 2011. Credit risk in relation to the finance lease receivable is disclosed in note 16.

20. Cash and bank balances

Cash and bank balances 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.

69% of the Group's and 88% of the Company's cash and bank balances are held in cash or with banks which are covered by the Irish Government Bank Guarantee Scheme, which provides a State guarantee on the total amount of deposits held with relevant banks within the scheme. The remainder is held by non-Irish banks with a credit rating of A+ or higher from Standard and Poor's, Aa3 or higher from Moody's and A or higher from Fitch. The Directors consider the credit risk of these counterparties to be compatible with the Group's credit policy.

21. Share capital

Group and Company	Number	2011 €m	2010 €m
Authorised			
Ordinary shares of par value €0.65 each	**45,000,000**	**29.3**	29.3
Redeemable shares of par value €0.00001 each	**4,500,000,000**	**0.0**	0.0
		29.3	29.3

Allotted, called up and fully paid	2011 Number	2011 €m	2010 Number	2010 €m
Ordinary shares				
At beginning of year	**25,886,208**	**16.8**	25,516,208	16.6
Share issue	**132,500**	**0.1**	370,000	0.2
Share buyback	**(250,000)**	**(0.2)**	-	-
At end of year	**25,768,708**	**16.7**	25,886,208	16.8
Redeemable shares				
At beginning of year	**258,862,080**	**-**	255,162,080	-
Share issue	**1,325,000**	**-**	3,700,000	-
Share buyback	**(2,500,000)**	**-**	-	-
At end of year	**257,687,080**	**-**	258,862,080	-

The number of ICG units issued during the year was 132,500 (2010: 370,000) and total consideration received amounted to €1.0 million (2010: €3.3 million).

Under the authority granted at the AGM on 1 June 2011 the company made on-market purchases of 250,000 of its own share units being 1.0% of the then called up share capital of the Company with a nominal value of €0.2 million for a total consideration of €4.0 million. These shares were subsequently cancelled.

Holders of ordinary shares are entitled to such dividend that may be declared from time to time on such shares and are entitled to attend, speak and vote at the Annual General Meeting of the Company. On return of capital on a winding up, the holder of ordinary shares is entitled to participate in a distribution of surplus assets of the Company.

Redeemable shares do not entitle holders to any dividend or any right to participate in the profit or assets of the Company other than to the repayment of a sum equal to the nominal value of 0.001 cent per share on a winding up of the Company. Redeemable shares do not entitle the holder to attend, speak or vote at the Annual General Meeting.

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 2011 the number of such redeemable shares is 10 (2010: 10). The share unit carries no right to fixed income.

Included in the share capital above are 899,500 (2010: 899,500) ICG share units which are held as treasury shares. In prior years, retained earnings have been reduced by €10 million in relation to these treasury shares.

22. Analysis of Equity

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 2011 the reserve balance stands at €0.1 million. The balance is unchanged from 1 January 2010 and 1 January 2011.

The capital redemption reserve represents the nominal value of share capital repurchased. At 31 December 2011 the reserve balance stands at €2.3 million (2010: €2.1 million).

Share options reserve

The share options reserve represents the cumulative charge to the Consolidated 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.

23. Borrowings

	Group 2011 €m	Group 2010 €m
Bank overdrafts	**0.3**	-
Bank loans	**15.0**	20.5
Finance lease liabilities	**2.3**	3.0
	17.6	23.5
The borrowings are repayable as follows:		
On demand or within one year	**0.9**	0.7
In the second year	**15.4**	0.6
In the third year	**0.4**	20.9
In the fourth year	**0.4**	0.4
Fifth year and after	**0.5**	0.9
	17.6	23.5
Less: Amount due for settlement within 12 months - (shown under current liabilities)	**(0.9)**	(0.7)
Amount due for settlement after 12 months	**16.7**	22.8

Obligations under finance leases are secured by the lessor on the assets being financed. Bank borrowings are unsecured.

23. Borrowings - continued

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

	Euro €m	Sterling €m	US Dollar €m	Total €m
2011				
Bank overdrafts	**0.3**	**-**	**-**	**0.3**
Bank loans	**15.0**	**-**	**-**	**15.0**
Finance leases	**0.4**	**1.9**	**-**	**2.3**
	15.7	**1.9**	**-**	**17.6**
2010				
Bank loans	10.0	-	10.5	20.5
Finance leases	0.8	2.2	-	3.0
	10.8	2.2	10.5	23.5

Group finance leases	**Minimum lease payments 2011 €m**	Minimum lease payments 2010 €m	**Present value of minimum lease payments 2011 €m**	Present value of minimum lease payments 2010 €m
Amounts payable under finance leases:				
Within one year	**0.7**	0.9	**0.6**	0.7
In the second to fifth years inclusive	**1.8**	2.0	**1.6**	1.8
After five years	**0.1**	0.5	**0.1**	0.5
	2.6	3.4	**2.3**	3.0
Less: future finance charges	**(0.3)**	(0.4)	**-**	-
Present value of lease obligations	**2.3**	3.0	**2.3**	3.0
Less: amount due for settlement within 12 months	**(0.6)**	(0.7)	**(0.6)**	(0.7)
Amount due for settlement after 12 months	**1.7**	2.3	**1.7**	2.3

It is the Group's policy to lease certain of its plant and equipment under finance leases. Lease terms vary from 3 to 7 years for the Group. For the year ended 31 December 2011, the average effective borrowing rate was 5.1% (2010: 4.9%) in the Group. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis.

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

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

23. Borrowings - continued

Financing facilities	**Group 2011 €m**	Group 2010 €m	**Company 2011 €m**	Company 2010 €m
Unsecured bank overdraft and guarantee facility - reviewed annually and payable on call:				
Amount used	**0.6**	0.3	**-**	-
Amount unused	**5.4**	5.7	**5.4**	5.7
	6.0	6.0	**5.4**	5.7
Unsecured bank loan facilities with various maturity dates through to 2013:				
Amount used	**15.0**	20.5	**-**	-
Amount unused	**45.0**	39.5	**45.0**	39.5
	60.0	60.0	**45.0**	39.5

The weighted average interest rates paid were as follows:

	Group 2011	Group 2010	**Company 2011**	Company 2010
Bank overdrafts	**1.7%**	1.1%	**1.7%**	1.1%
Bank loans	**3.1%**	1.2%	**-**	-

All bank 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 lender's prime rate which approximated 1.7% (2010: 1.1%) for the Group and Company in the year.

In the opinion of the Directors the Group and Company are in compliance with the covenants contained in its banking agreements. The Directors consider the fair value of the Group's and Company's bank borrowings approximated their carrying value.

The bank loans have been drawn under a €60.0 million Revolving Credit Facility agreement which expires in August 2013. Interest on all drawings under this facility is calculated by reference to interbank interest rates (EURIBOR and LIBOR). At 31 December 2011 the Group had drawings under its bank facilities of €15.0 million (2010: €20.5 million)

At 31 December 2011 and 2010 the Company had no drawings under the revolving facility.

24. Financial instruments and risk management

The Groups activities expose it to a variety of financial risks including interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group's funding, liquidity and exposure to interest and foreign exchange rate risks are managed by the Group's treasury and accounting departments. A combination of derivative financial instruments and treasury management techniques are used to manage these underlying risks. In addition to the disclosures below please refer to the Financial Review on page 15 for further disclosures.

(i) Categories of financial instruments

Financial Assets and Liabilities

2011	**Loans and Receivables €m**	**Cash flow hedges €m**	**Financial liabilities at amortised cost €m**	**Carrying value €m**	**Fair value €m**
Finance lease receivable	**20.7**	**-**	**-**	**20.7**	**20.7**
Trade and other receivables	**34.1**	**-**	**-**	**34.1**	**34.1**
Cash and bank balances	**9.8**	**-**	**-**	**9.8**	**9.8**
Borrowings	**-**	**-**	**17.6**	**17.6**	**17.6**
Trade and other payables	**-**	**-**	**39.8**	**39.8**	**39.8**

2010	Loans and Receivables €m	Cash flow hedges €m	Financial liabilities at amortised cost €m	Carrying value €m	Fair value €m
Finance lease receivable	23.4	-	-	23.4	23.4
Trade and other receivables	33.6	-	-	33.6	33.6
Cash and bank balances	17.2	-	-	17.2	17.2
Borrowings	-	-	23.5	23.5	23.5
Derivative financial instruments	-	0.1	-	0.1	0.1
Trade and other payables	-	-	42.7	42.7	42.7

The following are the significant methods and assumptions used to estimate fair values of financial assets and financial liabilities:

Finance lease receivable

The fair value of the finance lease receivable represents the future payments receivable under the terms of the lease discounted at the implicit interest rate in the lease. The implicit interest rate was calculated at inception by discounting the future rentals receivable over the term of the lease back to the estimated fair market value of the asset.

Trade and other receivables / payables

For receivables and payables, the carrying value less impairment provision, where appropriate, is deemed to reflect fair value.

Cash and bank balances

For cash and bank balances, the nominal amount is deemed to reflect fair value.

Borrowings

The carrying amount of borrowings approximates their fair value.

24. Financial instruments and risk management - continued

(i) Categories of financial instruments - continued

Derivative financial instruments

Fair value hierarchy

The fair value of derivative financial instruments was €nil as at 31 December 2011 (31 December 2010: asset of €0.1m). The fair value of the derivative financial instruments, which consists of forward foreign currency contracts, has been measured in accordance with Level 1 valuation method which is defined as quoted prices (unadjusted) in active markets for identical assets and liabilities.

(ii) Interest rate risk

In respect of income-earning financial assets and interest bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they reprice:

2011	**Average effective interest rate**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**	**Total**
		€m	**€m**	**€m**	**€m**	**€m**
Fixed rate instruments						
Assets						
Finance lease receivable (note 16)	**7.0%**	**2.7**	**2.9**	**17.8**	**-**	**23.4**
Liabilities						
Finance leases	**5.1%**	**(0.6)**	**(0.8)**	**(0.8)**	**(0.1)**	**(2.3)**
Total fixed rate assets		**2.1**	**2.1**	**17.0**	**(0.1)**	**21.1**
Floating rate instruments						
Assets						
Cash and bank balances	**0.3%**	**9.8**	**-**	**-**	**-**	**9.8**
Liabilities						
Bank loans	**3.2%**	**-**	**(15.0)**	**-**	**-**	**(15.0)**
Bank overdraft	**1.6%**	**(0.3)**	**-**	**-**	**-**	**(0.3)**
Total floating rate assets / (liabilities)		**9.5**	**(15.0)**	**-**	**-**	**(5.5)**
Total net assets / (liabilities)		**11.6**	**(12.9)**	**17.0**	**(0.1)**	**15.6**

24. Financial instruments and risk management - continued

(ii) Interest rate risk - continued

2010	Average effective interest rate	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
		€m	€m	€m	€m	€m
Fixed rate instruments						
Assets						
Finance lease receivable (note 16)	7.0%	4.1	2.7	9.3	11.4	27.5
Liabilities						
Finance leases	5.1%	(0.7)	(0.6)	(1.2)	(0.5)	(3.0)
Total fixed rate assets		3.4	2.1	8.1	10.9	24.5
Floating rate instruments						
Assets						
Cash and bank balances	0.2%	17.2	-	-	-	17.2
Liabilities						
Bank loans	2.4%	-	-	(20.5)	-	(20.5)
Total floating rate assets / (liabilities)		17.2	-	(20.5)	-	(3.3)
Total net assets / (liabilities)		20.6	2.1	(12.4)	10.9	21.2

The Group has an exposure to interest rate risk, arising on changes in Euro and Sterling interest rates. To manage interest rate risk, the Group manages its proportion of fixed to variable rate borrowing within predetermined limits.

24. Financial instruments and risk management - continued

(iii) Foreign currency risk management

The Group publishes its consolidated financial statements in Euro and conducts business in different foreign currencies. As a result, it is subject to foreign exchange risk due to exchange rate movements which will affect the Group's transaction costs and the translation of the results and underlying net assets of its foreign operations.

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arises. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the statement of financial position date are as follows:

2011	**Euro €m**	**Sterling €m**	**US Dollar €m**	**Total €m**
Finance lease receivable	**20.7**	**-**	**-**	**20.7**
Trade and other receivables	**29.3**	**6.2**	**-**	**35.5**
Cash and bank balances	**5.5**	**4.3**	**-**	**9.8**
Total assets	**55.5**	**10.5**	**-**	**66.0**
Trade and other payables	**26.0**	**11.1**	**2.7**	**39.8**
Bank overdraft	**0.3**	**-**	**-**	**0.3**
Bank loans	**15.0**	**-**	**-**	**15.0**
Finance leases	**0.4**	**1.9**	**-**	**2.3**
Total liabilities	**41.7**	**13.0**	**2.7**	**57.4**
Net assets / (liabilities)	**13.8**	**(2.5)**	**(2.7)**	**8.6**

2010	Euro €m	Sterling €m	US Dollar €m	Total €m
Finance lease receivable	23.4	-	-	23.4
Trade and other receivables	29.7	5.4	-	35.1
Cash and bank balances	12.0	5.2	-	17.2
Total assets	41.7	10.6	-	52.3
Trade and other payables	27.0	12.4	3.3	42.7
Bank loans	10.0	-	10.5	20.5
Finance leases	0.8	2.2	-	3.0
Total liabilities	37.8	14.6	13.8	66.2
Net assets / (liabilities)	3.9	(4.0)	(13.8)	(13.9)

24. Financial instruments and risk management - continued

(iv) Liquidity risk

The Group is exposed to liquidity risk which arises primarily from the maturing of short-term and long-term debt obligations and derivative transactions. The Group's policy is to ensure that sufficient resources are available either from cash balances, cash flows or undrawn committed bank facilities, to ensure all obligations can be met as they fall due. To achieve this objective, the Group:

- maintains cash balances with counterparties either highly rated or state guaranteed;
- limits maturity of cash balances; and
- borrows the bulk of its debt needs under committed bank lines or other term financing and by policy maintains a minimum level of undrawn committed facilities.

At each year end, the Group's rolling liquidity reserve (which comprises cash and undrawn committed facilities and which represents the amount of available cash headroom in the Group's funding structure) was as follows:

	2011 €m	2010 €m
Cash and bank balances	**9.8**	17.2
Committed undrawn facilities	**50.4**	45.2
Liquidity reserve	**60.2**	62.4

Management monitors rolling cash flow forecasts on an on-going basis to determine the adequacy of the liquidity position of the Group. This process also incorporates a longer term liquidity review to ensure refinancing risks are adequately catered for as part of the Group's strategic planning.

Liquidity analysis

The following table sets out the maturity and liquidity analysis of the Group's financial liabilities and net settled derivative financial liabilities into the relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date:

Liquidity Table 2011	**Weighted average period until maturity**	**Carrying amount**	**Contractual amount**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
	Years	**€m**	**€m**	**€m**	**€m**	**€m**	**€m**
Liabilities							
Trade and other payables		**39.8**	**39.8**	**38.9**	**0.2**	**0.7**	**-**
Bank overdraft	**0.8**	**0.3**	**0.3**	**0.3**	**-**	**-**	**-**
Bank loans	**1.7**	**15.0**	**15.7**	**0.4**	**15.3**	**-**	**-**
Finance leases	**2.5**	**2.3**	**2.6**	**0.7**	**0.5**	**1.3**	**0.1**
Total Liabilities		**57.4**	**58.4**	**40.3**	**16.0**	**2.0**	**0.1**

24. Financial instruments and risk management - continued

(iv) Liquidity risk - continued

Liquidity Table 2010	Weighted average period until maturity	Carrying amount	Contractual amount	Less than 1 year	1-2 years	2-5 years	More than 5 years
	Years	€m	€m	€m	€m	€m	€m
Liabilities							
Trade and other payables		42.7	42.7	41.6	1.1	-	-
Bank loans	2.7	20.5	22.1	0.6	0.6	20.9	-
Finance leases	2.7	3.0	3.4	0.9	0.7	1.3	0.5
Total Liabilities		66.2	68.2	43.1	2.4	22.2	0.5

(v) Credit risk

The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and limits its exposure to any one party to ensure that there are no significant concentrations of credit risk. The notional amounts of financial instruments used in interest rate and foreign exchange management do not represent the credit risk arising through the use of these instruments. The immediate credit risk of these instruments is generally estimated by the fair value of contracts with a positive value. The maximum exposure to credit risk for receivables and other financial assets is represented by the carrying amount. Credit risk in relation to finance lease receivable, trade and other receivables and cash and bank balances has been discussed in notes 16, 19 and 20 respectively. The maximum exposure to credit risk is represented by the carrying amounts in the Statement of Financial Position.

(vi) Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the overall cost of capital.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The capital structure of the Group consists of net debt (borrowings as detailed in note 23 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves & retained earnings as detailed in notes 21 and 22).

The Group is not subject to any externally imposed capital requirements.

In managing its capital structure, the primary focus of the Group is the ratio of consolidated net debt as a multiple of EBITDA. Maximum levels for this ratio are set under board approved policy so as to ensure compliance with banking covenants under the Group's loan agreements. These requirements were achieved at 31 December 2011 and 31 December 2010. At 31 December 2011, net debt of €7.8 million was 0.16 times 2011 EBITDA of €49.1 million compared to net debt of €6.3 million in 2010, which was 0.12 times EBITDA of €53.6 million.

24. Financial instruments and risk management - continued

(vii) Market risk sensitivity analysis

The Group has prepared calculations to measure the estimated change to the Consolidated Income Statement and Equity of either an instantaneous increase or decrease of 100 basis points (1%) in market interest rates or a 10% strengthening or weakening in Euro against all other currencies, from the rates applicable at 31 December 2011, for each class of financial instruments with all other variables remaining constant. The sensitivity analysis excludes the impact of market risks on net post-employment benefit obligations and taxation. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

The interest rate sensitivity analysis is based on the assumption that changes in market interest rates affect the interest income or expense of variable financial instruments. No account has been taken of the effect of interest rate changes on derivative financial instruments as the exposure to these at 31 December 2010 and 31 December 2011 was immaterial.

The amounts generated from the sensitivity analysis are estimates of the impact of market risks assuming that specified changes occur. Actual results in the future may differ materially from these results due to developments in the global financial markets which may cause fluctuations in interest and exchange rates to vary from the hypothetical amounts disclosed below, which therefore should not be considered a projection of likely future events and losses.

Under these assumptions, a 1% increase or decrease in market interest rates for all currencies in which the Group had borrowings and derivative financial instruments at 31 December 2011 would decrease or increase profit before tax and equity by approximately €0.2 million (2010: €0.1 million).

Currency risks - The currency risk sensitivity analysis is based on the assumption that all cash flow hedges are highly effective.

Under the assumptions, with a 10% strengthening or weakening in Euro against all exchange rates, profit before tax would have increased by €4.1 million (2010: €4.1 million) or decreased by €5.0 million (2010: €5.0 million), respectively, and equity (before tax effects) would have decreased by €2.8 million (2010: €3.1 million) or increased by €3.4 million (2010: €3.8 million), respectively.

Other price risks - As at 31 December 2011 and 31 December 2010, the Group had no exposure under financial instruments other than those discussed above.

(viii) Derivative financial instruments

The fair value of derivative financial instruments at 31 December 2011 was €nil (2010: €0.1 million). All cash flow hedges were effective and gains of €nil (2010: gain of €0.1 million) were recorded in other Comprehensive Income and net settlements amounted to €0.1 million (2010: €nil).

The Group and Company utilises currency derivatives to hedge future cash flows in the management of its exchange rate exposures. At 31 December 2011 there were outstanding forward foreign exchange contracts with a notional amount of €nil (2010: €3.3 million). The estimated fair value of these contracts was based on quoted market prices for equivalent instruments at the Statement of Financial Position date. All of these were designated and effective as cash flow hedges. The fair value thereof has been accumulated in equity and subsequently recognised in the Consolidated Income Statement in the same period as the hedged expense.

The Group and Company did not utilise interest rate swaps during the years ended 31 December 2011 and 31 December 2010.

25. Deferred tax liabilities

The Company and its subsidiaries, where appropriate, have elected to be taxed under the 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. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. A deferred tax asset has not been recognised in respect of these losses where suitable taxable profits are not expected to arise. The Group estimates the probable amount of future taxable profits, using assumptions consistent with those employed in the Group's financial planning process, and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations require the use of estimates.

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.

Group 2011	**Accelerated tax depreciation €m**	**Tax losses €m**	**Retirement benefit obligation €m**	**Total €m**
At beginning of year	**3.5**	**(0.1)**	**0.8**	**4.2**
Charge to the Consolidated Income Statement for the year	**-**	**0.1**	**-**	**0.1**
Charge to the Consolidated Statement of Comprehensive Income	**0.1**	**-**	**-**	**0.1**
At end of year	**3.6**	**-**	**0.8**	**4.4**

Group 2010	Accelerated tax depreciation €m	Tax losses €m	Retirement benefit obligation €m	Total €m
At beginning of year	3.4	(0.5)	0.5	3.4
Charge / (credit) to the Consolidated Income Statement for the year	0.1	0.3	(0.1)	0.3
Charge to the Consolidated Statement of Comprehensive Income	-	0.1	0.4	0.5
At end of year	3.5	(0.1)	0.8	4.2

25. Deferred tax liabilities - continued

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**	**2011 Total €m**	2010 Total €m
At beginning of year	**0.1**	**(0.1)**	**-**	-
(Credit) / charge to the Income Statement for the year	**(0.1)**	**0.1**	**-**	-
At end of year	**-**	**-**	**-**	-

Unrecognised deferred tax assets - Group and Company

The estimated value of the deferred tax asset not recognised is €0.7 million (2010: €1.0 million) in the Group and €0.1 million (2010: €0.2 million) in the Company. Deferred tax assets are not recognised as it is not probable that taxable profits will be available against which deductible temporary differences can be utilised. These amounts are analysed as follows:

	Group 2011 €m	Group 2010 €m	**Company 2011 €m**	Company 2010 €m
Other temporary differences	**-**	0.1	**-**	-
Advance corporation tax not immediately recoverable	**-**	0.1	**-**	0.1
Tax losses carried forward	**0.7**	0.8	**0.1**	0.1
Deferred tax asset not recognised	**0.7**	1.0	**0.1**	0.2

26. Trade and other payables

	Group 2011 €m	Group 2010 €m	**Company 2011 €m**	Company 2010 €m
Trade payables and accruals	**39.8**	42.7	**3.1**	5.0
Amounts due to subsidiary companies	**-**	-	**24.1**	66.1
	39.8	42.7	**27.2**	71.1
- payable within one year	**38.9**	41.6	**27.2**	71.1
- payable after one year	**0.9**	1.1	**-**	-
	39.8	42.7	**27.2**	71.1

Trade payables and accruals comprise amounts outstanding for trade purchases and on-going costs and are non-interest bearing.

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

The average credit period outstanding was 71 days at 31 December 2011 (2010: 72 days). Certain suppliers reserve the right to charge interest on balances past their due date.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

	Group 2011 €m	Group 2010 €m	**Company 2011 €m**	Company 2010 €m
Corporation tax	**0.1**	0.7	**-**	-
Payroll taxes	**0.7**	0.8	**0.2**	0.5
Pay related social insurance	**0.4**	0.4	**-**	0.2
Value added tax	**1.6**	1.6	**0.2**	0.2
	2.8	3.5	**0.4**	0.9

27. Provisions

Group	2011 €m	2010 €m
Claims provision		
At beginning of year	**0.6**	1.0
Utilisation of provision	**-**	(0.1)
Decrease in provision	**-**	(0.3)
At end of year	**0.6**	0.6
Dealt with in Consolidated Statement of Financial Position:		
Current liabilities	**0.3**	0.3
Non-current liabilities	**0.3**	0.3
	0.6	0.6

The claims provision comprises the insurance excess payable by the Group in a number of potential compensation claims, arising in the normal course of business. No provision has been made for instances that may have occurred prior to the year end, but for which no claim has been received. It is estimated based on prior experience that 50% of these claims will be settled within one year.

Company	2011 €m	2010 €m
Claims provision		
At beginning of year	**0.2**	0.4
Decrease in provision	**-**	(0.2)
At end of year	**0.2**	0.2
Dealt with in Consolidated Statement of Financial Position:		
Current liabilities	**0.1**	0.1
Non-current liabilities	**0.1**	0.1
	0.2	0.2

The claims provision comprises the insurance excess payable by the Company in a number of potential compensation claims, arising in the normal course of business.

28. Deferred grant

Group	**2011 €m**	2010 €m
At beginning of year	**1.1**	1.2
Amortisation	**(0.2)**	(0.1)
At end of year	**0.9**	1.1
Dealt with in Consolidated Statement of Financial Position:		
Current liabilities	**0.1**	0.1
Non-current liabilities	**0.8**	1.0
	0.9	1.1

The deferred grant is in respect of capital assets and is amortised to the Consolidated Income Statement over the life of the assets.

29. Commitments

	Group 2011 €m	Group 2010 €m	**Company 2011 €m**	Company 2010 €m
Commitments under port operating agreements - approved and contracted for	**-**	1.4	**-**	-
Commitments for the acquisition of property, plant and equipment approved and contracted for	**0.4**	-	**0.2**	-

In 2010 the Group had given commitments under port operating agreements which gave rise to a minimum annual charge as noted above. These agreements expired during 2011.

30. Operating lease agreements

	Group 2011 €m	Group 2010 €m	**Company 2011 €m**	Company 2010 €m
Minimum lease payments under operating leases recognised as an expense in the year	**12.6**	9.8	**-**	-

30. Operating lease agreements - continued

At the statement of financial position date outstanding commitments under non-cancellable operating leases fall due as follows:

	Group 2011 €m	Group 2010 €m	**Company 2011 €m**	Company 2010 €m
Within one year	**4.2**	3.2	**-**	0.1
In the second to fifth years inclusive	**4.4**	3.2	**-**	-
After five years	**42.2**	42.9	**-**	-
	50.8	49.3	**-**	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. Excluding the lease with Dublin Port, which has an outstanding term of 111 years, the outstanding terms of the operating leases within the Group at 31 December 2011 range from 1 month to 5 years. Property rentals are fixed for periods ranging from 1 to 7 years.

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.

31. Operating lease income

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

	2011 €m	2010 €m
Within one year	**2.9**	2.8
In the second to fifth years inclusive	**1.4**	4.2
After five years	**-**	-
	4.3	7.0

The Group continues to charter a vessel under an operating lease to a third party. The vessel is chartered at a fixed rate for terms expiring in 2013, with this being the final option period.

32. Share-based payments

The Group and Company operate 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 plan.

Options granted under the 1998 share option scheme are subject to the following performance criteria:

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 unless permitted by the Remuneration Committee of the Board.

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

	2011 Number of share options	**Weighted average exercise price €**	2010 Number of share options	Weighted average exercise price €
Outstanding at 1 January	**1,065,000**	**15.45**	1,435,000	13.77
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**(132,500)**	**8.06**	(370,000)	8.92
Expired during the year	**(25,000)**	**21.32**	-	-
Outstanding at 31 December	**907,500**	**16.37**	1,065,000	15.45
Exercisable at 31 December	**367,500**	**9.09**	367,500	8.15
Weighted average share price at date of exercise of options		**17.08**		16.43
Weighted average remaining contractual life of options outstanding at year-end		**4.9 years**		5.4 years

The options outstanding at 31 December 2011 can be exercised at prices ranging from €5.30 to €21.32. No options had been issued under the 2009 option plan.

Options issued after 7 November 2002

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. 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.

Since 7 November 2002 options have been granted on 13 April 2005, 18 September 2006 and on 19 December 2007. The estimated fair values of the options are €4.01, €4.43 and €9.22 respectively per share under option.

32. Share-based payments - continued

The inputs into the model in the respective years of grant were as follows:

Year of grant	2007	2006	2005
Weighted average share price	€21.32	€10.67	€10.00
Weighted average exercise price	€21.32	€10.67	€10.00
Expected volatility	35%	35%	36%
Expected life	10 years	10 years	10 years
Risk free rate	4.260%	3.765%	3.293%
Expected dividend yield	1.64%	1.87%	1.69%

There was no grant of share options in the years 2008 to 2011.

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 2011 the Group recognised total expenses of €0.1 million (2010: €0.3 million) and the Company €0.1 million (2010: €0.2 million), relating to equity share-based payment transactions. Of the total expenses of €0.1 million in the Group, €0.1 million related to Directors of the Group (2010: €0.2 million). The balance on the share option reserve in the Consolidated Statement of Financial Position at 31 December 2011 is €1.5 million (2010: €1.5 million). The balance on the share option reserve in the Company Statement of Financial Position at 31 December 2011 is €1.2 million (2010: €1.2 million).

33. Retirement benefit schemes

(a) Group retirement benefit schemes

(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 schemes under the control of trustees.

The pension contributions paid in the year ended 31 December 2011 amounted to €5.9 million (2010: €4.5 million) while the current service cost charged to the Consolidated Income Statement amounted to €1.2 million (2010: €1.7 million). A curtailment gain of €nil (2010: €1.8 million) is recognised as a credit in the employee benefits expense note. At 31 December 2011 there were 759 pensioners in receipt of pension payments from the Group schemes (2010: 762).

The pension charges 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 31 December 2008 and 1 July 2011. 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 2011 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 bid value.

33. Retirement benefit schemes - continued

(ii) Merchant Navy Officers Pension Fund (MNOPF)

In addition to the pension schemes operated by the Group, certain employees are members of the Merchant Navy Officers Pension Fund (MNOPF), an industry wide multi-employer scheme. The latest actuarial valuation of the Scheme, which is available for public inspection, is dated 31 March 2009. The share of the Group in the MNOPF as advised by the Trustees is 1.57% (2010: 1.57%). Disclosures relating to this scheme are based on these allocations.

Prior to 1 January 2010 the valuation employed for disclosure purposes has been based on the most recent funding valuations adjusted by the independent actuaries to allow for the accrual of liabilities up to the Statement of Financial Position date. In 2010 the MNOPF was unable to provide the Group with sufficient information to accurately assess the Funds financial position on that basis. The valuation approach has therefore been modified at 31 December 2010 to recognise a net liability equal to the value of the deficit contributions which the Group is contractually committed to and which fall due for payment after this date. No investment assets are recognised.

The valuation at 31 December 2011 and 31 December 2010 is based on the deficit contributions notified to the Group in September 2010 by the Trustee based on their estimation of the deficit at 31 December 2009.

The share of the overall deficit in the MNOPF apportioned to the Group is €10.8 million at 31 December 2011 (2010: €11.3 million). During the year the Group made payments of €1.7 million (2010: €1.3 million) to the trustees. As at 31 December 2011 the Group is scheduled to pay a further €13.2 million (2010: €14.4 million) in cash contributions relating to the past deficit, in annual instalments up to 2020.

(iii) Principal assumptions

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

	Sterling liabilities		Euro liabilities	
	2011	2010	**2011**	2010
Discount rate	**4.90%**	5.50%	**5.30%**	5.50%
Inflation rate	**2.90%**	3.60%	**2.00%**	2.00%
Rate of increase of pensions in payment	**2.65%**	3.35%	**1.80% - 2.00%**	1.80% - 2.00%
Rate of general salary increases	**3.90%**	4.60%	**3.00%**	3.00% - 3.50%

The long term expected rates of return at 31 December 2011 and 31 December 2010, determined in conjunction with the Groups' actuaries and analysed by class of investment, are as follows:

	Sterling assets		Euro assets	
	2011	2010	**2011**	2010
Equities	**7.00%**	7.80%	**7.30%**	7.40%
Bonds	**3.00%**	3.60%	**4.30%**	4.40%
Property	**5.50%**	6.80%	**6.30%**	6.40%
Other	**2.60%**	3.80%	**2.50%**	2.50%

The long term rates of return for each category of schemes' assets are determined based on long term expectations for such rates and input from investment advisors.

The expected return on bonds is equal to the redemption yield on an appropriate long dated government bond index. For Euro schemes the index used is the Merill Lynch over 10 year Euro government bond index and for Sterling schemes the yield is based on a 15 year gilt index.

The expected return on equities is the bond return plus an equity risk premium of 3% for euro equities and 4% for sterling equities.

33. Retirement benefit schemes - continued

The rates of return on equities and property are based on current long term government bond yields (approximating risk free rates) plus an appropriate risk premium. The long term rates of return on bond and cash investments are set in line with market yields currently available at the Statement of Financial Position date.

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

	Male 2011	**Female 2011**	Male 2010	Female 2010
Current retirees	**23.8 years**	**26.6 years**	23.8 years	26.6 years
Future retirees	**27.2 years**	**30.3 years**	27.2 years	30.3 years

The Directors have taken independent actuarial advice on the key judgements used in the estimate of retirement benefit scheme assets and liabilities.

Sensitivity of pension liability judgemental assumptions

The Group's total obligation in respect of defined benefit schemes is calculated by independent, qualified actuaries, updated at least annually and totals €226.0 million at 31 December 2011 (2010: €217.8 million). At 31 December 2011 the Group also has scheme assets totalling €193.5 million (2010: €200.3 million), giving a net pension deficit of €32.5 million (2010: deficit of €17.5 million). The size of the obligation is sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used. The size of the scheme asset is also sensitive to asset return levels and the level of contributions from the Group.

Assumption	Change in assumption	Impact on liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 8.3%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 6.6%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by 1.0%
Rate of mortality	Members assumed to live 1 year longer	Increase by 3.0%

(iv) Retirement benefit assets and liabilities

The amount recognised in the Consolidated Statement of Financial Position in respect of the Group's defined benefit schemes, including an apportionment in respect of the MNOPF is as follows:

	Scheme with liabilities in Sterling		Scheme with liabilities in Euro	
	2011 €m	2010 €m	**2011 €m**	2010 €m
Equities	**6.4**	6.9	**93.0**	103.2
Bonds	**13.8**	12.0	**61.8**	60.9
Property	**0.3**	0.3	**10.4**	11.1
Other	**0.5**	0.2	**7.3**	5.7
Market value of scheme assets	**21.0**	19.4	**172.5**	180.9
Present value of scheme liabilities	**(28.0)**	(27.4)	**(198.0)**	(190.4)
Deficit in schemes	**(7.0)**	(8.0)	**(25.5)**	(9.5)

33. Retirement benefit schemes - continued

Three of the defined benefit schemes accounted for by the Group are in a net surplus position and are shown in non-current assets in the Consolidated Statement of Financial Position.

Three 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:

	2011 €m	2010 €m
Non-current assets - retirement benefit surplus	**4.4**	4.0
Non-current liabilities - retirement benefit obligation	**(36.9)**	(21.5)
Net deficit in pension schemes	**(32.5)**	(17.5)

Investment of the scheme 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:

2011	**Schemes in Sterling €m**	**Schemes in Euro €m**	**Total €m**
At beginning of year	**19.4**	**180.9**	**200.3**
Expected return on scheme assets	**1.0**	**11.0**	**12.0**
Actuarial gains / (losses)	**0.3**	**(15.1)**	**(14.8)**
Exchange difference	**0.6**	**-**	**0.6**
Employer contributions	**0.4**	**3.8**	**4.2**
Contributions from scheme members	**-**	**0.5**	**0.5**
Benefits paid	**(0.7)**	**(8.6)**	**(9.3)**
At end of year	**21.0**	**172.5**	**193.5**

2010	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of year	48.9	174.5	223.4
Change in valuation approach for MNOPF	(31.5)	-	(31.5)
At beginning of year as reclassified	17.4	174.5	191.9
Expected return on scheme assets	0.9	10.6	11.5
Actuarial gains	1.2	4.2	5.4
Exchange difference	0.5	-	0.5
Employer contributions	0.2	3.0	3.2
Contributions from scheme members	-	0.6	0.6
Benefits paid	(0.8)	(12.0)	(12.8)
At end of year	19.4	180.9	200.3

33. Retirement benefit schemes - continued

(vi) Movement in retirement benefit liabilities

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

2011	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of year	27.4	190.4	217.8
Service cost	0.2	1.0	1.2
Interest cost	1.5	10.2	11.7
MNOPF deficit payments	(1.7)	-	(1.7)
Contributions from scheme members	-	0.5	0.5
Actuarial losses	0.4	4.5	4.9
Exchange difference	0.9	-	0.9
Benefits paid	(0.7)	(8.6)	(9.3)
At end of year	28.0	198.0	226.0
Present value of schemes liabilities at end of year that relates to:			
Wholly unfunded plans	-	-	-
Wholly or partly funded plans	28.0	198.0	226.0
	28.0	198.0	226.0

33. Retirement benefit schemes - continued

2010	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of year	58.1	192.5	250.6
Change in valuation approach for MNOPF	(31.5)	-	(31.5)
At beginning of year as reclassified	26.6	192.5	219.1
Service cost	0.1	1.6	1.7
Interest cost	1.5	10.5	12.0
MNOPF deficit payments	(1.3)	-	(1.3)
Contributions from scheme members	-	0.6	0.6
Actuarial losses / (gains)	0.5	(1.0)	(0.5)
Exchange difference	0.8	-	0.8
Curtailment gain	-	(1.8)	(1.8)
Benefits paid	(0.8)	(12.0)	(12.8)
At end of year	27.4	190.4	217.8

Present value of schemes liabilities at end of year that relates to:			
Wholly unfunded plans	-	-	-
Wholly or partly funded plans	27.4	190.4	217.8
	27.4	190.4	217.8

(vii) Amounts recognised in Consolidated Income Statement

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

	2011 €m	2010 €m
Charges / (credits) to employee benefits expense		
Current service cost	**1.2**	1.7
Curtailment gain	**-**	(1.8)
	1.2	(0.1)

Other (credits) / charges to Consolidated Income Statement

Expected return on scheme assets (note 8)	**(12.0)**	(11.5)
Interest on scheme liabilities (note 9)	**11.7**	12.0
	(0.3)	0.5

The estimated amounts of contributions expected to be paid to the schemes during 2012 is €6.1 million based on current funding agreements, but may change based on funding agreements to be concluded during 2012.

33. Retirement benefit schemes - continued

(viii) Amounts recognised in the Consolidated Statement of Comprehensive Income

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

Experience adjustments:

	2011 €m	2010 €m
Actual return on scheme assets	**(2.8)**	16.9
Expected return on scheme assets	**(12.0)**	(11.5)
Actual return less expected return on scheme assets	**(14.8)**	5.4
Experience gain on scheme liabilities	**2.5**	4.4
Loss due to change in assumptions used to value liabilities	**(7.4)**	(3.9)
Actuarial (loss) / gain recognised in Consolidated Statement of Comprehensive Income	**(19.7)**	5.9

The cumulative amount of actuarial gains and losses recognised in the other comprehensive income since the date of transition to IFRSs is losses of €74.3 million (2010: losses of €54.6 million).

Exchange movement:

	2011 €m	2010 €m
Exchange difference on scheme assets	**0.6**	0.5
Exchange difference on scheme liabilities	**(0.9)**	(0.8)
Consolidated Statement of Comprehensive Income	**(0.3)**	(0.3)

(ix) Experience adjustments

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

	2011 €m	2010 €m	2009 €m	2008 €m	2007 €m
Present value of defined benefit obligations	**(226.0)**	(217.8)	(250.6)	(220.1)	(258.1)
Fair value of scheme assets	**193.5**	200.3	223.4	195.4	284.0
Net (deficit) / surplus in pension scheme	**(32.5)**	(17.5)	(27.2)	(24.7)	25.9
Experience adjustments on scheme liabilities Increase / (decrease)	**4.9**	(0.5)	20.2	(34.3)	(22.5)
Experience adjustments on scheme assets Decrease / (increase)	**(14.8)**	5.4	14.2	(90.2)	(22.9)

33. Retirement benefit schemes - continued

(b) Company retirement benefit schemes

(i) Company sponsored / Group affiliated 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 and the Ex Merchant Navy Officers Pension Scheme (Ex MNOPF), which are 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 Group in schemes 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 and the Ex MNOPF Scheme, which are not available for public inspection, are dated 1 July 2011 and 29 June 2010 respectively. The valuation employed for disclosure purposes has been based on the most recent funding valuations for the schemes adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2011 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 bid value.

(ii) Merchant Navy Officers Pension Fund (MNOPF)

In addition to the pension schemes operated by the Company, certain employees are members of the Merchant Navy Officers Pension Fund (MNOPF), an industry wide multi-employer scheme. The latest actuarial valuation of the Scheme, which is available for public inspection, is dated 31 March 2009. The share of the Company in the MNOPF as advised by the Trustees is 0.52% (2010: 0.52%). Disclosures relating to this scheme are based on these allocations.

Prior to 1 January 2010 the valuation employed for disclosure purposes has been based on the most recent funding valuations adjusted by the independent actuaries to allow for the accrual of liabilities up to the Statement of Financial Position date. In 2010 the MNOPF was unable to provide the Group with sufficient information to accurately assess the Funds financial position on that basis. The valuation approach has therefore been modified at 31 December 2010 to recognise a net liability equal to the value of the deficit contributions which the Group is contractually committed to and which fall due for payment after this date. No investment assets are recognised.

The valuation at 31 December 2011 and 31 December 2010 is based on the deficit contributions notified to the Company in September 2010 by the Trustee based on their estimation of the deficit at 31 December 2009.

The share of the overall deficit in the MNOPF apportioned to the Company is €3.8 million at 31 December 2011 (2010: €3.9 million). During the year the Company made payments of €0.6 million (2010: €0.5 million) to the trustees. As at 31 December 2011 the Company is scheduled to pay a further €4.6 million (2010: €5.0 million) in cash contributions relating to the past deficit in equal annual instalments up to 2020.

(iii) Principal assumptions

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

33. Retirement benefit schemes - continued

(iv) Retirement benefit assets and liabilities

The amount recognised in the Statement of Financial Position in respect of the Company's defined benefit schemes, including an apportionment in respect of the MNOPF are as follows:

	Scheme with liabilities in Sterling		Scheme with liabilities in Euro	
	2011 €m	2010 €m	**2011 €m**	2010 €m
Equities	**-**	-	**2.7**	2.8
Bonds	**-**	-	**0.6**	0.5
Property	**-**	-	**0.1**	0.2
Other	**-**	-	**0.2**	0.2
Market value of scheme assets	**-**	-	**3.6**	3.7
Present value of scheme liabilities	**(3.8)**	(3.9)	**(3.0)**	(3.0)
(Deficit) / surplus in schemes	**(3.8)**	(3.9)	**0.6**	0.7

Two of the defined retirement benefit pension schemes accounted for by the Company are in a net surplus position, while the other scheme is in a net deficit position. The split between the amounts shown in each category is as follows:

	2011 €m	2010 €m
Non-current assets - retirement benefit surplus	**0.6**	0.7
Non-current liabilities - retirement benefit obligation	**(3.8)**	(3.9)
Net deficit in pension schemes	**(3.2)**	(3.2)

The Company's total obligation in respect of the defined benefit scheme is calculated by independent, qualified actuaries, updated at least annually and totals €6.8 million at 31 December 2011 (2010: €6.9 million). At 31 December 2011 the Company also has scheme assets totalling €3.6 million, (2010: €3.7 million) giving a net pension liability of €3.2 million (2010: liability of €3.2 million). The size of the obligation is sensitive to actuarial assumptions.

These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used. The size of the scheme asset is also sensitive to asset return levels and the level of contributions from the Company.

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

33. Retirement benefit schemes - 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:

2011	**Schemes in Sterling €m**	**Schemes in Euro €m**	**Total €m**
At beginning of year	**-**	**3.7**	**3.7**
Expected return on scheme assets	**-**	**0.2**	**0.2**
Actuarial losses	**-**	**(0.3)**	**(0.3)**
Exchange difference	**-**	**-**	**-**
Employer contributions	**-**	**0.1**	**0.1**
Benefits paid	**-**	**(0.1)**	**(0.1)**
At end of year	**-**	**3.6**	**3.6**

2010	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of year	10.9	2.1	13.0
Reclassification of MNOPF assets to liabilities	(10.9)	-	(10.9)
At beginning of year as reclassified	-	2.1	2.1
Expected return on scheme assets	-	0.3	0.3
Actuarial gains	-	0.5	0.5
Exchange difference	-	-	-
Employer contributions	-	0.8	0.8
At end of year	-	3.7	3.7

33. Retirement benefit schemes - continued

(vi) Movement in retirement benefit liabilities

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

2011	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of year	**3.9**	**3.0**	**6.9**
Interest cost	**0.2**	**0.2**	**0.4**
MNOPF deficit payments	**(0.6)**	**-**	**(0.6)**
Actuarial losses / (gain)	**0.2**	**(0.1)**	**0.1**
Exchange difference	**0.1**	**-**	**0.1**
Benefits paid	**-**	**(0.1)**	**(0.1)**
At end of year	**3.8**	**3.0**	**6.8**
Present value of schemes liabilities at end of year that relates to:			
Wholly unfunded plans	**-**	**-**	**-**
Wholly or partly funded plans	**3.8**	**3.0**	**6.8**
	3.8	**3.0**	**6.8**

2010	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of year	15.0	2.2	17.2
Reclassification of MNOPF assets to liabilities	(10.9)	-	(10.9)
At beginning of year as reclassified	4.1	2.2	6.3
Service cost	-	0.2	0.2
Interest cost	0.2	0.2	0.4
MNOPF deficit payments	(0.5)	-	(0.5)
Actuarial losses	-	0.4	0.4
Exchange difference	0.1	-	0.1
At end of year	3.9	3.0	6.9
Present value of schemes liabilities at end of year that relates to:			
Wholly unfunded plans	-	-	-
Wholly or partly funded plans	3.9	3.0	6.9
	3.9	3.0	6.9

33. Retirement benefit schemes - continued

(vii) Amounts recognised in the Company Income Statement

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

	2011 €m	2010 €m
Charged to employee benefits expense		
Current service cost	**-**	0.2
Other (credits) / charges to Income statement		
Expected return on scheme assets	**(0.2)**	(0.3)
Interest on scheme liabilities	**0.4**	0.4
	0.2	0.1

The estimated amounts of contributions expected to be paid by the Company to the schemes during 2012 is €0.8 million based on current funding agreements, but may change based on funding agreements to be concluded during 2012.

(viii) Amounts recognised in the Company Statement of Comprehensive Income

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

Experience adjustments:

	2011 €m	2010 €m
Actual return on scheme assets	**(0.1)**	0.8
Expected return on scheme assets	**(0.2)**	(0.3)
Actual return less expected return on scheme assets	**(0.3)**	0.5
Experience gain on scheme liabilities	**0.1**	-
Loss due to change in assumptions used to value liabilities	**(0.2)**	(0.4)
Actuarial (loss) / gain recognised in Statement of Comprehensive Income	**(0.4)**	0.1

The cumulative amount of actuarial gains and losses recognised in the other comprehensive income since the date of transition to IFRSs is losses of €5.4 million (2010: losses of €5.0 million).

Exchange movement:

	2011 €m	2010 €m
Exchange difference on scheme assets	**-**	-
Exchange difference on scheme liabilities	**(0.1)**	(0.1)
Company Statement of Comprehensive Income	**(0.1)**	(0.1)

33. Retirement benefit schemes - continued

(ix) Experience adjustments

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

	2011 €m	2010 €m	2009 €m	2008 €m	2007 €m
Present value of defined benefit obligations	**(6.8)**	(6.9)	(17.2)	(13.5)	(17.6)
Fair value of scheme assets	**3.6**	3.7	13.0	10.5	15.4
Net deficit in pension scheme	**(3.2)**	(3.2)	(4.2)	(3.0)	(2.2)
Experience adjustments on scheme liabilities Increase / (decrease)	**0.1**	0.4	1.8	(1.8)	(0.7)
Experience adjustments on scheme assets (Decrease) / increase	**(0.3)**	0.5	0.6	(3.8)	(0.4)

34. Related party transactions

Group

During the year, Group entities incurred costs of €0.2 million (2010: €0.2 million) through provision of administration and accounting services to Irish Ferries Limited Pension Scheme and Irish Ferries (UK) Limited Pension Scheme, related parties that are not members of the Group. These related parties provide pension benefits to employees of the Group.

Company

The Company chartered a vessel from a subsidiary Company during the year. It also advanced and received funds to and from certain subsidiaries. Net funds advanced to subsidiaries during the year amounted to €41.5 million (2010: received from subsidiaries €14.6 million). The Company has provided Letters of Financial Support for certain of its other subsidiaries as disclosed in note 37.

During the year the Company received dividends of €84.7 million (2010: €19.5 million) from subsidiary companies.

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

	2011 €m	2010 €m
Amounts due from subsidiary companies (note 19)	**135.9**	136.4
Amounts due to subsidiary companies (note 26)	**(24.1)**	(66.1)
	111.8	70.3

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. There are no set terms and conditions attached to the amounts outstanding.

34. Related party transactions - continued

Compensation of key management personnel

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

	Group 2011 €m	Group 2010 €m	**Company 2011 €m**	Company 2010 €m
Short-term benefits	**3.8**	4.5	**0.4**	2.4
Post-employment benefits	**0.4**	0.5	**-**	0.3
Share based payments	**0.1**	0.3	**-**	0.2
	4.3	5.3	**0.4**	2.9

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

The remuneration of Directors and key management is determined by the Remuneration Committee having regard to the performance of individuals, market trends and the performance of the Group and Company.

Dividends

Amounts received by key management, including Directors, arising from dividends are as follows:

	Group 2011 €m	Group 2010 €m	**Company 2011 €m**	Company 2010 €m
Dividends	**5.6**	4.2	**5.5**	4.2

Amounts received by Directors of the Company arising from dividends are as follows:

	2011 €m	2010 €m
Eamonn Rothwell	**5.2**	3.9
Garry O'Dea	**0.2**	0.2
Tony Kelly	**0.1**	-
John B. McGuckian	**-**	-
Peter Crowley	**-**	-
Bernard Somers	**-**	-
	5.5	4.1

Share options

Share options exercised by the Company's Directors are set out in the Report of the Remuneration Committee on pages 33 to 36.

35. Net cash from operating activities

Group	2011 €m	2010 €m
Operating activities		
Profit for the year	**27.7**	39.0
Adjustments for:		
Finance costs (net)	**0.7**	0.8
Income tax expense	**0.5**	1.1
Retirement benefit obligations – current service cost	**1.2**	1.7
Retirement benefit obligations – payments	**(5.9)**	(4.5)
Retirement benefit obligations – curtailment gain	**-**	(1.8)
Depreciation of property, plant and equipment	**19.9**	21.7
Amortisation of intangible assets	**0.5**	0.5
Amortisation of deferred income	**(0.2)**	(0.1)
Share-based payment expense	**0.1**	0.3
Gain on disposal of vessel	**-**	(9.4)
Gain on disposal property, plant and equipment	**(0.3)**	(0.4)
Decrease in other provisions	**-**	(0.4)
Operating cash flows before movements in working capital	**44.2**	48.5
(Increase) / decrease in inventories	**(0.8)**	0.1
Increase in receivables	**(1.9)**	(1.3)
Decrease in payables	**(3.0)**	(3.5)
Cash generated from operations	**38.5**	43.8
Income taxes paid	**(1.0)**	(0.6)
Interest paid	**(1.0)**	(0.4)
Net cash generated from operating activities	**36.5**	42.8

35. Net cash from operating activities - continued

Company	**2011 €m**	2010 €m
Operating activities		
Profit for the year	**79.8**	7.1
Adjustments for:		
Finance costs (net)	**0.6**	0.2
Retirement benefit obligations - current service cost	**-**	0.2
Retirement benefit obligations - payments	**(0.7)**	(1.3)
Dividend income	**(84.7)**	(19.5)
Depreciation of property, plant and equipment	**1.6**	1.6
Amortisation of intangible assets	**0.5**	0.5
Share-based payment expense	**0.1**	0.2
Decrease in provisions	**-**	(0.2)
Operating cash flows before movements in working capital	**(2.8)**	(11.2)
Increase in inventories	**(0.2)**	(0.1)
Decrease in receivables	**1.4**	34.1
Decrease in payables	**(44.4)**	(19.4)
Cash (utilised by) / generated from operations	**(46.0)**	3.4
Income taxes paid	**-**	(0.1)
Interest paid	**(0.4)**	-
Net cash (utilised by) / generated from operating activities	**(46.4)**	3.3

36. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled as follows:

Group	Notes	2011 €m	2010 €m
Cash and bank balances		**9.8**	17.2
Bank overdraft	23	**(0.3)**	-
Cash and cash equivalents		**9.5**	17.2

37. Non-cash transactions

Additions to property, plant and equipment during the year amounting to €nil (2010: €2.3 million) in the Group and €nil (2010: €nil) in the Company were financed by new finance leases.

In the prior year the Group entered into a long term bareboat hire purchase agreement in relation to disposal of the vessel Bilbao which is treated as a finance lease under IAS 17. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Further details are set out in notes 7 and 16 respectively.

38. Contingent liabilities

The Group has issued counter indemnities to Allied Irish Banks plc in relation to bonds required by regulatory authorities and suppliers, amounting to €0.3 million (2010: €0.3 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 is warranted.

The Group and Company has provided indemnities in respect of certain leasing transactions arising in a subsidiary Company which were voluntarily terminated on 23 December 2009. The Directors consider that these indemnities would only be quantifiable if a claim is made and that no obligation had arisen at the statement of financial position date.

On 10 October 2007 Moonduster claimed reimbursement of expenses totalling €6.47 million under a reimbursement agreement concluded with the Company previously. Having considered the matter with its legal advisors, the Company has rejected the claim and no provision for payment of such claim has been made in these financial statements.

The Group and Company is a participating employer in the Merchant Navy Officer Pension Fund (MNOPF), a multi-employer defined benefit pension scheme. The MNOPF is in deficit. Under the rules of the fund all employers are liable for the deficit. The deficit included in these accounts for the Group and Company represents an apportionment of the overall scheme deficit based on notification received from the trustees which is currently 1.57% for the Group and 0.52% for the Company. Should other participating employers default on their obligations; the Group and Company will be required to absorb a larger share of the scheme deficit calculated in the same manner as the current apportionment.

Separately, if the Group (and or Company) ceases to be an employer employing persons in the description of employment to which the MNOPF relates, the Group may incur a statutory debt (otherwise known as "Section 75" debt by reference to Section 75 of the United Kingdom Pensions Act 1995 amended by the Pensions Act 2004). The calculation of such a statutory debt is prescribed in legislation and is on a different basis from the current deficit calculations. This would be a greater amount than the deficit included in these financial statements and the Directors consider that this amount is not quantifiable unless and until such an event occurs.

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 these guarantees at €nil at 31 December 2011 (2010: €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 these financial guarantee contracts at €nil at 31 December 2011 (2010: €nil) based on projected cash flows.

The Company has provided a guarantee and indemnity in favour of lenders in respect of obligations of certain subsidiaries who are borrowers under the Group's banking facilities.

39. Post statement of financial position events

The Board is proposing a final dividend of 67 cent per ICG Unit in respect of the results for the year ended 31 December 2011.

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2011.

40. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2012.

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 2012 an ICG Unit consisted of one Ordinary share and 10 Redeemable shares.

PAYMENTS TO SHAREHOLDERS

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 Sterling and made by way of cheque payment or electronic transfer. Shareholders should contact the Company's Registrar 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 Registrar claiming such entitlement.

ICG UNIT PRICE DATA (€)

	High	Low	Year end
Year ended 31 December 2011	**18.15**	**14.00**	**15.17**
Year ended 31 December 2010	17.05	14.00	15.30

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 INFORMATION - CONTINUED

INVESTOR RELATIONS

Please address investor enquiries to:
Irish Continental Group plc
Ferryport
Alexandra Road
Dublin 1

Telephone: +353 1 607 5700
Fax: +353 1 855 2268
E-mail: investorrelations@icg.ie

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; and
- 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 3100
Fax: +353 1 216 3151
E-mail: web.queries@computershare.co.uk

FINANCIAL CALENDAR 2012

Announcement of preliminary Statement of Results to 31 December 2011	8 March 2012
Annual General Meeting	30 May 2012
Proposed final dividend payment date	22 June 2012
Half year results announcement	30 August 2012

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 2012 are:

- 20% discount on passenger and car ferry services between Ireland and Britain;
- 10% discount on passenger and car ferry services between Ireland and France (direct sailings only); and
- 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 1 607 5700 or e-mail shareholders@irishferries.com.

OTHER INFORMATION

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

INDEX

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