# IRISH CONTINENTAL GROUP

**Statement of Results for the year ended 31 December 2010**

| **FINANCIAL HIGHLIGHTS** | **2010** | **2009** | **%** |
|---|---|---|---|
| Revenue | €262.2m | €260.5m | +0.7 |
| EBITDA | €53.6m | €50.7m | +5.7 |
| Operating Profit | €40.9m | €26.5m | +54.3 |
| EPS Basic | 156.8c | 102.4c | +53.1 |
| EPS Diluted | 155.7c | 101.5c | +53.4 |
| EPS Adjusted | 121.0c | 107.7c | +12.3 |
| EPS Adjusted Diluted | 120.2c | 106.7c | +12.7 |
| Net Debt | €6.3m | €21.7m | -71.0 |
| Net Pension Deficit | €17.5m | €27.2m | -35.7 |

**Carryings**

| | **2010** | **2009** | |
|---|---|---|---|
| | '000 | '000 | % |
| Passengers | 1,538 | 1,427 | +7.8 |
| Cars | 367 | 376 | -2.4 |
| RoRo Freight | 178 | 196 | -9.2 |
| Container Freight (teu) | 406 | 397 | +2.3 |
| Port Lifts | 167 | 165 | +1.2 |

Commenting on the results Chairman John B McGuckian said,

"Irish Continental Group delivered a strong set of results in 2010 with EBITDA up 5.7% to €53.6 million and EPS of 156.8c up 53.1%. Key factors in the results included a strong performance from the passenger side of our business, where revenue was up 12.3% and, the profit on the sale of the vessel Bilbao (€9.4 million) partially offset by a weakness in the freight side of the business due to the sharp reduction in economic activity in Ireland over the last number of years, and the effects of ship overcapacity in the market.

For 2011 we are facing into an uncertain year with the combined effects of higher fuel costs and austerity programmes in Ireland and the UK providing a challenge. Nevertheless we have made a solid start to the year and with a strong balance sheet to support us we look forward to the rest of the year with confidence."

*Irish Continental Group (ICG) is a leading Irish based maritime transport group. ICG carries 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.*

Irish Continental Group plc produced a strong result in 2010, during one of the most difficult periods in Ireland's recent economic history. After two years of decline in turnover, revenue in 2010 grew 0.7% to €262.2 million. Within this there was a marked difference between passenger revenue, which grew 12.3%, and freight revenue, which fell by 5.2%. The rise in passenger revenue reflects growth in passenger numbers and yields while the fall in freight revenue reflects the effects of ship overcapacity in the market place at a time when economic activity has only just stabilised after two years of decline.

For the year as a whole EBITDA was up 5.7% at €53.6 million, operating profit (before a non trading credit of €9.4 million) was up 18.9% to €31.5 million. Group wide fuel costs were up 31.4% at €41.4 million. Basic EPS was up 53.1% at 156.8 cent while adjusted EPS which excludes the pension interest charge and the profit on sale of the vessel was up 12.3% at 121.0 cent.

In addition to the strong operating performance, the Group completed the sale of the vessel Bilbao in December at a profit of €9.4 million, including a €0.8 million currency translation gain, after redelivery of the ship in October from P&O following its long term charter. The vessel had been a steady contributor to EBITDA since 1993 but the proceeds of sale (to be received over five years and nine months to September 2016) will adequately compensate for the reduction in charter income. Profit before tax, including the non trading credit of €9.4 million arising from the sale of the vessel, amounted to €40.1 million compared with €24.9 million in 2009.

The Board is proposing a final dividend of 100 cent per ICG unit which compares with 100 cent per ICG unit in 2009. No interim dividend was paid.

The results must be seen in the context of an ever changing competitive backdrop. In the Ferries Division, additional competing capacity in the form of two larger vessels introduced on the Dublin to Liverpool route during 2009, continued to affect the Group's freight volumes during 2010. Also on the ferry side of the business, a new competitor on the Cork to Swansea route clearly had an impact on the Group's revenue, particularly on the Rosslare to Pembroke route, given that there were no capacity constraints prior to the introduction of the new service.

## OPERATING REVIEW

### FERRIES DIVISION

The Ferries division employed six owned multipurpose ferries on routes to and from the Republic of Ireland and on charter. Over 4,000 sailings are operated annually by Irish Ferries.

Turnover in the division was 3.2% higher than the previous year at €153.7 million while earnings before interest and tax was €24.5 million compared with €18.1 million in 2009. The increase in profit was due principally to higher passenger revenue which more than compensated for lower freight revenue and increased fuel costs. Fuel cost in the division was up €7.0 million (33.5%) to €27.9 million. Revenue in the first half of the year was up 3.8% at €68.0 million while in the second half the increase was 2.6%, to €85.7 million.

Irish Ferries' passenger numbers carried were up 7.8% at 1.538 million (2009:1.427 million) while car numbers were down 2.4% at 367,000 (2009: 376,000). This was a strong performance given that total visitors to Ireland (air & sea) were down approximately 15% in 2010 versus 2009.

In the first quarter of the year there was some delay in commencing the service to France following winter drydocking which adversely affected carryings. This was offset by the transfer of passengers from air to sea during the volcanic ash disruption in the second quarter. Overall, in the first half, our passenger volumes were up 12.0% and the car numbers down 1.4%. In the second half of the year the growth in passenger numbers was 4.5% while car numbers fell 3.1%, the principal reason being additional competing capacity. Yields were up compared with 2009.

It is estimated that the Roll on Roll off freight market grew by about 3% in 2010 following a fall of 14% in the previous year, and a fall of 4% in 2008. Irish Ferries Roll on Roll off carryings for the year were down 9.2% to 178,000 freight vehicles. There was some reduction in the rate of decline in the second half of the year where Irish Ferries' freight volumes were down 5.7% on the same period in 2009, compared with a decline of 12.6% in the first six months. In fact volumes in the second half were 5.5% higher than the first half. During the year, Irish Ferries faced additional competing freight capacity on both the Holyhead route and on the neighbouring Dublin to Liverpool route. After the year end there were a number of adjustments to competing capacity which partially offset the increased capacity put in place in 2009. Also, on the Ireland to France route, there was an intensification of competition into Cherbourg with the introduction of newer tonnage on that route.

Both the Bilbao and the Kaitaki remained on bareboat charter to P&O during the period although, as previously announced, the charter of the Bilbao came to an end in October 2010 after a period of almost 18 years. In December an agreement was concluded for the disposal of the vessel to St. Peter Line of St. Petersburg in Russia for operation on a new route between Stockholm and St. Petersburg. The proceeds are receivable under a bareboat hire purchase agreement over five years and nine months. This resulted in a profit of €9.4 million which has been reported as a non-trading credit. This profit includes a currency translation gain of €0.8 million recycled to the Consolidated Income Statement from the translation reserve.

**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 2,800 owned containers (equivalent to 5,250 teu) and our strategically located container terminals in Dublin and in Belfast.

Turnover in the division fell by 2.7% to €109.8 million. Turnover had been flat in the first half of the year but in the second half of the year we chose to forego some traffic flows because of inadequate rates on offer. With our flexible chartered fleet we were able to adjust capacity to the volume of trade we accepted. Operating profit in the division was down 16.7% at €7.0 million due mainly to higher fuel costs (up 27.4% to €13.5 million) and higher restructuring costs (up €0.9 million). Overall container volumes shipped rose by 2.3% to 406,000 teu (2009: 397,000 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 broadly unchanged at 167,000 lifts (2009: 165,000 lifts). During the year the expansion of DFT's Dublin terminal was completed which involved the lengthening of the quay wall, which enables the terminal to handle more and larger vessels calling at Dublin Port. We also took delivery of a new 400 tonne harbour mobile crane for our terminal in Belfast which will allow BCT to service bigger vessels. The outlook for the division is dependent on world trade and also exports and imports to and from Ireland. An increase in input costs, e.g. ship charter costs and fuel costs is already apparent. This will require Eucon and Feederlink to pass on these cost increases to their own customers.

## FINANCIAL REVIEW

**RESULTS**

Turnover for the year amounted to €262.2 million (2009: €260.5 million) while operating profit amounted to €40.9 million (2009: €26.5 million). Principal variations on the prior year include group wide fuel costs which were substantially higher in the year at €41.4 million (2009: €31.5 million). There was a non-trading credit relating to the profit on the sale of the Bilbao of €9.4 million. The net interest charge was €0.3 million (2009: €0.3 million) before a net interest charge from defined benefit pension schemes of €0.5 million (2009: €1.3 million). Because of the volatility of the net interest charge/credit from the pension scheme, it is excluded from the calculation of adjusted earnings per share as is the non-trading credit of €9.4 million. The tax charge of €1.1 million compared with a credit of €0.3 million in 2009.

Adjusted EPS (i.e. before non-trading items and the net pension interest charge) amounted to 121.0 cent (2009: 107.7 cent). Basic EPS was 156.8 cent (2009: 102.4 cent).

**DIVIDEND**

During the year a final dividend of 100 cent per ICG unit was paid for the year ended 31 December 2009. The Board is proposing a final dividend of 100 cent per ICG unit (no interim dividend had been declared). Subject to shareholder approval at the Annual General Meeting, the dividend will be paid on 8 June 2011 to shareholders on the register at close of business on 13 May 2011. Irish dividend withholding tax will be deducted where appropriate.

**CASH FLOW AND INVESTMENT AND FINANCE**

EBITDA for the year was €53.6 million (2009: €50.7 million). There was a net outflow of working capital of €4.7 million, due mainly to a decrease in payables of €3.5 million and an increase in receivables of €1.3 million. The Group made payments to the Group's pension funds in excess of current service costs of €2.8 million. There was also a non cash curtailment gain of €1.8 million arising from restructuring and with other cash outflows of €0.5 million, this resulted in cash generated from operations amounting to €43.8 million (2009: €53.4 million). Net interest paid was €0.3 million (2009: €0.3 million) while taxation paid was €0.6 million (2009: €0.1 million). Capital expenditure was €7.2 million (2009: €4.8 million) which primarily included the annual refits of the vessels as well as payment for the new 400 tonne harbour mobile crane in Belfast.

Arising from the cash flows set out above and a dividend payment of €25.0 million, net debt at year end was €6.3 million (2009: €21.7 million). This is the lowest level of net debt in the Group since 1993.

**OUTLOOK**

The economic environment in 2011 remains challenging. Austerity programmes are in place in Ireland and the UK. These will have an impact on the levels of both tourism and trade. The tourist industry in Ireland is targeting renewed growth following a number of years of decline. With improvements in the competitiveness of the Irish economy, there has been an increase in value for money in the Irish tourist product. New attractions in Dublin, including the National Convention Centre, the Grand Canal Theatre and Aviva Stadium, enhance the attractiveness of Dublin as a destination. In the year to date, to 5 March 2011, Irish Ferries passenger numbers are up 4% on last year while car carryings are down 1%. In the freight market, it is reassuring that the market has grown during 2010 albeit at a low rate. Further recovery will depend on a continued growth in world trade as well as a return to economic growth in Ireland. In this market there has been an increase in shipping capacity generally over the past number of years in a period where demand has fallen. This has proven unsustainable and recent route closures have been the result. In the year to date RoRo freight volumes carried by Irish Ferries on the Irish Sea are up 11% compared with the same period in 2010. In the container division containers carried in the year to date are up 1% with the same period in 2010 while containers lifted at our terminals are up 12%.
The recent increase in the world price of fuel, which has been exacerbated by concerns over supply due to events in North Africa, will be a headwind in the current financial year. With continuing focus on cost containment, our substantial investment in modern tonnage and terminal facilities and our strong financial position, we are well placed to compete vigorously in this tougher environment.

John B. McGuckian,
Chairman,

Enquiries:

| Eamonn Rothwell | Chief Executive Officer | +353 1 607 5628 |
|---|---|---|
| Garry O'Dea | Finance Director | +353 1 607 5628 |

As previously announced on 09 March 2011, the Company will make a presentation of the results to investors at the offices of NCB Stockbrokers at 3 George's Dock, IFSC, Dublin 1, at 08.00 a.m. on 14 March 2011. In addition, a dial-in facility will be available for overseas investors. Attendance at the presentation will be strictly limited to investors who register in advance to attend. To register to attend the presentation, either in person or via the dial-in facility, investors should contact Triona Conway at +353 1 607 5628. A copy of the presentation material will also be posted on the Company's website, www.icg.ie

## 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 2010 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 2010 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 2010 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.

## Consolidated Income Statement
## for the year ended 31 December 2010

| | Notes | 2010 | 2009 |
|---|---|---|---|
| | | €m | €m |
| **Continuing operations** | | | |
| | | | |
| Revenue | | 262.2 | 260.5 |
| | | | |
| Depreciation and amortisation | | (22.1) | (24.2) |
| Employee benefits expense | | (24.0) | (28.0) |
| Other operating expenses | | (184.6) | (181.8) |
| | | 31.5 | 26.5 |
| | | | |
| Non-trading credit | 4 | 9.4 | - |
| **Operating profit** | | **40.9** | **26.5** |
| | | | |
| Investment revenue | | 11.6 | 13.4 |
| Finance costs | | (12.4) | (15.0) |
| | | | |
| **Profit before tax** | | **40.1** | **24.9** |
| | | | |
| Income tax (expense) / credit | 3 | (1.1) | 0.3 |
| | | | |
| **Profit for the year: all attributable to equity holders of the parent** | | **39.0** | **25.2** |
| | | | |
| **Earnings per share –** expressed in € cent per share | | | |
| | | | |
| From continuing operations: | | | |
| Basic | 5 | 156.8c | 102.4c |
| Diluted | 5 | 155.7c | 101.5c |

## Consolidated Statement of Comprehensive Income
## for the year ended 31 December 2010

| | 2010 | 2009 |
|---|---|---|
| | €m | €m |
| | | |
| Profit for the year | 39.0 | 25.2 |
| | | |
| Cash flow hedges: | | |
| Fair value gains / (losses) arising during the year | 0.1 | (0.2) |
| Transfer to Consolidated Income Statement – net settlement of cash flow hedged | - | 0.9 |
| Exchange differences on translation of foreign operations | 3.7 | 5.6 |
| Actuarial gain / (loss) on retirement benefit obligations | 5.9 | (6.0) |
| Deferred tax movements | (0.5) | (0.3) |
| Exchange difference on defined benefit schemes | (0.3) | (0.9) |
| Currency translation differences recycled to Consolidated Income Statement on disposal of vessel | (0.8) | - |
| | | |
| Other comprehensive income / (expense) for the year | 8.1 | (0.9) |
| | | |
| **Total comprehensive income and expense for the year: all attributable to equity holders of the parent** | **47.1** | **24.3** |

## Consolidated Statement of Financial Position
## as at 31 December 2010

| | Notes | 2010 | 2009 |
|---|---|---|---|
| | | €m | €m |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 194.0 | 223.2 |
| Intangible assets | | 0.9 | 1.1 |
| Long term receivable | | 23.4 | - |
| Retirement benefit surplus | 8 | 4.0 | 2.4 |
| | | **222.3** | **226.7** |
| | | | |
| **Current assets** | | | |
| Inventories | | 1.9 | 2.0 |
| Trade and other receivables | | 33.6 | 28.2 |
| Derivative financial instruments | | 0.1 | - |
| Cash and cash equivalents | 6 | 17.2 | 17.0 |
| | | **52.8** | **47.2** |
| | | | |
| **Total assets** | | **275.1** | **273.9** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | | 16.8 | 16.6 |
| Share premium | | 51.8 | 48.7 |
| Other reserves | | (21.3) | (23.9) |
| Retained earnings | | 130.7 | 110.9 |
| **Equity attributable to equity** | | | |
| **holders of the parent** | | **178.0** | **152.3** |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | 6 | 22.8 | 0.9 |
| Trade and other payables | | 1.1 | - |
| Deferred tax liabilities | | 4.2 | 3.4 |
| Provisions | | 0.3 | 0.5 |
| Deferred grant | | 1.0 | 1.1 |
| Retirement benefit obligation | 8 | 21.5 | 29.6 |
| | | **50.9** | **35.5** |
| | | | |
| **Current liabilities** | | | |
| Borrowings | 6 | 0.7 | 37.8 |
| Trade and other payables | | 41.6 | 44.1 |
| Current tax liabilities | | 3.5 | 3.6 |
| Provisions | | 0.3 | 0.5 |
| Deferred grant | | 0.1 | 0.1 |
| | | **46.2** | **86.1** |
| | | | |
| **Total liabilities** | | **97.1** | **121.6** |
| | | | |
| **Total equity and liabilities** | | **275.1** | **273.9** |

## Consolidated Statement of Changes in Equity
## for the year ended 31 December 2010

| | Share Capital | Share Premium | Other Reserves | Retained Earnings | Total |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m |
| | | | | | |
| **Balance at 1 January 2010** | **16.6** | **48.7** | **(23.9)** | **110.9** | **152.3** |
| | | | | | |
| Profit for the year | - | - | - | 39.0 | 39.0 |
| Other comprehensive income | - | - | 3.0 | 5.1 | 8.1 |
| | | | | | |
| **Total comprehensive income for the year** | **-** | **-** | **3.0** | **44.1** | **47.1** |
| | | | | | |
| Employee share options expense | - | - | 0.3 | - | 0.3 |
| Share Issue | 0.2 | - | - | - | 0.2 |
| Exercise of share options- shares issued at premium | - | 3.1 | - | - | 3.1 |
| Dividends | - | - | - | (25.0) | (25.0) |
| Transferred to retained earnings on exercise of share options | - | - | (0.7) | 0.7 | - |
| | **0.2** | **3.1** | **2.6** | **19.8** | **25.7** |
| | | | | | |
| **Balance at 31 December 2010** | **16.8** | **51.8** | **(21.3)** | **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** |

Other Reserves comprise the following:

| | Capital Reserve | Share Options Reserve | Hedging Reserve | Translation Reserve | Total |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m |
| | | | | | |
| **Balance at 1 January 2010** | **2.2** | **1.9** | **-** | **(28.0)** | **(23.9)** |
| | | | | | |
| Other comprehensive income | - | - | 0.1 | 2.9 | 3.0 |
| | | | | | |
| **Total comprehensive income for the year** | **-** | **-** | **0.1** | **2.9** | **3.0** |
| | | | | | |
| Employee share options expense | - | 0.3 | - | - | 0.3 |
| Transferred to retained earnings on exercise of share options | - | (0.7) | - | - | (0.7) |
| | | | | | |
| | **-** | **(0.4)** | **0.1** | **2.9** | **2.6** |
| | | | | | |
| **Balance at 31 December 2010** | **2.2** | **1.5** | **0.1** | **(25.1)** | **(21.3)** |

## Consolidated Statement of Changes in Equity
## for the year ended 31 December 2009

| | Share Capital | Share Premium | Other Reserves | Retained Earnings | Total |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m |
| | | | | | |
| **Balance at 1 January 2009** | **16.6** | **48.7** | **(30.6)** | **117.5** | **152.2** |
| | | | | | |
| Profit for the year | - | - | - | 25.2 | 25.2 |
| Other comprehensive income | - | - | 6.3 | (7.2) | (0.9) |
| | | | | | |
| **Total comprehensive income for the year** | **-** | **-** | **6.3** | **18.0** | **24.3** |
| | | | | | |
| Employee share options expense | - | - | 0.4 | - | 0.4 |
| | | | | | |
| Redemption of redeemable share capital | - | - | - | (24.6) | (24.6) |
| | | | | | |
| | **-** | **-** | **6.7** | **(6.6)** | **0.1** |
| | | | | | |
| **Balance at 31 December 2009** | **16.6** | **48.7** | **(23.9)** | **110.9** | **152.3** |
| | | | | | |
| **Analysed as follows:** | | | | | |
| Share capital | | | | | 16.6 |
| Share premium | | | | | 48.7 |
| Other reserves | | | | | (23.9) |
| Retained earnings | | | | | 110.9 |
| | | | | | **152.3** |

Other Reserves comprise the following:

| | Capital Reserve | Share Options Reserve | Hedging Reserve | Translation Reserve | Total |
|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m |
| | | | | | |
| **Balance at 1 January 2009** | **2.2** | **1.5** | **(0.7)** | **(33.6)** | **(30.6)** |
| | | | | | |
| Other comprehensive income | - | - | 0.7 | 5.6 | 6.3 |
| | | | | | |
| **Total comprehensive income for the year** | **-** | **-** | **0.7** | **5.6** | **6.3** |
| | | | | | |
| Employee share options expense | - | 0.4 | - | - | 0.4 |
| | | | | | |
| | **-** | **0.4** | **0.7** | **5.6** | **6.7** |
| | | | | | |
| **Balance at 31 December 2009** | **2.2** | **1.9** | **-** | **(28.0)** | **(23.9)** |

**Consolidated Statement of Cash Flows**
**for the year ended 31 December 2010**

| | | 2010 | 2009 |
|---|---|---|---|
| | Notes | €m | €m |
| | | | |
| **Net cash from operating activities** | 7 | **42.8** | **51.3** |
| | | | |
| **Cash flow from investing activities** | | | |
| Interest received | | 0.1 | 0.4 |
| Proceeds on disposal of property, plant and equipment | | 0.5 | 0.1 |
| Net proceeds on disposal of vessel | | 1.6 | - |
| Payment received on long term receivable | | - | 4.3 |
| Purchases of property, plant and equipment | | (6.9) | (4.6) |
| Purchases of intangible assets | | (0.3) | (0.2) |
| **Net cash utilised by investing activities** | | **(5.0)** | **-** |
| | | | |
| **Cash flow from financing activities** | | | |
| Redemption of redeemable shares | | - | (24.6) |
| Dividends paid to equity holders of the Company | | (25.0) | - |
| Repayments of borrowings | | (17.4) | (64.7) |
| Repayments of obligations under finance leases | | (0.8) | (1.4) |
| Proceeds on issue of ordinary share capital | | 3.3 | - |
| New bank loans raised | | - | 28.0 |
| Inception of new finance lease | | 2.3 | **-** |
| **Net cash used in financing activities** | | **(37.6)** | **(62.7)** |
| | | | |
| **Net increase / (decrease) in cash and cash equivalents** | | **0.2** | **(11.4)** |
| | | | |
| Cash and cash equivalents at the beginning of the year | | 17.0 | 28.5 |
| | | | |
| Effect of foreign exchange rate changes | | - | (0.1) |
| **Cash and cash equivalents at the end of the year** | | | |
| Cash and cash equivalents | | **17.2** | **17.0** |
| | | | |
| | | | |

**Notes to the consolidated financial statements for the year ended 31 December 2010**

## 1. Accounting policies

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.

## 2. Segmental information

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.

| | **Turnover** | | **Profit Before Tax** | | **Net Assets (equity attributable to equity holders)** | |
|---|---|---|---|---|---|---|
| **Analysis by class of business** | **2010** | **2009** | **2010** | **2009** | **2010** | **2009** |
| | **€m** | **€m** | **€m** | **€m** | **€m** | **€m** |
| Ferries and Travel | 153.7 | 149.0 | 24.5 | 18.1 | 157.6 | 147.3 |
| Container and Terminal | 109.8 | 112.8 | 7.0 | 8.4 | 31.6 | 30.7 |
| Intersegment Turnover | (1.3) | (1.3) | | | | |
| | **262.2** | **260.5** | **31.5** | **26.5** | **189.2** | **178.0** |
| Non-trading credit | | | 9.4 | | | |
| Net interest / debt | | | (0.8) | (1.6) | (6.3) | (21.7) |
| Other liabilities | | | | | (4.9) | (4.0) |
| | **262.2** | **260.5** | **40.1** | **24.9** | **178.0** | **152.3** |
| | | | | | | |
| **Analysis by origin** | **2010** | **2009** | | | | |
| | **€m** | **€m** | | | | |
| Ireland | 118.7 | 113.2 | | | | |
| United Kingdom | 60.7 | 60.7 | | | | |
| Netherlands | 54.8 | 55.9 | | | | |
| Belgium | 14.8 | 15.5 | | | | |
| France | 9.2 | 10.0 | | | | |
| Other | 4.0 | 5.2 | | | | |
| | **262.2** | **260.5** | | | | |

### 3. Income tax expense / (credit)

| | 2010 | 2009 |
|---|---|---|
| | €m | €m |
| | | |
| Current tax | 0.8 | (0.1) |
| Deferred tax | 0.3 | (0.2) |
| | | |
| Income tax expense / (credit) for the year | **1.1** | **(0.3)** |

The Company and its Irish tax resident subsidiaries have elected to be taxed under the Irish tonnage tax method. The Group's Dutch subsidiary elected to be taxed under the Dutch tonnage tax system, effective from 1 January 2009. 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. 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 28% (2009: 25.5% and 28%).

The total expense / (credit) for the year is reconciled to the accounting profit as follows:

| | 2010 | 2009 |
|---|---|---|
| | €m | €m |
| | | |
| Profit before tax from continuing operations | 40.1 | 24.9 |
| | | |
| Tax at the domestic income tax rate of 12.5% | 5.0 | 3.1 |
| | | |
| Losses not recorded as deferred tax asset | (1.2) | - |
| Net utilisation of tax losses | (0.4) | (0.9) |
| Unrealised foreign exchange (gain) / loss | (0.2) | 0.8 |
| Difference in effective tax rates | 0.3 | 0.4 |
| Effect of tonnage relief | (2.7) | (3.2) |
| Other items | 0.3 | (0.5) |
| | | |
| **Income tax expense recognised in** | | |
| **Consolidated Income Statement** | **1.1** | **(0.3)** |

### 4. 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 transaction is in the form of a bareboat hire purchase agreement under which the vessel is chartered by ICG 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.

## 4. Non-trading credit – continued

| | | 2010 | | 2009 |
|---|---|---|---|---|
| | | €m | | €m |
| **Consideration** | | | | |
| Consideration received in cash & cash equivalents | | 3.0 | | - |
| Finance lease receivable | | 27.5 | | - |
| Total consideration | | 30.5 | | - |
| | | | | |
| **Gain on disposal of vessel** | | | | |
| Consideration | | 30.5 | | - |
| Disposal costs | | (3.1) | | - |
| Net proceeds | | 27.4 | | - |
| NBV 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 | | - |

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

## 5. Earnings per share – all from continuing operations

| | 2010 | 2009 |
|---|---|---|
| | cent | cent |
| | | |
| Basic earnings per share | 156.8 | 102.4 |
| | | |
| Diluted earnings per share | 155.7 | 101.5 |
| | | |
| Adjusted basic earnings per share | 121.0 | 107.7 |
| | | |
| Adjusted diluted earnings per share | 120.2 | 106.7 |
| | | |

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:

| | 2010 | 2009 |
|---|---|---|
| **Earnings** | €m | €m |
| | | |
| **Earnings for the purposes of basic earnings per share -** | | |
| Profit for the year attributable to equity holders of the parent | 39.0 | 25.2 |
| | | |
| Earnings for the purposes of diluted earnings per share | 39.0 | 25.2 |
| | | |
| **Earnings for the purposes of basic earnings per share -** | | |
| Profit for the year attributable to equity holders of the parent | 39.0 | 25.2 |
| Effect of non-trading credit | (9.4) | - |
| Effect of expected return on defined benefit pension scheme assets | (11.5) | (11.7) |
| Effect of interest on defined benefit pension scheme liabilities | 12.0 | 13.0 |
| | | |
| **Earnings for the purposes of adjusted earnings per share** | **30.1** | **26.5** |

5. **Earnings per share – all from continuing operations - continued**

| | 2010 | 2009 |
|---|---|---|
| **Number of shares** | **'000** | **'000** |
| Weighted average number of ordinary shares for the purposes of | | |
| basic earnings per share | 24,874 | 24,617 |
| Effect of dilutive potential ordinary shares: Share options | 170 | 222 |
| | | |
| Weighted average number of ordinary shares for the purposes of | | |
| diluted adjusted earnings per share | 25,044 | 24,839 |

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 excluded treasury shares.

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.

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

6. **Net debt**

| | Cash | Loans | Leases | Total |
|---|---|---|---|---|
| | **€m** | **€m** | **€m** | **€m** |
| **At 1 January 2010** | | | | |
| Current assets | 17.0 | - | - | 17.0 |
| Creditors due within one year | - | (37.2) | (0.6) | (37.8) |
| Creditors due after one year | - | - | (0.9) | (0.9) |
| | **17.0** | **(37.2)** | **(1.5)** | **(21.7)** |
| | | | | |
| Cash flow | 0.2 | - | - | 0.2 |
| Foreign exchange rate changes | - | (0.7) | - | (0.7) |
| Drawdown | - | - | (2.3) | (2.3) |
| Repayment | - | 17.4 | 0.8 | 18.2 |
| | **0.2** | **16.7** | **(1.5)** | **15.4** |
| | | | | |
| **At 31 December 2010** | | | | |
| Current assets | 17.2 | - | - | 17.2 |
| Creditors due within one year | - | - | (0.7) | (0.7) |
| Creditors due after one year | - | (20.5) | (2.3) | (22.8) |
| | **17.2** | **(20.5)** | **(3.0)** | **(6.3)** |

The loan repayments have been made under the Group's revolving loan facilities.

## 7. Net cash from operating activities

| | 2010 | 2009 |
|---|---|---|
| | €m | €m |
| **Operating activities** | | |
| | | |
| Profit for the year | 39.0 | 25.2 |
| | | |
| Adjustments for: | | |
| Finance costs (net) | 0.8 | 1.6 |
| Income tax expense / (credit) | 1.1 | (0.3) |
| Retirement benefit obligations - service cost | 1.7 | 1.5 |
| Retirement benefit obligations - payments | (4.5) | (7.2) |
| Retirement benefit obligations – curtailment gain | (1.8) | - |
| Depreciation of property, plant and equipment | 21.7 | 23.4 |
| Amortisation of intangible assets | 0.5 | 0.9 |
| Amortisation of deferred income | (0.1) | (0.1) |
| Share-based payment expense | 0.3 | 0.4 |
| Gain on disposal of vessel | (9.4) | - |
| Gain on disposal of property, plant and equipment | (0.4) | (0.1) |
| (Decrease) / increase in other provisions | (0.4) | 0.4 |
| | | |
| **Operating cash flows before movements in working capital** | **48.5** | **45.7** |
| | | |
| Decrease / (increase) in inventories | 0.1 | (1.2) |
| (Increase) / decrease in receivables | (1.3) | 9.9 |
| Decrease in payables | (3.5) | (1.0) |
| | | |
| **Cash generated from operations** | **43.8** | **53.4** |
| | | |
| Income taxes paid | (0.6) | (0.1) |
| Interest paid | (0.4) | (2.0) |
| | | |
| **Net cash from operating activities** | **42.8** | **51.3** |

## 8. Retirement benefit schemes

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

| | STERLING LIABILITIES | | EURO LIABILITIES | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Discount rate | **5.50%** | 5.70% | **5.50%** | 5.60% |
| Inflation rate | **3.60%** | 3.50% | **2.00%** | 2.00% |
| Rate of increase of pensions in payment | **3.35%** | 3.25% | **1.80% - 2.00%** | 1.80% - 2.00% |
| Rate of general salary increases | **4.60%** | 4.50% | **3.00% - 3.50%** | 3.00% - 3.50% |

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

| | STERLING ASSETS | | EURO ASSETS | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Equities | **7.80%** | 7.50% | **7.40%** | 7.50% |
| Bonds | **3.60%** | 4.10% | **4.40%** | 4.50% |
| Property | **6.80%** | 6.50% | **6.40%** | 6.50% |
| Other | **3.80%** | 4.00% | **2.50%** | 2.50% |

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

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| 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 amount recognised in the balance sheet in respect of the Group's defined benefit schemes, is as follows:

| | SCHEMES WITH LIABILITIES IN STERLING | | SCHEMES WITH LIABILITIES IN EURO | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | €m | €m | €m | €m |
| Equities | 6.9 | 23.2 | 103.2 | 93.9 |
| Bonds | 12.0 | 23.2 | 60.9 | 58.6 |
| Property | 0.3 | 1.7 | 11.1 | 11.0 |
| Other | 0.2 | 0.8 | 5.7 | 11.0 |
| Market value of scheme assets | 19.4 | 48.9 | 180.9 | 174.5 |
| Present value of scheme liabilities | (27.4) | (58.1) | (190.4) | (192.5) |
| Deficit in schemes | (8.0) | (9.2) | (9.5) | (18.0) |

## 8. Retirement benefit schemes - continued

| | 2010 | 2009 |
|---|---|---|
| | €m | €m |
| | | |
| Opening (deficit) | (27.2) | (24.7) |
| Current service cost | (1.7) | (1.5) |
| Employer contributions paid | 4.5 | 7.2 |
| Curtailment gain | 1.8 | - |
| Other finance expense | (0.5) | (1.3) |
| Actuarial gain / (loss) | 5.9 | (6.0) |
| Other | (0.3) | (0.9) |
| **Net deficit** | **(17.5)** | **(27.2)** |
| | | |
| Schemes in surplus | 4.0 | 2.4 |
| Schemes in deficit | (21.5) | (29.6) |
| **Net deficit** | **(17.5)** | **(27.2)** |

## 9. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation.

During the year ended 31 December 2010 there were no material transactions or balances between Irish Continental Group plc and its key management personnel or members of their close family, other than in respect of remuneration.

## 10. General information

The financial information in this preliminary announcement does not constitute full statutory financial statements, a copy of which is required to be annexed to the annual return to the Companies Registration Office. A copy of the financial statements in respect of the financial year ended 31 December 2010 will be annexed to the annual return for 2011. The auditors have made a report, without any qualification on their audit, of the consolidated financial statements in respect of the financial year ended 31 December 2010 and the Directors approved the consolidated financial statements in respect of the financial year ended 31 December 2010 on 11 March 2011. A copy of the consolidated financial statements in respect of the year ended 31 December 2009 has been annexed to the annual return for 2010 to the Companies Registration Office.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated 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 consolidated financial statements have also been prepared in accordance with the Companies Acts, 1963 to 2009, and the Listing Rules of the Irish and London Stock Exchanges.

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

## 11. Subsequent events

The Board is proposing a final dividend of 100 cent per ICG unit in respect of the results for the year ended 31 December 2010.

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2010.

## 12. Board Approval

This preliminary announcement was approved by the Board of Directors of Irish Continental Group plc on 11 March 2011.

## 13. Annual Report and Annual General Meeting

The Group's Annual Report and notice of Annual General Meeting, which will be held on Wednesday 01 June 2011 will be notified to shareholders in April 2011.