Irish Continental Group

2016 Annual Report and Financial Statements

Irish Continental Group (ICG) is the 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 continued success in our chosen markets and focus our efforts on the provision of a reliable, timely and high quality experience for all our customers.

We will achieve success by anticipating our customers' needs and matching their requirements with superior services through constant innovation and the rapid application of 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.

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Shareholder and other information

The Group has again strengthened its strategic position as the leading maritime transport provider in the Republic of Ireland.

Read more from the Chairman's Statement on page 10

Strategic Report*

*As an Irish incorporated Group, The Strategic Report does not constitute a Strategic report for the purpose of the UK Companies Act 2006 (Strategic Report and Directors Report) Regulation 2013 and the large and medium –sized Companies and Groups (Accounts and Reports) (amendment) Regulation 2013, and the Remuneration Committee Report does not constitute a Remuneration Report for the purposes of the UK large and medium- sized Companies and Groups (Accounts and Reports) (amendment) Regulations.

The Group

Irish Continental Group (ICG) is the leading Irish-based maritime transport group. We carry passengers and cars, Roll on Roll off (RoRo) freight and Container Lift on Lift off (LoLo) freight, on routes between Ireland, the United Kingdom and Continental Europe. We also operate container terminals in the ports of Dublin and Belfast. The Ferries division also carries out ship chartering activities.

Ferries Division

Modern fleet of multi-purpose ferries and LoLo container vessels operating between the Republic of Ireland and Britain and Continental Europe, and on charter.

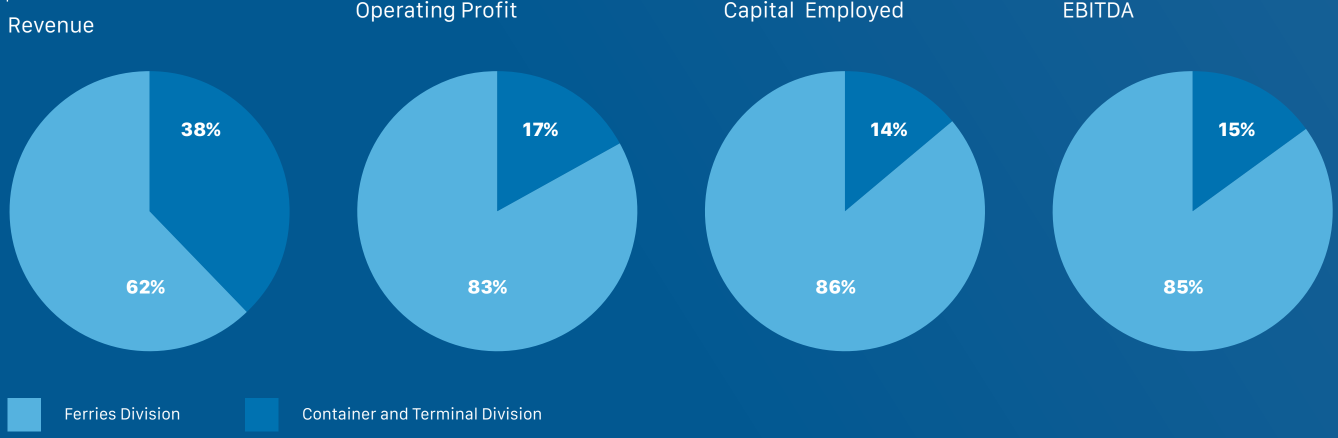
1.6 million passengers carried during 2016 on up to 17 daily sailings.

Key freight positions on short sea routes between the Republic of Ireland and Britain.

Inclusive package holidays to the Republic of Ireland and Britain.

Container and Terminal Division

Container shipping services between Ireland and Continental Europe, operating modern fleet and equipment, as well as stevedoring and related services for container traffic at Dublin and Belfast Ports.




Irish Ferries
Eucon
Dublin Ferryport Terminals
Belfast Container Terminal
Irish Ferries Routes
Eucon Routes
Ports Served By Container Ships:
Belfast, Dublin, Cork, Antwerp, Rotterdam
Belfast
Dublin
Holyhead
Rosslare
Pembroke
Cork
Rotterdam
Antwerp
Cherbourg
Roscoff

Financial Highlights

Revenue
€325.4m up 1.5%

EBITDA*
€83.5m up 10.6%

Net Debt*
€37.9m down 14.4%

Adjusted EPS*
31.4 cent up 7.9%

ROACE*
34.7% down 2.0 percentage points

*Definitions of alternative performance measures are set on page 15

Our Group at a Glance

Irish Continental Group is a customer focussed business with a pivotal position in the logistics chain facilitating Ireland's international trade and tourism.

Strategic short sea RoRo routes operated by Irish Ferries providing a seamless connection from Ireland to the UK and Continental motorway network for the 286,100 RoRo units carried in 2016.

Reliability underpinned by investment in maintaining quality assets ensuring we meet our customer expectations, achieving 94% schedule integrity on our RoRo services in 2016.

Strategically located container terminals which handled 288,100 container units during 2016 in Ireland's main ports of Dublin and Belfast for shipping operators providing services to key continental hub ports and onwards access to global markets.

Connected container shipping services provided by Eucon, transporting 303,600 teu in 2016 between Ireland and 20 countries throughout Europe by sea, road, rail and barge.

Always on, always in touch our shipping and terminal services operate 24/7, assisted by investment in modern booking and tracking systems to ensure our customers can keep in touch over a variety of platforms.

Fastest crossing on the Irish sea on board the Irish Ferries Jonathan Swift fastcraft service with a sailing time of under 2 hours between Dublin and Holyhead at speeds of up to 80 kph.

Key contributor to regional tourism in Ireland, Irish Ferries carried 1.6 million passengers and 414,100 cars during 2016 with research indicating that car tourists stay longer and travel outside the main urban centres.

High standard on-board experience enjoyed by our Irish Ferries customers encompasses quality food, beverage, entertainment and accommodation services. Passengers are never out of touch with free satellite wi-fi services.

Five Year Summary

Non Statutory Income Statement Information	2016 €m	2015 €m	2014 €m	2013 €m	2012[1] €m
Revenue	325.4	320.6	290.1	264.7	256.1
Other operating expenses and employee benefits expense	(241.9)	(245.1)	(239.6)	(215.5)	(210.3)
Depreciation and amortisation	(20.9)	(18.3)	(17.8)	(19.2)	(19.3)
	62.6	57.2	32.7	30.0	26.5
Non-trading items [2]	-	-	28.7	-	(2.1)
Interest (net)	(2.2)	(3.1)	(4.7)	(6.3)	(3.4)
Profit before taxation	60.4	54.1	56.7	23.7	21.0
Taxation	(1.6)	(0.4)	(0.7)	(0.4)	(0.5)
Profit from continuing operations	58.8	53.7	56.0	23.3	20.5
Discontinued operations					
Profit from discontinued operations	-	-	-	-	0.9
Non-trading items[2]: Gain on disposal of discontinued operations	-	-	-	3.5	21.0
Total discontinued operations	-	-	-	3.5	21.9
Profit for the year	58.8	53.7	56.0	26.8	42.4
EBITDA (including trading from discontinued operations)	83.5	75.5	50.5	49.2	46.5
Per share information:	€cent	€cent	€cent	€cent	€cent
Earnings per share					
-Basic	31.4	28.9	30.4	14.6	18.3
-Adjusted [3]	31.4	29.1	15.5	13.8	10.9
Dividend per share	11.580	11.025	10.5	10.0	10.0
Shares in issue:	m	m	m	m	m
-At year end	188.3	186.4	184.5	184.0	183.4
-Average during the year	187.5	185.8	184.4	183.7	231.4

1. In 2012, the Group sold its North Sea feeder operations. Accordingly, these operations have been treated as discontinued in 2012.
2. Non-trading items 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.
3. Adjusted earnings exclude pension interest and non-trading items.

Non Statutory Consolidated Statement of Financial Position

	2016 €m	2015 €m	2014 €m	2013 €m	2012 €m
Property, plant and equipment and intangible assets	205.1	170.9	154.7	164.3	175.0
Retirement benefit surplus	2.4	5.6	5.4	4.7	3.7
Other assets	84.1	67.9	59.4	68.9	80.0
Total assets	291.6	244.4	219.5	237.9	258.7
Equity capital and reserves	144.4	115.5	61.3	42.2	18.0
Retirement benefit obligation	15.9	10.7	29.5	41.4	58.3
Other non-current liabilities	5.3	60.0	71.5	100.7	129.0
Current liabilities	126.0	58.2	57.2	53.6	53.4
Total equity and liabilities	291.6	244.4	219.5	237.9	258.7

Non Statutory Consolidated Statement of Cash Flows

	2016 €m	2015 €m	2014 €m	2013 €m	2012 €m
Net cash inflow from operating activities	82.1	68.2	39.7	35.6	26.9
Net cash (outflow)/inflow from investing activities	(55.6)	(34.8)	10.0	4.2	13.4
Net cash outflow from financing activities	(7.8)	(28.0)	(48.9)	(43.7)	(27.4)
Cash and cash equivalents at the beginning of the year	25.0	19.4	18.5	22.3	9.5
Effect of foreign exchange rate changes	(1.5)	0.2	0.1	0.1	(0.1)
Closing cash and cash equivalents	42.2	25.0	19.4	18.5	22.3
	€m	€m	€m	€m	€m
Net debt	37.9	44.3	61.3	93.4	116.0
	Times	Times	Times	Times	Times
Net Debt / EBITDA	0.5x	0.6x	1.2x	1.9x	2.5x
Gearing (Net debt as a percentage of shareholders' funds)	26%	38%	100%	221%	644%

Chairman's Statement

2016 Performance

I am pleased to report that 2016 has been another successful year for the Group, with a positive operational and financial performance in both divisions. The Group has again strengthened its strategic position as the leading maritime transport provider in the Republic of Ireland. Revenue for the year grew 1.5% to €325.4 million (2015: €320.6 million). EBITDA for the year increased by 10.6% to a record high of €83.5 million (2015: €75.5 million). Adjusted EPS, which excludes the net interest cost on defined benefit obligations, was 7.9% higher at 31.4 cent.

The Group has benefited from the continuing improvement in 2016 of the economies in our sphere of operations. The Irish economy has continued to grow and this has been positive for the Group with increased carryings across all business areas. We have also benefited from the further reduction during 2016 of fuel prices. These positive benefits have been partially offset through reduced fuel surcharges to customers and increased exchange rate volatility. The Group is a net receiver of Sterling which means a weaker Sterling exchange rate has had a negative effect on year on year comparisons. This has been a significant headwind for the group in 2016, as Sterling weakened materially during our peak summer season. The weakening of Sterling reduced our average tourism yields, however this was partially offset by the reduction in Sterling denominated costs.

The Ferries division had a strong year due to increased volumes, reduced fuel costs and increased chartering activity. Revenue was 2.9% higher at €209.8 million (2015: €203.9 million). EBITDA in the division increased by 11.0% to €70.7 million (2015: €63.7 million) while EBIT rose by 8.7% at €52.3 million (2015: €48.1 million) principally due to higher freight and car volumes, lower fuel costs and increased chartering activity.

In the Container and Terminal division EBITDA increased by 8.5% at €12.8 million (2015: €11.8 million) while EBIT was €10.3 million (2015: €9.1 million). Revenue in the division grew by 4.8% to €123.9 million (2015: €118.2 million).

We ended the year in a strong financial position with net debt at €37.9 million, down from €44.3 million in the previous year.

Fleet

On 15 April 2016, ICG announced that it had entered into an agreement for the purchase of the High Speed Craft 'Westpac Express' for $13.25 million. The vessel delivered to the Group on 1 June 2016 was chartered to a third party and is operating in Asia.

On 31 May 2016, ICG announced that it had entered into an agreement with the German company Flensburger Schiffbau-Gesselschaft & Co.KG ("FSG") whereby FSG has agreed to build a cruise ferry for ICG at a contract price of €144 million. This is scheduled for delivery during 2018 and will be financed through a combination of cash resources and loan facilities. This new vessel investment will support the longer term objectives of our business. The cruise ferry will be designed to best meet the seasonality of our business. This flexibility in design includes the ability to service all of Irish Ferries existing routes, and will provide even greater route management options.

The charter-in of the MV Epsilon has been extended for a further period of two years. The charter will now expire in November 2018.

KiwiRail, the charterer of MV Kaitaki, has exercised its option to extend the charter commencing on the expiry of the current term for a further term of three years ending June 2020.

The container vessel MV Ranger remains on time charter to a third party and is currently trading in North West Europe while the MV Elbtrader, MV Elbcarrier and MV Elbfeeder remain on time charter to the Group's container shipping subsidiary Eucon.

Belfast Harbour

2016 saw the first full year operation of the combined container terminal at Victoria Terminal in Belfast Harbour following the award to the Group in 2015 of the Services Concession to operate the terminal for a 5 year period. The combined terminal has operated well and we will continue to develop both the volumes through Belfast and the efficiencies of a single container terminal.

Dividend

During the year the Group paid the final dividend for 2015 of 7.387 cent per ICG Unit. The Group also paid an interim dividend for 2016 of 3.820 cent per ICG Unit, and the Board is proposing a final dividend of 7.760 cent per ICG Unit, payable in June 2017, making a total dividend for 2016 of 11.580 cent per ICG Unit, an increase of 5.0% on the prior year.

Corporate Governance

The Board acknowledges the importance of good corporate governance practices. We have developed a corporate governance framework based on the application of the principles and provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex. We report on this framework in the Corporate Governance Statement on pages 53 to 61.

During the year I led the annual evaluation of Board performance of which further details are set out in the Corporate Governance Statement on page 57. As Chairman, I am satisfied that the Board operates effectively to ensure the long term success of the Group and that each Director is contributing effectively and demonstrating commitment to their role.

The Board and Management changes

On 3 March 2016, the Group appointed David Ledwidge as a Director of the Company. He has been with ICG for over 9 years and has played a very significant part in the development of the Group which now looks forward to his contribution at Board level. He has been Chief Financial Officer of the group since May 2015.

Fuel

Group fuel costs in 2016 amounted to €32.2 million (2015: €39.0 million). The reduction in fuel cost was due to the fall in global US Dollar oil prices, offset by a stronger US Dollar versus Euro.

In the reporting period the Group had not engaged in financial derivative trading to hedge its fuel costs. The Group has in place a transparent fuel surcharge mechanism for freight and container and terminal customers, linked to the spot market for fuel oils. In line with the reduced cost of fuel, surcharge revenues were lower.

Outlook

Since our last update to the market, in the Interim Management Statement of November 2016, trading conditions have remained favourable. Despite the current uncertainty surrounding the outcome of the UK Referendum to leave the EU and the weakness of Sterling, the Irish Sea markets continue to perform well. For the full year 2016 the Ferries Division recorded strong volume growth of 3.3% for cars and 5.0% for RoRo freight. In the Container and Terminal Division overall container volumes shipped were up 6.0%, while port lifts were up 15.9%.

Volumes for the year to date up to 22 February are soft reflecting the reversal of a number of once off benefits in the same period in early 2016 and are not significant given the relatively low volumes at this time of the season.

RoRo volumes are up 1.9% (2016: up 8.5%) and car volumes are down 1.8% (after a 70.0% drop in the number of fast craft sailings due to an extended dry dock). Container volumes are down 0.7% (2016: up 13.1%). Terminal lifts are down 3.5% (2016: up 56.6%).

World fuel prices have increased over the last number of months and they will be a headwind into 2017, but they remain at manageable levels and our fuel surcharge mechanisms remain in place. The weakening of Sterling versus the Euro since June 2016 will continue to affect the Euro value of UK originating revenues.

Due to the ongoing improvement in the economic outlook in our sphere of operations, we look forward, to another year of volume growth in our markets, but with higher fuel prices and weaker Sterling. Nonetheless, we expect 2017 to be a year of strong cash generation and to see the continued strengthening of our balance sheet. We look forward to the arrival in 2018 of our new ship which will bring cost savings and significant additional earnings potential to the Group in future years.

John B. McGuckian,
Chairman


INTERNATIONAL IRELAND
ERATURE CONTROLLED LOGISTICS

Operating and Financial Review

This Operating and Financial Review provides 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. These 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:

Operating and Financial Review
- continued

Business Model

Irish Continental Group plc is a focused provider of maritime passenger and freight services with its principal operations in North West Europe. The Group operates through two divisions

Ferries Division

Principal activities include passenger and RoRo freight shipping services under the Irish Ferries brand together with ship chartering activities.

Container and Terminal Division

Principal activities include LoLo shipping activities under the Eucon brand and the operation of two container terminals, Dublin Ferryport Terminals (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 18.

Strategy

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

Investment in quality assets in order to achieve economies of scale consistent with a superior customer service.

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

Key Performance Indicators and Summary of 2016 Results

The Group uses a set of headline Key Performance Indicators (KPIs) to measure the performance of its operations and of the Group as a whole which are set out and defined below.

Certain financial measures used are not defined under International Financial Reporting Standards (IFRS). Presentation of these Alternative Performance Measures (APMs) provides useful supplementary information which, when viewed in conjunction with the Group's IFRS financial information, allows for a more meaningful understanding of the underlying financial and operating performance of the Group. These non-IFRS measures should not be considered as an alternative to financial measures as defined under IFRS. Descriptions of the APMs included in this report are disclosed below.

APM	Description	Benefit of APM
EBITDA	EBITDA represents earnings before interest, tax, depreciation and amortisation.	Eliminates the effects of financing and accounting decisions to allow assessment of the profitability and performance of the Group.
EBIT	EBIT represents earnings before interest and tax.	Measures the Group's earnings from ongoing operations.
Free cash flow	Free cash flow comprises operating cash flow less capital expenditure.	Assesses the availability to the Group of funds for reinvestment or for return to shareholders.
Net debt	Net debt comprises total borrowings less cash and cash equivalents.	Measures the Group's ability to repay its debts if they were to fall due immediately.
ROACE	ROACE represents return on average capital employed.	EBIT expressed as a percentage of average capital employed (consolidated net assets, excluding net debt and pension assets / liabilities).
Adjusted Earnings Per Share (EPS)	Adjusted EPS is adjusted to exclude the net interest cost on defined benefit obligations.	Directors consider Adjusted EPS comparisons to be a key indicator of long-term financial performance and value creation of a Public Listed Company.
Non-Financial APMs	Schedule integrity (the number of sailings completed versus scheduled sailings).	Schedule integrity is an important measure for Irish Ferries vessels as it reflects the reliability and punctuality of our service. This measure is meaningful to both our passenger and freight customers alike in facilitating them and their cargo to arrive on time at their final destination.

Operating and Financial Review
- continued

Key Performance Indicators and Summary of 2016 Results - continued

The following table sets forth the reconciliation from the Group's operating profit for the financial year to EBIT, EBITDA, Free Cash Flow and Net Debt. See note 11 to the financial statement for the calculation of Basic and Adjusted EPS.

Cash Flow	**2016 €m**	2015 €m
Operating profit (EBIT*)	62.6	57.2
Depreciation and amortisation	20.9	18.3
EBITDA*	83.5	75.5
Working capital movements	4.7	(1.6)
Pension payments in excess of service costs	(1.8)	(2.7)
Other	0.1	0.6
Cash generated from operations	86.5	71.8
Interest paid	(2.3)	(2.8)
Tax paid	(2.1)	(0.8)
Capex	(57.0)	(35.0)
Free cash flow*	25.1	33.2
Asset sales	1.3	0.1
Dividends	(21.0)	(19.9)
Share issue	2.7	3.5
Interest received	0.1	0.1
Net flows	8.2	17.0
Opening net debt	(44.3)	(61.3)
Translation/other	(1.8)	-
Closing net debt*	(37.9)	(44.3)

The following table sets forth the reconciliation from the Group's ROACE calculation;

ROACE	**2016 €m**	2015 €m
Equity	144.4	115.5
Net debt	37.9	44.3
Pension liability	15.9	10.7
	198.2	170.5
Pension asset	(2.4)	(5.6)
Capital employed	195.8	164.9
Average Capital employed	180.4	155.8
Operating profit	62.6	57.2
ROACE	34.7%	36.7%

*Definitions of alternative performance measures are set on page 15

The calculation and performance of KPIs and a summary of the key financial results for the year is set out in the table below. A detailed review of the divisional operations is set out in the Operating Review on page 18.

		Ferries		Container & Terminal		Inter-segment		Group	
		2016	2015	2016	2015	2016	2015	2016	2015
	Comment	€m	€m	€m	€m	€m	€m	€m	€m
Revenue		209.8	203.9	123.9	118.2	(8.3)	(1.5)	325.4	320.6
EBITDA	1	70.7	63.7	12.8	11.8	-	-	83.5	75.5
EBIT	2	52.3	48.1	10.3	9.1	-	-	62.6	57.2
Net pension interest expense		-	-	-	-	-	-	-	(0.4)
Other finance charges		-	-	-	-	-	-	(2.2)	(2.7)
Net interest		-	-	-	-	-	-	(2.2)	(3.1)
Profit before tax		-	-	-	-	-	-	60.4	54.1
ROACE	3	34.3%	37.6%	37.1%	32.7%	-	-	34.7%	36.7%
EPS:									
EPS Basic	4	-	-	-	-	-	-	31.4c	28.9c
EPS Adjusted	4	-	-	-	-	-	-	31.4c	29.1c
Free Cash Flow	5	-	-	-	-	-	-	25.1	33.2

Comment:

Financial KPIs

1. EBITDA: Group EBITDA for the year increased by 10.6%, to €83.5 million (2015: €75.5 million). The increase in EBITDA was primarily due to increased revenue flows, increased chartering activities and decreased fuel costs which were down 17.4% to €32.2 million (2015: €39.0 million). EBITDA in the Ferries division increased by 11.0%, to €70.7 million, while the Container and Terminal division increased by 8.5%, to €12.8 million.

2. EBIT: Group EBIT for the year increased by 9.4% to €62.6 million (2015: €57.2 million). The Ferries division increase was 8.7%, while the Container and Terminal division was 13.2% higher.

3. ROACE: The Group achieved a return on average capital employed of 34.7% (2015: 36.7%). This decreased return is due to the increase in EBIT from €57.2 million to €62.6 million, and an increase in average capital employed from €155.8 million to €180.4 million. The Ferries Division achieved a return on average capital employed of 34.3% while the Container and Terminal division achieved 37.1%.

4. EPS: Adjusted EPS (before the net interest cost on defined benefit obligations) was 31.4 cent compared with 29.1 cent in 2015. Basic EPS was 31.4 cent compared with 28.9 cent in 2015. The reason for the increase in Basic EPS is due to an increase in profit attributable to equity holders of the parent to €58.8 million (2015: €53.7 million).

5. Free Cash Flow: The Group's free cash flow was €25.1 million (2015: €33.2 million) or 40% (2015: 58%) of Group operating profit of €62.6 million (2015: €57.2 million). The decrease was due to an increase in cash flows from operating activities, up €13.9 million to €82.1 million, offset by an increase in capital expenditure, up €22.0 million to €57.0 million primarily arising from payment in relation to the new build and the purchase of the Westpac Express.

Non-Financial KPIs

Schedule integrity: The Ferries division successfully delivered 94% of scheduled sailings compared with 93% in the previous year.

Operating and Financial Review
- continued

Operating Review Ferries Division

Revenue in the division was 2.9% higher than the previous year at €209.8 million (2015: €203.9 million). Revenue in the first half of the year increased 5.8% to €91.5 million (2015: €86.5 million), while in the second half revenue increased 0.8%, to €118.3 million (2015: €117.4 million). EBITDA increased to €70.7 million (2015: €63.7 million) while EBIT was €52.3 million compared with €48.1 million in 2015. The increase in profit was driven by increased freight revenue, lower fuel costs and increased chartering activity. The division achieved a return on capital employed of 34.3% (2015: 37.6%).

The Ferries division owns ten vessels in total and also charters in one vessel as part of its operations.

Irish Ferries operates four owned and one chartered-in ferries on routes to and from the Republic of Ireland. The chartered in vessel, the MV Epsilon, provides week day sailings between Dublin and Holyhead as well as a weekend round trip between Dublin and Cherbourg in France. Irish Ferries operated 5,286 sailings in 2016 (2015: 5,200), carrying passengers, passenger vehicles and RoRo freight. Utilisation of deck space was enhanced by the balanced demands of passenger traffic for day sailings and freight traffic for night sailings.

In addition to the five vessels operated by the Ferries division, the MV Kaitaki remained on charter to KiwiRail during the period, trading in New Zealand. The container vessel MV Ranger remains on time charter to a third party and is currently trading in North West Europe while the MV Elbtrader, MV Elbcarrier and MV Elbfeeder remain on time charter to the Group's container shipping subsidiary Eucon. The HSC Westpac Express which was delivered to the Group on 1 June 2016 was immediately chartered to a third party and is operating in Asia.

Fleet Summary:
Operated by Ferries Division

Vessel	Type	Employment
MV Ulysses	Cruise ferry*	Dublin – Holyhead
HSC Jonathan Swift	High Speed Ferry	Dublin – Holyhead
MV Isle of Inishmore	Cruise ferry*	Rosslare – Pembroke
MV Oscar Wilde	Cruise ferry*	Rosslare – Cherbourg / Roscoff
MV Epsilon (chartered in)	Ropax*	Dublin – Holyhead / Cherbourg

Chartered out by Ferries Division

Vessel	Type	Employment
MV Kaitaki	Cruise ferry*	Charter – 3rd Party
MV Ranger	LoLo container vessel	Charter – 3rd Party
MV Elbfeeder	LoLo container vessel	Charter – Inter-Group
MV Elbtrader	LoLo container vessel	Charter – Inter-Group
MV Elbcarrier	LoLo container vessel	Charter – Inter-Group
HSC Westpac	High Speed Ferry	Charter – 3rd Party

* These vessels have both RoRo freight and passenger capacity.

Car and Passenger Markets

It is estimated that the overall car market, to and from the Republic of Ireland, grew by approximately 0.6% in 2016 to 794,100 cars, while the all-island market, i.e. including routes into Northern Ireland, is estimated to have grown by 2.0%. Irish Ferries' car carryings performed strongly during the year, at 414,100 cars, (2015: 400,900 cars), up 3.3% on the previous year. In the first half of the year Irish Ferries grew its car volumes by 5.5% while in the second half of the year, which includes the busy summer holiday season, volumes grew by 1.8%.

The total sea passenger market (i.e. comprising car, coach and foot passengers) to and from the Republic of Ireland declined by 3.1% in 2016, to a total of 3.1 million passengers, while the all-island market decreased by 1.2%. Irish Ferries' passenger numbers carried were down 3.2% at 1.623 million (2015: 1.676 million). In the first half of the year, Irish Ferries passenger volumes were down 1.9% and in the second half of the year, which is seasonally more significant, the decrease in passenger numbers was 4.1%.

Irish Ferries benefited from more benign weather and therefore more sailings in 2016 as well as the positive performance of the Irish tourist industry as the number of cars inbound to Ireland from other markets exceeds Irish originating traffic bound for the U.K., France and further afield. Initiatives by the tourist industry such as the Wild Atlantic Way and Ireland's Ancient East, have been instrumental in promoting 'own car' tourism around the Irish coasts, and have helped broaden the distribution of tourists around the Island and across the seasons. In addition, car and passenger numbers have been helped by the reduction in fuel costs. The lower cost of fuel for consumers has made driving holidays more attractive to both Irish, UK and Continental holidaymakers.

In 2016, we delivered a comprehensive programme of marketing and promotional activity across our key markets of Britain, Ireland and France. We invested significantly in our brand, and delivered compelling and personalised offers to our customers at times relevant for the planning and booking of their holidays and other travel. This approach helped to improve our brand awareness in these important markets, and to drive increased levels of enquiries to our website, www.irishferries.com, which generated over 6 million visits, and delivered over 80% of the car and passenger bookings transacted in the year.

Our campaign strategy was to deliver awareness of our services, using traditional and innovative media channels and to create an interest in purchasing our services online. We used the latest buying techniques to leverage the best value in our media spend, and delivered an integrated campaign across the relevant markets. Our messaging and advertising used a wide range of channels and was compatible with all transactional platforms, browsers and devices, in support of our strategy of being available to our customers whenever they wish to book, and on whatever device they choose to do so.

We appreciate that the performance of tourism source markets is closely linked to our own performance, and we continued to work closely with state tourism agencies in Ireland (Tourism Ireland and Failte Ireland), Wales (Visit Wales), and France (Atout France and Normandy Tourism), to deliver co-operatively funded advertising and publicity initiatives.

Irish Ferries' car carryings performed strongly during the year, at 414,100 cars (2015: 400,900 cars), up 3.3% on the previous year.

*Market figures source: Passenger Shipping Association and Cruise & Ferry


CAFÉ
LAFAYETTE
PIZZA
CAFÉ
LAFAYETTE
CAFÉ
LAFAYETTE


PROUD TO SERVE
COSTA
GRILLED PANINI'S
CHEESE & TOMATO
HAM & CHEESE
€6.50
ETTE

Operating and Financial Review
- continued

Given the commercial value of our ecommerce site, considerable attention is paid to ensuring that the associated systems are available around the clock, and are robust and secure. We continue to invest in developing our ecommerce efficiency, and are continuously updating our systems and channels as we determine changes in consumer research and transaction behaviour.

While we work hard to engage with the consumer marketplace, we also invest considerably in partnerships with the travel trade. In 2016, we were delighted to be voted 'Best Ferry Company' by travel trade professionals at the 'Irish Travel Trade News Awards', and at the 'Irish Travel Industry Awards'. We were also delighted to be judged 'Best Cross Sea Carrier' at the prestigious GB National Coach Tourism Awards, as voted by British based Coach and Group transport operators.

RoRo Freight

The RoRo freight market between the Republic of Ireland, and the U.K. and France, continued to grow in 2016 on the back of the Irish economic recovery, with the total number of trucks and trailers up 7.0%, to approximately 952,000 units. On an all-island basis, the market increased by around 5.8% to approximately 1.75 million units.

Irish Ferries' carryings, at 286,100 freight units (2015: 272,500 freight units), were up 5.0% in the year with volumes up 5.6% in the first half and 4.4% in the second half. The freight market enjoyed strong growth in 2016 helped by favourable economic conditions in the Republic of Ireland. The growth in the freight market reflects the continued strong performance by the Irish Economy and our ongoing focus on our customer needs.

Irish Ferries has also been proactive in the online environment for freight customers. In recent years high quality mobile options have been developed, alongside the traditional desktop channel, whereby customers can access our freight reservations systems with ease. This has facilitated an increasing proportion of our business being booked via our website www.irishferriesfreight.com. We launched a new freight website for both desktop and mobile users in the first half of 2016.

Chartering

KiwiRail, the charterer of the MV Kaitaki, has exercised its option to extend the charter commencing on the expiry of the current term for a further term of three years ending June 2020.

In an extension of the Division's chartering activities, four LoLo container vessels were purchased in late 2015 for a combined cost of €24.2 million. The vessels are the MV Elbfeeder (built 2008), MV Elbtrader (built 2008) and MV Elbcarrier (built 2007), each of which has a capacity of 974 teu (Twenty Foot Equivalent) and a gross tonnage of 8,246 tons together with the MV Ranger (built 2005) which has a capacity for 803 teu and a gross tonnage of 7,852 tons. The three Elb vessels are currently on charter to the Group's container shipping subsidiary Eucon on routes between Ireland and the Continent whilst the Ranger is on charter to a third party.

The freight market enjoyed strong growth in 2016 helped by favourable economic conditions in the Republic of Ireland.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Operating and Financial Review
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Container and Terminal Division

The Container and Terminal division includes the intermodal shipping line Eucon as well as the division's strategically located container terminals in Dublin and in Belfast. Eucon is the market leader in the sector, operating a fleet of chartered container vessels ranging in size from 750 – 1,000 teu capacity, connecting the Irish ports of Dublin, Cork and Belfast with the Continental ports of Rotterdam and Antwerp. Eucon deploys 3,300 owned and leased containers (equivalent to 6,300 teu) of varying types thereby offering a full range of services from palletised, project and temperature controlled cargo to Irish and European importers and exporters.

Revenue in the division increased to €123.9 million (2015: €118.2 million). The revenue is derived from container handling and related ancillary revenues at our terminals and in Eucon from a mix of domestic door-to-door, quay-to-quay and feeder services with 70% (2015: 71%) of shipping revenue generated from imports into Ireland. With a flexible chartered fleet and slot charter arrangements Eucon was able to adjust capacity to meet the requirements of customers in a cost effective and efficient manner. EBITDA in the division increased to €12.8 million (2015: €11.8 million) while EBIT rose 13.2% to €10.3 million (2015: €9.1 million) which included a full year contribution from the consolidated container terminal in Belfast.

In Eucon overall container volumes shipped were up 6.0% compared with the previous year at 303,600 teu (2015: 286,500 teu). The resulting revenue increase was offset by a 34.0% increase in vessel charter costs as the market for container vessels tightened.

Containers handled at the Group's terminals in Dublin Ferryport Terminals (DFT) and Belfast Container Terminal (BCT) were up 15.9% at 288,100 lifts (2015: 248,500 lifts). DFT's volumes were up 1.9%, while BCT's lifts were up 42.3%. The increase in Belfast arises from the full year operation of the consolidated container terminal at Victoria Terminal 3 (VT3). The process of combining the two existing container terminals in Belfast was completed in September 2015.

In November 2016, in recognition of high quality of service Irish Continental Group Container and Terminal Division were awarded the 'Maritime Services Company of the Year' at the 2016 Export Industry Awards for the second year running.

Eucon Geographical Coverage

Eucon Routes

Dublin Ferryport Terminals

Belfast Container Terminal

Ports Served By Container Ships: Belfast, Dublin, Cork, Antwerp, Rotterdam


DAL
DAL
DAL
msc
CARU

Resources

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

- A modern owned ferry fleet
- Long term lease hold interests in our container terminals
- Access to strategically located ports and slot times
- Recognised brand names
- Experienced, qualified staff

Fleet and terminals

In the Ferries division the Group employed five owned Ropax ferries during the year. Four ferries were operated by the Group, the 'Oscar Wilde' (31,914 Gross tonnage (GT)), delivered 1987, the 'Isle of Inishmore' (34,031 GT), delivered 1997, the 'Jonathan Swift' (5,989 GT), delivered 1999 and the 'Ulysses' (50,938 GT), delivered 2001. The 'Kaitaki' (22,365 GT), delivered 1995, was chartered out on bareboat charter. In addition, the 'Epsilon' (26,375 GT), delivered 2011, was chartered in on bareboat charter during the year and was operated by the Group. The charter-in of the MV Epsilon has been extended for a further period of two years. The charter will now expire in November 2018.

In late 2015 four LoLo container vessels were acquired. Three of the vessels are utilised within the Group's container shipping operations whilst the remaining vessel is chartered externally to a third party. The HSC Westpac Express which was delivered to the Group on 1 June 2016 was immediately chartered to a third party and is operating in Asia.

The Group has a leasehold over 36 acres from which it operates its Dublin Port container facility which comprises 480 metres of berths for container ships, with a depth of 9 to 11 metres and is equipped with 3 modern Liebherr gantry cranes (40 tonne capacity) and 8 rubber tyred gantries (40 tonne capacity) on a strategically located site within three kilometres of Dublin city centre and within one kilometre of the Dublin Port Tunnel, providing direct access to Ireland's motorway network. In Belfast port the container terminal operations were consolidated during 2015 into a single site at Victoria Terminal which we operate under a Services Concession Agreement. The Victoria Terminal comprises a 27 acre site, equipped with 3 ship to shore gantry cranes, 3 rail mounted gantry cranes 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 freight market place and Eucon in the container freight market.

Experienced, qualified staff

The Group, which has a rich history and origins dating back to 1837, has 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 2016, the Group had 302 employees compared with 316 at the start of the year, located in Ireland (Dublin, Rosslare and Cork), the UK (Liverpool, Holyhead, Pembroke and Belfast) and The Netherlands (Rotterdam).

The Group, which has a rich history and origins dating back to 1837, has highly experienced and competent staff.


INHIBITED
1/min
1/min
Speed

Operating and Financial Review
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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. 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 achieved through technical and operational initiatives. These technical initiatives are documented within each vessels Ship Energy Efficiency Management Plan. In recent years initiatives have included various projects; moving to LED strip lighting; installing variable frequency drives to motors such as those fitted to air conditioning systems as well as limiting main engine power.

Delivery of new generation terminal equipment at our Dublin container terminal during 2017 will include electrically powered zero emissions mobile gantries, which will set the standard for future equipment purchases and further reduce emissions from our terminal operations. The ship to shore gantry cranes used in our container terminal operations at both Dublin and Belfast are already powered by electricity.

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 1.5%, 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 MARPOL* (Annex VI) as from 1 January 2015 this limit of 0.1% now applies to all vessels whilst operating within Sulphur Emission Control Areas (SECA's). This affects the Group's operations while vessels are at sea in the North Sea, and in the English Channel serving routes between Ireland and Continental Europe. 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%.

Waste disposal / other
We continue to minimise the impact of waste disposal through consistent compliance with 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. Energy Efficiency Awareness Training is undertaken for all crew to highlight obvious areas where they can contribute to power savings and power shower heads have been installed in a number of cabins within the fleet together with tap flow restrictors which has significantly reduced the fleet's water consumption.

The greater use of electrically powered equipment at our container terminals, together with other noise suppression initiatives assists in reducing the noise levels from our operations in the immediate port environment.

Community and Wellness
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. During the year, Group staff took part in fundraising activities for the Temple Street Children's University Hospital. The Group is also happy to support its employees with charitable endeavours of their own. We work with the Irish Whale and Dolphin Group by reporting information on sightings to assist in the conservation and understanding of cetaceans in the Irish Sea.

The general health and wellbeing of employees and customers is of utmost importance to the Group. We participate in the tax incentivised 'Cycle to Work' scheme, which promotes healthy commuting whilst reducing pollution. There is an on-site gym facility at the Group head office, available to all staff.

During 2016, Irish Ferries introduced a variety of healthy food and drinks options on board its vessels. There are updated menus with a selection of healthy options marked with the heart symbol and for each of these items sold, a donation is made to the Irish Heart Foundation. We place a large emphasis on supporting our local economy through the use of fresh, locally sourced produce on-board our fleet. Our fruit and vegetables are supplied by a leading specialist catering supplier, working with superior growers and producers throughout Ireland. Our fish and seafood are locally sourced and certified as using sustainable and responsible fishing methods. There are a range of bespoke breads on-board provided by a Dublin artisan bakery, while a local vegetarian restaurant supplies our fleet with various soups and juices.

* MARPOL – the International Convention for the Prevention of Pollution from Ships.


BOYLAN'S
€ 10.00


TRADER

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 or travel on-board our vessels are safeguarded 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. On occasions where incidents occur in the workplace the Group may be subject to investigation by the appropriate regulatory authority and in cases where the Group is found to be in breach of regulations the Group may be subject to enforcement action.

Irish Continental Group ensures that its management systems 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 are maintained.

Irish Continental Group ensures that all its ships are designed, operated and maintained in compliance with the International Convention for the Safety of Life at Sea (SOLAS) to ensure the safety of our crew, our passengers and the cargo that is to be transported on our ships is safely stowed and carried in compliance with these regulations and in accordance with best practice. In addition Irish Continental Group ensures that its ships are operated in compliance 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 2016, the on-board management of the Irish Ferries ships was performed by Matrix Ship Management Limited, Cyprus, on behalf of Irish Continental Group. There is an on-going monitoring and reporting system in place to ensure that at all times the Group is aware of all relevant statutory legislation applicable to its business and the Group seeks to achieve the highest level of compliance with such legislation in all its activities.

Irish Continental Group ensures that its management systems instil a safety culture throughout all aspects of operations both ashore and afloat.

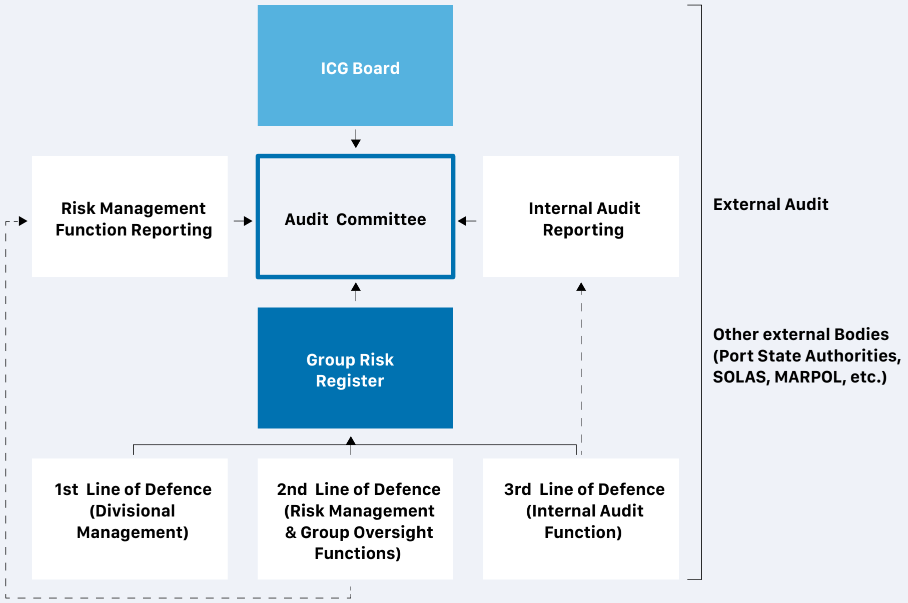
Risk Management

The ICG Board holds overall responsibility for the Group's risk management and internal control systems, including the setting of acceptable risk levels to achieve its strategic objectives. The design and management of the Group control systems are bound by these risk parameters set 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. Controls systems to address risks to operational safety are designed to minimise the effects of known risks to tolerances within the risk appetite set by the Board. This strong safety culture contributes to the strong overall risk culture of the Group. Our Group Risk Management function comprises an Operations Risk Manager for the Ferries Division and a Group Marine and Safety Manager. The Group Risk Management function reviews key business processes and controls. In addition to the Group Risk Management function is the Group Internal Audit function, both of which are key components of the risk management framework set out below.

The Group adopts a 'three lines of defence' risk management framework incorporating Divisional Management (first line of defence), Group Risk Management and other oversight functions (second line of defence) and Internal Audit (third line of defence). This model allows for input across all levels of the business to help manage current risks and to keep abreast of emerging risks. The first line functions design and execute the application of internal controls measures on a daily basis. The second line functions undertake oversight and compliance roles and includes the Group Risk Management function who reports directly on risk matters to the Audit Committee. The third line, consisting of the Group Internal Audit function, performs independent oversight of the first two lines and reports directly to the Audit Committee on matters of internal control, compliance and governance.

The Group maintains a risk register which identifies the nature and extent of the risks faced by each business unit and the Group overall, covering financial, operational, and compliance controls and risk management. These risks are prioritised in terms of likelihood of occurrence, estimated financial impact and the Group's ability to reduce the incidence and impact on business operations should any risk materialise. This prioritisation is determined through the use of a traffic light scoring system. Risks are coloured green, amber or red in order of seriousness. The risk register is reviewed on a regular basis by management. Reporting by management on the identified principal risks is covered within the regular Board meeting agenda and this forms the basis of the continuous risk monitoring process. The Board separately conducts an annual assessment of the significant risks and uncertainties facing the Group (set out on page 38 to 39) and the adequacy of the monitoring and reporting system maintained by management. No material weaknesses were noted by the Board during the year.



The Audit Committee has been delegated by the Board with the task of assessing the Group's internal control and risk management systems. This assessment is carried out through the review of regularly produced reports by the Group Risk Management function and Group Internal Audit. The Audit Committee also reviews the risk register co-prepared by individuals within the three lines of defence. Full details of the activities performed by the Audit Committee can be found on page 62 to 64. The risks and uncertainties set out on page 38 to 39 are broadly unchanged from the previous year.

Operating and Financial Review
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Principal Risks and Uncertainties

Risks	Description of risk	Mitigation
Safety and business continuity	The Group is dependent on the safe operation of its vessels and plant and equipment. 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. 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.	In mitigation, the Group ensures that management systems within its compass instil a safety culture throughout all aspects of operations both ashore and afloat through the application of appropriate policies and procedures in place. Regular audits ensure continued compliance to these high standards are maintained. The Group insures its vessels and plant and equipment against loss and damages. The Group also carries insurance in respect of third party liabilities in line with industry practice and international conventions. The Group 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.
IT systems	The maintenance of adequate IT systems, networks and infrastructure to support growth and development may be disrupted by internal system failures, outages at third-party service providers or by environmental events, such as storms or flooding.	IT standards and policies have been subject to on-going review to ensure they conform to appropriate best practices. Third-party technologies and service providers are regularly appraised to ensure the infrastructure in place is effective and reliable. IT disaster recovery and crisis management plans are in place and tested.
Information security and cyber threats	There is an ever-increasing risk of cybercrime globally. Online bookings made by customers carry an inherent risk of financial loss and loss of personal data.	Dedicated IT personnel with the appropriate technical expertise are in place to oversee IT security. The Group employs various applications to protect its systems and networks from security breaches.
Commercial and market risk	The passenger market is subject to prevailing economic conditions, the strength of Sterling relative to the Euro (which impacts on both incoming demand to Ireland and on translation of Sterling revenues) and to the competitive threat from short-haul and regional airlines. The freight market is subject to general economic conditions and in particular the level of international trade in North West Europe together with overall capacity offerings. 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 adopts a dynamic pricing approach and utilises pricing initiatives in the passenger market to mitigate against these risks. 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.

Risks	Description of risk	Mitigation
Commodity price risk	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 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 Group's policy has been to purchase these commodities in the spot markets and to remain unhedged. 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.
Financial risks	Financial risk arises in the ordinary course of business, specifically the risk of default by debtors, availability of credit insurance, fluctuations in both foreign exchange rates and interest rates, and availability of financing.	Details on mitigation of these financial risks are set out on page 40 under financial risk management.
Retirement benefit schemes	The Group's defined benefit obligations are exposed to the risks arising from changes in interest and inflation rates, life expectancy, and changes in the market value of investments. In addition to normal risks attributable to the Group's defined benefit obligations, the Group is exposed to the risk attributable to its membership of the multi-employer scheme, the Merchant Navy Officer Pension Fund (MNOPF), where the participating employers have joint and several liability for the obligations of the scheme. 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 "Section 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.	These risks are mitigated through balanced investment strategies and supported by appropriate employer funding through on-going and deficit contributions. The Group monitors its exposure to the MNOPF and maintains a dialogue with the Trustees via MNOPF employer group.

Outcome of the UK Referendum vote, June 2016

On 23 June 2016, the UK voted in favour of leaving the EU. As a result, there exists a high level of economic and political uncertainty in the region. This uncertainty could impact on Group risks through the creation of opportunities and threats, however, the impact cannot be reliably measured at this time. The Group continues to monitor closely any developments.

Operating and Financial Review
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Financial Review

Results
Revenue for the year amounted to €325.4 million (2015: €320.6 million) while operating profit amounted to €62.6 million compared with €57.2 million in 2015. Principal variations on the prior year include the increase in revenue by €4.8 million (1.5%), a decrease in group wide fuel costs which were €6.8 million lower at €32.2 million (2015: €39.0 million), partially offset by increased variable costs. This resulted in profit before tax from continuing operations of €60.4 million (2015: €54.1 million).

Taxation
The tax charge is €1.6 million compared with a charge of €0.4 million in 2015. The corporation tax charge of €2.0 million (2015: €0.7 million) comprises Irish and UK corporation tax. Certain activities qualify to be taxed under tonnage tax (which is an EU approved special tax regime for qualifying shipping activities) in Ireland. Deferred tax credit was €0.4 million in 2016 (2015: €0.3 million).

Earnings per share
Adjusted EPS (before the net interest cost on defined benefit obligations) was 31.4 cent compared with 29.1 cent in 2015. Basic EPS was 31.4 cent compared with 28.9 cent in 2015. The reason for the increase in Basic EPS is due to an increase in profit attributable to equity holders of the parent to €58.8 million (2015: €53.7 million).

Cash flow and investment
EBITDA for the year was €83.5 million (2015: €75.5 million). There was a net inflow of working capital of €4.7 million, due to a decrease in receivables of €1.4 million partially offset by an increase in inventories of €0.4 million and an increase in payables of €3.7 million. The Group made payments, in excess of service costs to the Group's pension funds of €1.8 million. Cash generated from operations amounted to €86.5 million (2015: €71.8 million).

Interest paid was €2.3 million (2015: €2.8 million) while taxation paid was €2.1 million (2015: €0.8 million). Interest received amounted to €0.1 million (2015: €0.1 million).

Capital expenditure was €57.0 million (2015: €35.0 million) which increased primarily due to the company entering into an agreement for the construction of a new ferry and also includes the purchase of the fastcraft "Westpac Express". On 31 May 2016, ICG announced that it had entered into an agreement with the German company Flensburger Schiffbau-Gesselschaft & Co.KG ("FSG") whereby FSG has agreed to build a cruise ferry for ICG at a contract price of €144 million. This is scheduled for delivery during 2018 and will be financed through a combination of cash resources and loan facilities. This new vessel investment will support the longer term objectives of our business. The cruise ferry will be designed to best meet the seasonality of our business. As per the agreement, ICG has paid 20% of the contract price of the vessel to FSG. The remaining 80% is payable upon delivery of the vessel. The purchase of the Westpac Express was agreed in April 2016 for $13.25 million. The vessel was delivered to the company in June 2016 and immediately chartered out to a third party. It has remained on charter since delivery. The charter-in of the MV Epsilon has been extended for a further period of two years. The charter will now expire in November 2018. Also included in capital expenditure is the annual refits of the vessels and new containers to enhance the Eucon fleet of equipment.

Arising from the cash flows set out above and dividend payments of €21.0 million, share issues of €2.7 million and other net cash inflows of €0.1 million, net debt at year end was €37.9 million (2015: €44.3 million).

Dividend
During the financial year a final dividend of 7.387 cent per ICG Unit was paid for the financial year ended 31 December 2015 and also an interim dividend of 3.820 cent per ICG Unit was paid for the financial year ended 31 December 2016. The Board is proposing a final dividend of 7.760 cent per ICG Unit in respect of the financial year ended 31 December 2016.

Pensions
The Group has four, separately funded, company sponsored defined benefit obligations 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 participating employers share joint and several liability. Aggregate pension assets in the four company-sponsored schemes at year end were €274.8 million (2015: €263.7 million), while combined pension liabilities were €288.3 million (2015: €268.8 million). The discount rate for Euro liabilities has decreased from 2.2% to 1.7% while the rate for Sterling liabilities has decreased from 3.75% to 2.5%. Of the Group's four schemes, two were in surplus at year end (€2.4 million versus €5.6 million in 2015), while two were in deficit (€15.9 million versus €10.2 million in 2015). In addition, the Group's share of the deficit in the industry wide scheme, the MNOPF, based on the last actuarial valuation as at 31 March 2012, is €nil (2015: €0.5 million).

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

The Group has the following facilities with its lenders; a €37.7 million amortising term loan facility and a €40.0 million multi-currency revolving credit facility together with a €15.0 million overdraft and trade guarantee facility. The amortising term loan facility is secured on certain of the Group's vessels while the revolving credit and overdraft facilities are cross guaranteed within the Group. The floating interest rate on the amortising facility was swapped for a fixed interest rate for the full term following drawdown in 2012. The interest rate on the revolving credit facility is based on EURIBOR plus a variable margin related to overall group debt levels relative to EBITDA. The principal covenants under the agreement are a maximum Group net debt level by reference to EBITDA and interest cover. The Group was compliant with these covenants at 31 December 2016.

The Group's current committed bank facilities under the above arrangements amount to €92.7 million (2015: €105.7 million). Total amounts utilised at 31 December 2016 amounted to €78.4 million (2015: €66.4 million). The Group draws under its revolving facility to fund its seasonal working capital requirements.

The Group had finance lease liabilities of €2.4 million at 31 December 2016 (2015: €3.6 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. The Group also leases certain items of plant and equipment under finance leases where the interest rates are fixed at the contract date. At 31 December 2016, 50% (2015: 78%) of the Group's gross debt was at fixed rates with a weighted average repricing period of 0.9 years (2015: 1.9 years). The weighted average fixed rate of interest is 3.5% (2015: 3.5%). Debt interest cover, for the year was 28 times (2015: 21 times).

Currency management
The Euro is the most prevalent currency impacting the Group. 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 currency exposure in relation to fuel, insurance costs and container leasing costs. Sterling revenues and expenses are netted, with excess Sterling revenues on hand to purchase Dollars to settle 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 110,100 tonnes in 2016 (2015: 107,600 tonnes). The cost per tonne of HFO fuel in 2016 was 19% lower than in 2015 while MGO was 21% lower.

Credit risk
The Group's credit risk arising on its financial assets is principally attributable to its trade and other receivables and the finance lease receivable. The concentration of credit risk in relation to trade and other receivables 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% (2015: 100%) of the Group's cash resources had a maturity of three months or less. Net debt at 31 December 2016 was €37.9 million (2015: €44.3 million) made up of borrowings of €80.1 million (2015: €69.3 million) which is offset by cash and cash equivalents of €42.2 million (2015: €25.0 million). The Group's main borrowing facilities are due to mature during 2017 such that 98% (2015: 20%) of the Group's bank borrowings are due to mature within one year. The Group is in negotiations with a number of lenders and the Directors expect replacement facilities to be available to the Group on normal terms and covenants.

David Ledwidge,
Chief Financial Officer

Our Fleet

MV Ulysses

Year Delivered:	2001
Gross Tonnage:	50,938
Lane metres:	4.1km
Car capacity:	1,342
Passenger capacity:	1,875

MV Isle of Inishmore

Year Delivered:	1997
Gross Tonnage:	34,031
Lane metres:	2.1km
Car capacity:	855
Passenger capacity:	2,200

MV Kaitaki

Year Delivered:	1995
Gross Tonnage:	22,365
Lane metres:	1.7km
Car capacity:	600
Passenger capacity:	1,650

MV Oscar Wilde

Year Delivered:	1987
Gross Tonnage:	31,914
Beds:	1,376
Car capacity:	580
Passenger capacity:	1,458

HSC Jonathan Swift

Year Delivered:	1999
Gross Tonnage:	5,989
Speed:	39 knots
Car capacity:	200
Passenger capacity:	800

MV Epsilon (chartered in)

Year Delivered:	2011
Gross Tonnage:	26,375
Lane metres:	2.8km
Beds:	272
Passenger capacity:	500

HSC Westpac

Year Delivered:	2016
Gross Tonnage:	8,403
Speed:	35 knots
Car capacity:	251
Passenger capacity:	900

New build

Expected Delivery:	Mid 2018
Gross Tonnage:	50,000
Speed:	22.5 knots
Car Capacity:	1,216
Passenger Capacity:	1,885

MV Ranger

Built:	2005
Capacity:	803 TEU

MV Elbfeeder

Built:	2008
Capacity:	974 TEU

MV Elbtrader

Built:	2008
Capacity:	974 TEU

MV Elbcarrier

Built:	2007
Capacity:	974 TEU

MV Endurance (chartered in)

Built:	2005
Capacity:	750 TEU

MV Jork Reliance (chartered in)

Built:	2007
Capacity:	803 TEU


SAM

Executive Management Committee

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

Eamonn Rothwell, aged 61, has been a Director for 30 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 Interferry European Office A.I.S.B.L. He is a former Director of The United Kingdom Mutual War Risks Association Limited, Interferry Inc and The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. 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).

David Ledwidge ACA, BSc (Mgmt)
Chief Financial Officer

David Ledwidge, aged 37, was appointed to the Board on 3 March 2016. David joined the Group in 2006 from professional services firm Deloitte where he qualified as a chartered accountant. He has held various financial positions within the Group, including Group Risk Accountant, and most recently as Finance Director of Irish Ferries. He was appointed to his current role as Group Chief Financial Officer in May 2015.

Andrew Sheen
Sc. BEng(Hons). CEng. FIMarEST. FRINA.
Managing Director — Ferries Division

Andrew Sheen, aged 45, a chartered engineer, has been involved in shipping for over 26 years and has worked with Irish Ferries in a variety of Operational Roles for over 11 years. He re-joined ICG from the UK Maritime & Coastguard Agency and has been a Director of Irish Ferries since 2013. He was appointed to his current role as Managing Director of the Ferries Division in March 2015. He is currently Vice President of the Irish Chamber of Shipping.

Declan Freeman FCA
Managing Director - Container and Terminal Division

Declan Freeman, aged 41, joined the Group in 1999 from professional services firm Deloitte where he qualified as a chartered accountant. He has worked in a number of financial and general management roles in the Group up to his appointment as Managing Director of Eucon in 2011. He was appointed to his current role as Managing Director of the Container and Terminal Division in 2012.


IRISH FERRIES
IRISH FERRIES
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Corporate Governance is concerned with how companies are directed and controlled.

Read more from the Corporate Governance Statement on page 53

Corporate Governance

The Board

The Group's non-executive Directors are:

John B. McGuckian BSc (Econ)
Chairman

John B. McGuckian, aged 77, has been a Director for 29 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. He is a former Director of a number of listed companies and 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) and as Senior Pro-Chancellor and Chairman of the Senate of the Queen's University of Belfast.

Catherine Duffy BA LegSc, DipLeg Stds
Independent Director

Catherine Duffy, aged 55, has been a Director for 5 years having been appointed to the Board in 2012. Catherine is the Chairman of law firm A&L Goodbody and a Senior Partner in its Banking and Financial Services Department. Catherine is a member and a former Chair of the International Legal Advisory Panel to the Aviation Working Group of Unidroit. She was previously a non-executive Director of Beaumont Hospital and a member of the first Advisory Group to the Irish Maritime Development Office, a government sponsored organisation set up to promote and assist the development of Irish shipping and shipping services.

Committee Membership: Audit Committee, Nomination Committee (Chairperson) and Remuneration Committee

Brian O'Kelly BBS, FCA
Senior Independent Director

Brian O'Kelly, aged 54, has been a Director for 4 years having been appointed to the Board in 2013. Brian is Co-Head of Investment Banking in Goodbody having previously been Managing Director of Goodbody Corporate Finance. He is an executive director of Ganmac Holdings, the parent company of Goodbody. Brian qualified as a Chartered Accountant with KPMG and was subsequently a Director of ABN AMRO Corporate Finance. He is a member of the Listing Committee of the Irish Stock Exchange.

Committee Membership: Audit Committee, Nomination Committee, and Remuneration Committee (Chairperson)

John Sheehan FCA
Independent Director

John Sheehan, aged 51, was appointed to the Board in October 2013. John holds a senior position with Ardagh Group, a leading operator in the global glass and metal packaging sector with operations principally in Europe and North America. John has over 20 years of experience at management level with exposure to international acquisition and development projects. He was formerly Head of Equity Sales at NCB Stockbrokers, now part of Investec Bank, where he spent thirteen years in a range of roles and directly covered various industry sectors including transport and aviation. John qualified as a Chartered Accountant with PwC.

Committee Membership: Audit Committee (Chairperson), Remuneration Committee, Nomination Committee

The Group's executive Directors are:

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

Eamonn Rothwell, aged 61, has been a Director for 30 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 Interferry European Office A.I.S.B.L. He is a former Director of The United Kingdom Mutual War Risks Association Limited, Interferry Inc and The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. 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).

Committee Membership: Nomination Committee

David Ledwidge ACA, BSc (Mgmt)
Chief Financial Officer

David Ledwidge, aged 37, was appointed to the Board on 3 March 2016. David joined the Group in 2006 from professional services firm Deloitte where he qualified as a chartered accountant. He has held various financial positions within the Group, including Group Risk Accountant, and most recently as Finance Director of Irish Ferries. He was appointed to his current role as Group Chief Financial Officer in May 2015.

The company secretary is:

Thomas Corcoran BComm, FCA
Company Secretary

Thomas Corcoran, aged 52, joined the Company in 1989 from the international professional services firm PwC, where he qualified as a Chartered Accountant. He has held a number of financial positions within the Group and is currently Group Financial Controller. He was appointed Company Secretary in 2001.

Report of the Directors

The Directors present their Report together with the audited financial statements of the Group for the financial year ended 31 December 2016.

Results for the year and Business Developments

Details of the results for the financial year are set out in the Consolidated Income Statement on page 85 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 13 to 41. This includes a description of the principal activities, principal risks, uncertainties, alternative performance measures and environmental and employee matters.

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

Dividends paid during the year ended 31 December 2016 are set out in the Consolidated Statement of Changes in Equity on page 88 for the Group and the Company Statement of Changes in Equity on page 91 for the Company.

In June 2016, a final dividend of 7.387 cent per ICG Unit was paid in respect of the financial year ended 31 December 2015. In October 2016, an interim dividend of 3.820 cent per ICG Unit was paid in respect of the financial year ended 31 December 2016.

The Board is proposing a final dividend of 7.760 cent per ICG Unit to be paid in respect of the financial year ended 31 December 2016 in June 2017.

The Company has adopted a progressive dividend policy the aim of which is to gradually increase or at least maintain the annual total dividend per share over the medium term. Any dividend is declarable at the discretion of the Directors following assessment of the Company's performance, its cash resources and distributable reserves.

Board of Directors

The Board members are listed on pages 48 to 49 of this report.

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 2017 Annual General Meeting and offer themselves for re-election. Biographical details of the Directors are set out on pages 48 to 49 of this report and the result of the annual board evaluation is set out on page 57.

Accounting Records

The directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 with regard to maintaining adequate accounting records by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The accounting records of the Company are maintained at the Company's registered office, Irish Continental Group plc, Ferryport, Alexandra Road, Dublin 1, Ireland.

Going Concern

The Financial Statements which report Group net current liabilities of €41.9 million (current assets €84.1 million less current liabilities €126.0 million) have been prepared on the going concern basis. 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 current economic environment outlook, the principal risks and uncertainties facing the Group (pages 38 to 39), the Group's 2017 budget plan and the medium term strategy of the Group, including capital investment plans. The Directors noted the existing loan facilities mature in September 2017 and have considered likely borrowing facilities that will be available to the Group based on discussions with lenders. The future cash requirements have been compared to bank facilities which are available or expected to be available to the Group and Company on normal terms and covenants to ensure the Group and Company will be in a position to discharge their liabilities as they fall due.

Viability Statement

The Directors have assessed ICG's viability over a three-year timeframe. Three years was selected as the Directors believe that this reflects an appropriate timeframe for performing assessments of future performance given the dynamic nature of our markets as regards the competitive landscape, economic activity and capital investment lead-times.

In making their assessment, the Directors took account of ICG's current financial and operational positions and contracted capital expenditure. They also assessed the potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties and the likely degree of effectiveness of current and available mitigating actions as set out on pages 38 and 39. It was further assumed that the existence of functioning financial markets with bank lending available to the Group on normal terms and covenants.

Based on this assessment, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all their liabilities as they fall due over the next three years.

Directors' Compliance Statement

The Directors acknowledge that they are responsible for securing compliance by the Company with its Relevant Obligations

as defined within the Companies Act, 2014 (the "Relevant Obligations").
The Directors confirm that they have drawn up and adopted a compliance policy statement setting out the Company's policies that, in the Directors' opinion, are appropriate to the Company respecting compliance by the Company with its Relevant Obligations.

The Directors further confirm the Company has put in place appropriate arrangements or structures that are, in the Directors' opinion, designed to secure material compliance with its Relevant Obligations. For the year ended 31 December 2016, the Directors have reviewed the effectiveness of these arrangements and structures during the financial year to which this Report relates.

In discharging its obligations under the Companies Act 2014 as set out above the Directors have relied on the advice of persons employed by the company or retained by it under a contract for services, who the directors believe to have the requisite knowledge and experience to advise the company on compliance with its relevant obligations.

Disclosure of information to statutory Auditors

In accordance with the provisions of Section 330 of the Companies Act 2014, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- So far as the Directors are aware, there is no relevant audit information, as defined in the Companies Act 2014, of which the statutory Auditor is unaware; and
- The Directors have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to ensure that the statutory Auditor is aware of such information.

International Financial Reporting Standards

Irish Continental Group presents its Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (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 2016 and that have been adopted by the European Union.

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, information security, commercial and market risks, combined with the risk of increased supply of shipping capacity due to the mobility of assets and financial and commodity risks arising in the ordinary course of business. Further details of risks and uncertainties are set out on pages 38 to 39.

Substantial Shareholdings

The latest notifications of interests of 3% or more in the share capital of the Company received by the Company on or before 3 March 2017 were as follows:

Beneficial Holder as Notified	Number of Units Issued	% of Units
Eamonn Rothwell	28,092,842	14.9%
Wellington Management Company, LLP	24,878,118	13.2%
Marathon Asset Management, LLP	13,132,741	7.0%
Ameriprise Financial Inc.	13,216,947	7.0%
BlackRock Inc.	7,547,874	4.0%
Bank of Montreal	7,122,375	3.8%
FMR	6,229,035	3.3%

Report of the Directors
- continued

Directors, Secretary and their Interests

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 2016 and 1 January 2016 all of which were beneficial, were as follows:

Director	31/12/2016 ICG Units	01/01/2016 ICG Units	31/12/2016 Share Options	01/01/2016 Share Options
John B. McGuckian	296,140	296,140	-	-
Eamonn Rothwell	28,092,842	27,680,000	2,200,000	3,200,000
Catherine Duffy	-	-	-	-
David Ledwidge	51,623	33,708*	300,000	550,000*
Brian O'Kelly	41,740	41,740	-	-
John Sheehan	15,000	15,000	-	-
Company Secretary				
Thomas Corcoran	113,081	46,040	440,000	540,000

*At date of appointment to the Board on 3 March 2016.

ICG Units are explained on page 154 of this report.

Auditors

In accordance with Section 383(2) of the Companies Act 2014, the auditor, Deloitte, Chartered Accountants and Statutory Audit firm, continue in office and a resolution authorising the directors to fix their remuneration will be proposed at the forthcoming AGM.

Corporate Governance

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. A corporate governance statement is set out on pages 53 to 61 and are incorporated into this report by cross reference.

Key Performance Indicators

The Group uses a set of headline key performance indicators (KPIs) to measure the performance of its operations. These alternative performance measures are set out on pages 15 to 17 and are incorporated into this report by cross reference.

Future Developments

The Group maintains a pivotal position in facilitating Ireland's international trade and tourism and is operationally geared to the economic recovery in Ireland. The Group has seen the benefits of this recovery continue into the early weeks of 2017 which, notwithstanding a weakening in Sterling and assuming current oil prices, the Group is well placed and looks forward in 2017, in the absence of unforeseen developments to further growth. On 31 May 2016, ICG announced that it had entered into an agreement with the German company Flensburger Schiffbau-Gesselschaft & Co.KG ("FSG") whereby FSG has agreed to build a cruise ferry for ICG at a contract price of €144 million. This is scheduled for delivery during 2018. This new vessel investment will support the longer term objectives of our business. The cruise ferry will be designed to best meet the seasonality of our business.

Events after the Reporting Period

The Board is proposing a final dividend of 7.760 cent per ICG Unit in respect of the results for the financial year ended 31 December 2016.

There have been no other material events affecting the Group since 31 December 2016.

Annual Report and Financial Statements

This Annual Report together with the Financial Statements for the financial year ended 31 December 2016 was approved by the Directors on 3 March 2017. The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Annual General Meeting

Notice of the Annual General Meeting, which will be held on Wednesday 17 May 2017, will be notified to shareholders in April 2017.

On behalf of the Board

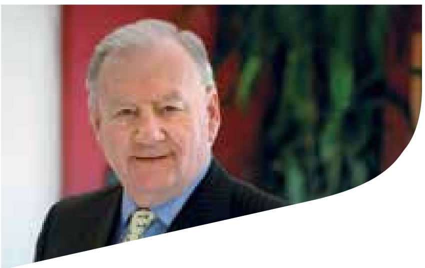
Eamonn Rothwell Director

David Ledwidge Director

3 March 2017

Registered Office: Ferryport, Alexandra Road, Dublin 1, Ireland.

Corporate Governance Statement



Dear Shareholder,

Corporate Governance is concerned with how companies are directed and controlled. Your Board acknowledges the importance of, and is committed to maintaining high standards of corporate governance practices. We strongly believe that good corporate governance is essential to sustainable growth and maintenance of shareholder value. The Board sets the tone for governance practices across the whole Group.

The Group applies the principles and provisions of The UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council and the Irish Corporate Governance Annex ("the Irish Annex") issued by the Irish Stock Exchange. We are reporting against the September 2014 edition of the Code. The Corporate Governance Report explains how the Group has applied the principles set out in the Code and the Annex.

The Board welcomed Mr David Ledwidge, Chief Financial Officer, on his appointment to the Board on 3 March 2016. Your Board currently comprises two executive and four non-executive Directors. Further details on Board composition is set out on pages 48 and 49. The annual board evaluation which I led concluded that the Board was as a whole operating effectively for the long term success of the Group.

The Group meets the criteria of a smaller company under the equivalence thresholds contained in the Irish Annex, but as a strengthening of our corporate governance practices, I have committed to an externally assisted evaluation during 2017 as part of a triennial cycle.

While the Board, having considered the independence criteria contained in the Code, assessed me to be independent at the time of my appointment as Chairman, I stepped down from the Nomination Committee as certain of our shareholders apply differing criteria for assessing independence. The reports from the Committee chairmen are set out on pages 62 to 76.

The 31.3% against vote in relation to the advisory resolution tabled at the 2016 AGM on the report of the Remuneration Committee was noted by the Board. The Remuneration Committee were requested to conduct a review of the existing framework, their report is set out on pages 67 to 76.

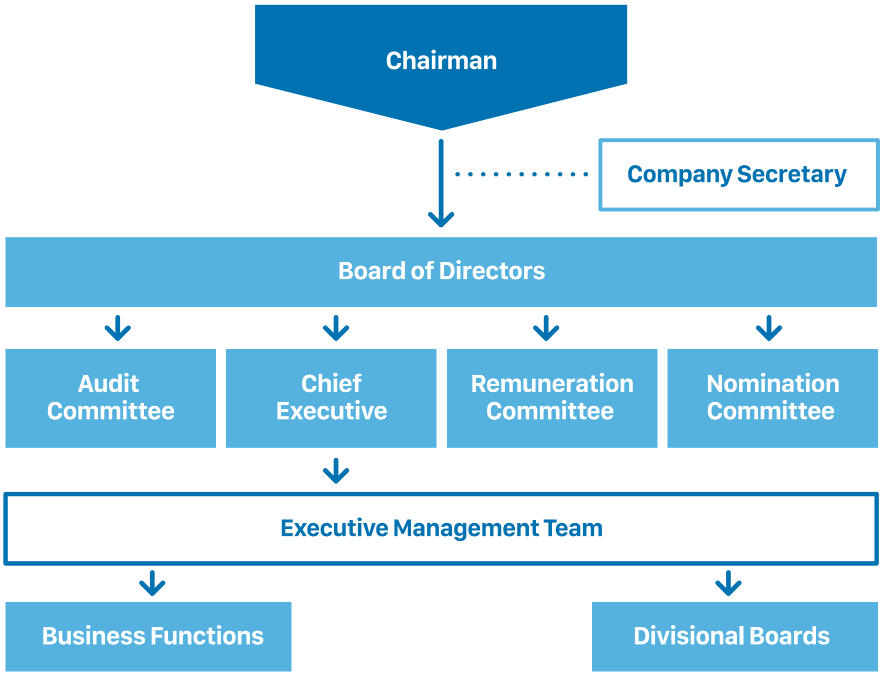
The business conditions we face create opportunities and challenges going forward and I look forward to continuing open and constructive debate and the strengthening of our corporate governance practices to assist in the future growth of the Group.

John B. McGuckian
Chairman

Corporate Governance Statement
- continued

Corporate Governance Framework

The corporate governance structure at ICG is set out below.



Compliance with the UK Corporate Governance Code and Irish Annex

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code issued in September 2014 by the Financial Reporting Council ("the Code"), as adopted by the Irish Stock Exchange (ISE), for which the Board is accountable to shareholders. The Irish Corporate Governance Annex ("the Irish Annex") issued by the ISE also applies to the Group. Under the interpretative provisions of the Irish Annex, the Group was regarded as a smaller company under the Code throughout 2016.

The Board considers that, having explained in this Statement, throughout the period under review the Group has been in compliance with the provisions of the Code and the requirements set out in the Annex. The Report of the Remuneration Committee at page 67 to 76 explains why in relation to one Director a notice period in excess of one year may apply in limited circumstances and why the Group has not introduced clawback provisions in relation to performance awards during the period. The Remuneration Committee has recommended a new clawback policy under the revised framework for any future performance awards.

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).

Leadership

The Board is collectively responsible for the long-term success of the Group through provision of leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. 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 Act 2014.

To discharge this responsibility the Board has adopted the following operational framework;

Schedule of matters reserved for Board decision: 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, board appointments and setting the risk appetite. Certain additional matters are delegated to Board Committees, of which additional information is set out later in this report.

Board Committees: During the year ended 31 December 2016, 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. All Board committees have written terms of reference setting out their authorities and duties delegated by the Board. The terms of reference are available, on request, from the Company Secretary and on the Group's website.

Details on the role of the committees and the work undertaken in the period under review are set out on pages 62, 65 and 67 respectively.

Roles of Chairman and Chief Executive: The roles of Chairman and Chief Executive are separate, set out in writing and approved by the Board.

The Chairman: John B. McGuckian has served as Chairman of the Board since 2004 and is responsible for leading the Board ensuring its effectiveness through;

- Setting the board's agenda and ensuring that adequate time is available for discussion.
- Promoting a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.
- Ensuring that the directors receive accurate, timely and clear information.
- Ensuring effective communication with shareholders.

Chief Executive: The Board has delegated the management of the Group to the Executive Management, through the direction of Eamonn Rothwell who has served as Chief Executive since 1992. The Chief Executive is responsible for implementing Board strategy and policies and closely liaises with the Chairman and manages the Group's relationship with its shareholders.

Senior Independent Director: The Board having considered his experience has appointed Brian O'Kelly as the Senior Independent Director. The Senior Independent Director acts as a sounding board for the Chairman and serves as an intermediary for the other directors if necessary. Mr O'Kelly is also available to shareholders if they have concerns which have not been resolved through the normal channels of Chairman and Chief Executive or for which such contact is inappropriate.

Non-Executive Directors: Non-Executive Directors through their knowledge and experience gained outside the Group constructively challenge and contribute to the development of Group strategy. Non-executive directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. Through their membership of Committees they are responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning.

Company Secretary: The Company Secretary provides a support role to the Chairman and the Board ensuring good information flows within the board and its committees and between senior management and non-executive directors, as well as facilitating induction and assisting with professional development as required and advising the board through the chairman on governance matters. Thomas Corcoran has served as Company Secretary since 2001.

Meetings: The Board agrees a schedule of regular meetings each calendar year and also meets on other occasions if necessitated with contact between meetings as required in order to progress the Group's business. Where a director is unable to attend a meeting, they may communicate their views to the Chairman. The Directors receive regular and timely information in a form and quality appropriate to enable the Board to discharge its duties. Non-executive Directors are expected to utilise their expertise and experience to constructively challenge proposals tabled at the meetings. The Board has direct access to the executive management who regularly brief the Board in relation to operational, financial and strategic matters concerning the Group.

Director attendances at scheduled meetings are set out on page 56. The Chairman also holds meetings with the non-executive Directors without the executive Directors present and the non-executive Directors also meet once a year, without the Chairman present.

Corporate Governance Statement
- continued

Attendance at scheduled Board meetings during the year ended 31 December 2016 was as follows:

Member	A	B	Tenure
J. B. McGuckian (Chair)	9	9	29 years
E. Rothwell	9	9	30 years
C. Duffy	9	9	5 years
D. Ledwidge	8	8	Appointed on 3 March 2016
B.O'Kelly	9	9	4 years
J. Sheehan	9	9	3 years

Column A: the number of scheduled meetings held during the year where the Director was a member of the Board.
Column B: the number of scheduled meetings attended during the year where the Director was a member of the Board

Effectiveness

Composition: The Board comprises of two executive and four non-executive Directors. Details of the professional and educational backgrounds of each director encompassing the experience and expertise that they bring to the Board are set out on page 48 to 49. The Board believes that it is of a size and structure, and that the Directors bring an appropriate balance of skills, experience, independence and knowledge, to enable the Board to discharge its respective duties and responsibilities effectively, with no individual or group of individuals dominating the Board's decision making. Each of the non-executive Directors has a broad range of business experience independent of the Group both domestically and internationally.

Independence: 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, other directorships held and material business interests.

Mr McGuckian has served on the Board for more than nine years since his first appointment. Notwithstanding this tenure the Board as advised by the Nomination Committee, considers Mr. McGuckian to be independent. Mr McGuckian has a wide range of interests and experience both domestically and internationally. The Board has considered the knowledge, skills and experience that he contributes and assesses him to be both independent in character and judgement and to be of continued significant benefit to the Board. Mr McGuckian was also assessed to be independent at the date of appointment as Chairman in 2004.

Catherine Duffy is a Chairman at law firm A&L Goodbody from whom the Company has received legal services in their capacity as legal advisors to the Company. Details of the expense incurred, which were on an arm's length basis at standard commercial terms, are set out at note 31 to the Financial Statements. In her role at A&L Goodbody, Catherine has not been involved in providing advice to the Company. The Board, as advised by the Nomination Committee, has considered the relationship and does not consider it to affect Catherine's independence as a non-executive director of the Company.

Appointments: All Directors are appointed by the Board, following a recommendation by the Nomination Committee, for an initial term not exceeding three years, subject to annual re-election at the Annual General Meeting. Non-executive Directors are deemed to be independent on appointment and this status is reviewed annually, prior to recommending the resolution for re-election. Under the Articles each director is subject to re-election at least every three years but in accordance with the Code the Board has agreed that each Director will be subject to annual re-election at the Annual General Meeting. 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.

Development and Induction: On appointment, Directors are given the opportunity to familiarise themselves with the operations of the Group, to meet with executive management, and to access any information they may require. Each Director brings independent judgement to bear on issues of strategy, risk and performance. The Directors also have access to the executive management in relation to any issues concerning the operation of the Group.

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.

Access to Advice: There is a procedure for Directors in the furtherance of their duties to take independent professional advice, at the expense of the Group, 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 directors.

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.

Performance Evaluation: The Board conducts an annual self-evaluation of the Board as a whole, the Board processes, its committees and individual Directors. The purpose of the evaluation process include identification of improvements in Board procedures and to assess Directors suitability for re-election. The process led by the Chairman, is forward looking in nature. All Directors are provided with a self-assessment questionnaire for consideration which encompasses aspects including board effectiveness, the composition of the Board, the content and running of Board and Committee meetings, corporate governance, risk and crisis management, and succession planning. Within this process, the non-executive Directors, led by the Senior Independent Director, carry out an evaluation of the Chairman's performance. The performance of individual directors is assessed by the Chairman following discussions, held by the Chairman, with directors on an individual basis. During the period the Group qualified to be treated as a smaller company under the Code and the process has not been externally facilitated. The process is continuous, with a follow up of previous recommendations at each review.

During the year the Chairman reported to the Board on the outcome of the evaluation process which indicated that the Board as a whole 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.

Notwithstanding qualifying to be treated as a smaller company, as a strengthening of its Corporate Governance practices, the Board has agreed that the 2017 evaluation will be externally facilitated on a triennial cycle.

Accountability

The Board is committed to providing a fair, balanced and understandable assessment of the Company's position and prospects to shareholders through the annual report, the interim statement and any other public statement issued by the Company. The Directors have considered the Annual Report based on a review performed by the Audit Committee and have concluded that it represents a fair, balanced and understandable assessment of the Company's position and prospects.

The Board has described its business model on page 14 setting out how the Company generates value over the longer term and the strategy for delivering the objectives of the Company.

The Board has overall responsibility for determining the Group's risk appetite but has delegated responsibility for the review, design and implementation of the Group's internal control system to the Audit Committee. These systems are 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 Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014) issued by the FRC, the Board confirms that there is a continuous process for identifying, evaluating, and managing the significant risks faced by the Group, that it has been in place for the period under review and up to the date of approval of the financial statements, and that this process is regularly monitored by the Board. The report of the Audit Committee is set out on pages 62 and 64 and the risk management framework and processes are set out on pages 38 and 39.

No material weaknesses in internal controls were reported to the Board during the year.

Taking account of the Company's current position and principal risks the Directors have set out in the Viability Statement on page 50 their assessment of the prospects for the Company.

Remuneration

The Board has delegated the approval of remuneration structures and levels of the executive Directors and senior management to the Remuneration Committee whose report is set out at pages 67 to 76.

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 Chief Financial Officer have a regular dialogue with its major shareholders throughout the year and report on these meetings to the Board. The Senior Independent Director is also available on request to meet with major shareholders.

The Board encourages communications with shareholders and welcomes their participation at all general meetings of the Company. The Board notes that 31.3% of the proxy votes held by the Board at the 2016 AGM held on 13 May 2016 on the advisory resolution to receive and consider the Report of the Remuneration Committee for the year

Corporate Governance Statement
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ended 31 December 2015 were cast against the resolution. The Company has engaged with our major shareholders and their advisers to understand their concerns. Having considered these concerns, the Board has reviewed Committee composition and the Remuneration Committee has undertaken a review of the remuneration framework which is reported in the Report of the Remuneration Committee on pages 67 to 76.

Regular formal updates are provided to shareholders and are available on the Group's website. During 2016 these included Trading Updates, the Half-Yearly Financial Report, and the Annual Report and Financial Statements together with investor presentations. Irish Continental Group's website, www.icg.ie, also provides access to other corporate and financial information, including all regulatory announcements and a link to the current ICG Unit price.

Arrangements will be made for the 2016 Annual Report and 2017 Annual General Meeting Notice to be available to shareholders 20 working days before the meeting and for the level of proxy votes cast for and against each resolution and the number of abstentions, to be announced at the meeting. Further details on the procedures applicable to general meetings are set out on page 59.

Further investor relations information is available on pages 154 to 156 of this report.

Matters 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 2016.

For the purposes of Regulations 21(2) (c), (e), (j) 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 51; (ii) Share Option Plans page 74; (iii) Long Term Incentive Plan page 73; (iv) Service Contracts page 74; and (v) Share-based Payments page 134, (vi) Borrowings page 120 are deemed to be incorporated into this statement.

Share capital

The authorised share capital of the Company is €29,295,000 divided into 450,000,000 ordinary shares of €0.065 each (Ordinary Shares) and 4,500,000,000 Redeemable Shares of €0.00001 each (Redeemable Shares). The Ordinary Shares represent approximately 99.85% and the Redeemable Shares represent approximately 0.15% of the authorised share capital. The issued share capital of the Company as at the date of this Report is 188,309,390 Ordinary Shares. There are no Redeemable Shares currently in issue.

Ordinary Shares and Redeemable Shares (to the extent Redeemable Shares are in issue) are inextricably linked as an ICG Unit. An ICG Unit is defined in the Articles of Association of the Company as "one Ordinary Share in the Company and ten Redeemable Shares (or such lesser number thereof, if any, resulting from the redemption of one or more thereof) held by the same holder(s)".

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

The Directors may exercise their power to redeem Redeemable Shares from time to time pursuant to the Company's Articles of Association where there are Redeemable Shares in issue.

The structure of the Group's and Company's capital and movement during the year are set out in notes 18 and 19 to the financial statements.

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.

Transfers of Ordinary Shares and Redeemable Shares can only be effected where the transfer involves a simultaneous transfer of the other class of shares with which such shares are linked as an ICG Unit. An ICG Unit comprised one Ordinary Share and nil Redeemable Shares at 31 December 2016 and 31 December 2015.

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) where the transfer of shares does not involve a simultaneous transfer of the other class of shares with which such shares are linked as an ICG Unit;

(ii) a lien is held by the Company; or

(iii) in the case of a purported transfer to or by a minor or a person lawfully adjudged not to possess an adequate decision making capacity;

(iv) unless the instrument of transfer is accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require; or

(v) unless the instrument of transfer is in respect of one class only.

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 or instrument 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) and Section 1085 of the Companies Act 2014.

The rights attaching to Ordinary Shares 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 of 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 2014, the Memorandum and Articles of Association of the Company and to any directions given by members at a General Meeting. The Articles further provide that the Directors may make such arrangements 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.

At the Company's Annual General Meeting held on 13 May 2016, member resolutions were passed whereby

(i) the Company, or any of its subsidiaries, were authorised to make market purchases of up to 15% of the issued share capital of the Company.

(ii) the Directors were 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 62,223,963 ICG Units.

In line with market practice, members will be asked to renew these authorities at the 2017 Annual General Meeting.

General Meetings and Shareholders Voting and other Rights

Under the Articles of Association, the power to manage the business of the Company is generally delegated to the Directors. However, the members 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.

Extraordinary General Meetings shall be convened by the Directors or 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 acting within 21 days to convene 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, attend, speak and vote at all General Meetings of the Company.

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, 21 clear days' notice at the least, and in any other case 14 clear days' notice at the least (assuming that the members 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, Directors, Secretary, the Auditor for the time being of the Company and to any other person entitled to receive notice under the Companies Act.

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 a shareholder. On a poll, every member who is present in person or by proxy has one vote for each share of which he/she is the holder. A poll may be demanded by the Chairman of the meeting or by at least three 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.

Corporate Governance Statement
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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 on a 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 30 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 member as proxy, the instrument of appointment must be received by the Company not less than 48 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 48 hours before the time appointed for taking the poll.

Shareholders Rights (Directive 2007/36/EC)
The holders of ICG Units have the right to attend, speak, ask questions and vote at General Meetings of the Company. The Company, pursuant to Section 1105 of the Companies Act 2014 and Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations 1996 (S.I. 68/1996), specifies record dates for General Meetings, by which date members must be registered in the Register of Members of the Company to be entitled to attend and vote at the meeting.

Pursuant to Section 1104 of the Companies Act 2014, a member, or a group of members who together hold at least 3 per cent of the issued share capital of the Company, representing at least 3 per cent of the total voting rights of all the members who have a right to vote at the meeting to which the request for inclusion of the item relates, have the right to put an item on the agenda, or to modify an agenda which has been already communicated, of a General Meeting. In order to exercise this right, written details of the item to be included in the General Meeting 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 member or group of members shareholding must be received, by the Company, 42 days in advance of the meeting to which it relates.

The Company publishes the date of its Annual General Meeting on its website www.icg.ie on or before 31 December of the previous financial year.

Rights to dividends and return of capital
Subject to the provisions of the Company's Articles of Association, the holders of the Ordinary Shares in the capital of the Company shall be entitled to such dividends as may be declared from time to time on such shares. The holders of the Redeemable Shares (if any) shall not be entitled to any dividends.

On a return of capital on a winding up of the Company or otherwise (other than on a conversion, redemption or purchase of shares), the holders of the Ordinary Shares shall be entitled, pari passu with the holders of the Redeemable Shares (if any) to the repayment of a sum equal to the nominal capital paid up or credited as paid up on the shares held by them respectively. Thereafter, the holders of the Ordinary Shares shall be entitled to the balance of the surplus of assets of the Company to be distributed rateably according to the number of Ordinary Shares held by a member. The Redeemable Shares shall not confer upon the holders thereof any rights to participate further in the profits or assets of the Company.

Rules concerning amendment of the Company's Articles of Association
As provided in the Companies Act 2014, 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 members entitled to vote and voting in person or by proxy, at a General Meeting at which not less than 21 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 members 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 40 clear days before the date of the General Meeting, written notice by a member, 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 of Association of the Company (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 their 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 their 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 has adopted the provisions of the UK Corporate Governance Code in respect of the annual election of all Directors. All Directors will retire at the forthcoming Annual General Meeting and following review are being recommended for re-election.

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 he is adjudicated bankrupt or being a bankrupt has not obtained a certificate of discharge in the relevant jurisdiction; or

(ii) if in the opinion of a majority of his co-Directors, the health of the Director is such that he or she can no longer be reasonably regarded as possessing an adequate decision-making capacity so that he may discharge his duties; or

(iii) if he ceases to be, or is removed as a Director by virtue of any provision of the Acts or the Articles, or he becomes prohibited by law from being a Director or is restricted by law in acting as a Director; or

(iv) if he (not being a Director holding for a fixed term an executive office in his capacity as a Director) resigns his office by notice in writing to the Company; or

(v) if he is absent for six successive months without permission of the Directors from meetings of the Directors held during that periods and the Directors pass a resolution that by reason of such absence he has vacated office; or

(vi) if he is removed from office by notice in writing served upon him signed by all his co-Directors; if he holds an appointment to an executive office which thereby automatically determines, such removal shall be deemed an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company; or

(vii) if he is convicted of an indictable offence not being an offence under the Road Traffic Act, 1961 or any statutory provision in lieu 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 the required notice has been given in accordance with Section 146 of the Companies Act 2014, remove any Director before the expiry of their period of office.

Report of the Audit Committee

Dear shareholder,

I am pleased to present the report of the Committee for the year ended 31 December 2016.

The Committee plays an important role in ensuring the Company's financial integrity for shareholders through oversight of the financial reporting process, including the risks and controls in that process. This report sets out how the Committee fulfilled its duties under its Terms of Reference, the UK Corporate Governance Code, the Irish Annex and legislation.

The Committee has reviewed the critical accounting judgements and key sources of estimation applied in preparing these financial statements and have reported to the Board on these.

The Committee also performed a review of this annual report including both the financial and non-financial information to ensure that the report presents a fair, balanced and understandable assessment of the Group's position and prospects and that it also provides the information necessary for shareholders to assess the Group's strategy, business model and performance.

The Committee reported to the Board on the on-going monitoring of the effectiveness of the Group's systems of risk management and internal control.

John Sheehan
Chair of the Audit Committee

Composition

The Audit Committee membership is set out in the table below which also details attendance and tenure.

Member	A	B	Tenure
J. Sheehan (Chair)	3	3	3 years
C. Duffy	3	3	5 years
B.O'Kelly	3	3	4 years

Column A: the number of scheduled meetings held during the year where the Director was a member of the Committee.

Column B: the number of scheduled meetings attended during the year where the Director was a member of the Committee.

The members of the Committee as a whole have competence relevant to the sector in which the Company operates by reason of their experience as directors of the Company and bring significant professional expertise to their roles on this Committee. The Board has determined that all appointees are independent and that Brian O'Kelly and John Sheehan have recent and relevant financial experience. The members biographies are set out on pages 48 to 49. The Company Secretary acts as secretary to the Committee.

The Committee invites the Chief Executive, Chief Financial Officer, other senior management, Internal Auditor and External Auditor to attend meetings from time to time. The Committee meets with the Internal Auditor and External Auditor alone at least once a year.

The scheduled meetings take place on the same day as Board meetings. The Chairman provides updates to the Board on key matters discussed and minutes are circulated to the Board.

Role and Responsibilities

The role, responsibilities and duties of the Audit Committee are set out in written terms of reference which were last reviewed by the Board in December 2016. The terms of reference are available on the Group's website www.icg.ie.

The principal responsibilities of the Committee cover the following areas;

- Supporting the Board in fulfilling its responsibilities in relation to the integrity of financial reporting and advises whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position, performance, business model and strategy.
- Monitor the effectiveness of the Company's internal controls and financial risk management systems, including the internal audit function.
- Managing 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, provision of non-audit services, resignation or dismissal. The Committee discusses with the External Auditor the nature and scope of the audit and the findings and results.
- Overseeing the operation of the Group's whistleblowing procedures.

Work Performed

The work undertaken by the Committee during the period under review comprised of the following;

Financial Reporting

The Committee reviewed the Group's Half Yearly Financial Report for the six months ended 30 June 2016, the Statement of Results and Annual Report & Financial Statements, for the financial year ended 31 December 2016 and the two Trading Statements issued during the year. These reviews considered:

- The appropriateness of the Group's accounting policies and practices;
- The consistency of the Group's accounting policies and their application;
- The clarity and completeness of disclosures and compliance with financial reporting standards, legislative and regulatory requirements;
- Whether these reports, taken as a whole, were fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy;
- A comparison of these results with management accounts; and
- The critical accounting judgements and key sources of estimation applied in the preparation of the financial statements.

The critical accounting judgements and key sources of estimation applied in the preparation of the financial statements for the financial year ended 31 December 2016 are set out below and also discussed in detail on page 106.

Post-employment benefits

The Group operates a number of group sponsored pension schemes and is also a participating employer in the Merchant Navy Officers Pension Fund, a multi-employer scheme. Details of these schemes are set out in note 30 to the financial statements. The size of the pension obligations is material to the Group and sensitive to actuarial assumptions. The Committee has reviewed actuarial advice on the assumptions provided by the Group actuary and discussed these with the External Auditor. The Committee was satisfied that the assumptions used were reasonable and that the obligations set out in the financial statements are consistent with the assumptions.

Going concern

The Committee reviewed the appropriateness of using a going concern assumption for the preparation of the Group Financial Statements. The Committee considered future trading projections and available bank facilities. With the main existing loan facilities due to mature in September 2017, the Committee reviewed the ongoing refinancing negotiations and were confident that replacement facilities would be available on normal commercial terms and covenants. The Committee were therefore satisfied that the Group will have adequate financial resources to continue in operational existence for the foreseeable future. The Going Concern Statement is set out on page 50.

Viability Statement

The Committee reviewed and challenged the appropriateness of the assumptions and scenarios together with the calculations supporting the Viability Statement set out on page 50.

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. Changes in the useful lives or residual values may have a significant impact on the annual depreciation and amortisation charge. The Committee reviewed the useful lives of significant assets, along with the residual values used for vessels, and were satisfied that the estimates used were reasonable.

Impairment

The Group does not have assets which are required to be tested annually for impairment. In relation to other significant assets the Committee made inquiries of management to determine whether there were any indications of impairment. The Committee were satisfied that no internal or external indications of impairment were identified and consequently no impairment review was required.

Following discussion with management and the External Auditor the Committee is satisfied that the financial statements have dealt appropriately with each area of judgement. The External Auditor has also reported to the Committee on any misstatements noted during their audit work in respect of the financial statements for the financial year ended 31 December 2016 and confirmed that there were no material unadjusted misstatements noted by them.

Based on this work the Committee reported to the Board that the Annual Report and Financial Statements, taken as a whole, is fair, balanced

Report of the Audit Committee
- continued

and understandable and provides the information necessary for shareholders to assess the Group's performance and recommended that the Annual Report and Financial Statements be approved by the Board.

Internal Control
The risk management framework is set out on page 37. The Committee, on behalf of the Board, reviewed the effectiveness of the Company's internal controls and financial risk management systems and ensured the Board receives regular updates on this work.

The Committee met with the Internal Auditor on a regular basis without the presence of management. It reviewed and approved the internal audit programme, ensured that the internal audit function is adequately resourced, and considered the major findings of investigations and management's responsiveness to these findings and recommendations.

The Committee reviewed the report prepared by Internal Audit on business and financial risk reporting to enable the Board to make its annual assessment of the significant risks facing the Group and the adequacy of the on-going monitoring and reporting system maintained by management including the risks set out on page 38 to 39.

External Audit
The Committee is responsible for managing the relationship with the Group's External Auditor and monitoring their performance, objectivity and independence. Deloitte is the current External Auditor to the Group.

Deloitte confirmed to the Company that they comply with the Auditing Practices Board Ethical Standards for Auditors and that, in their professional judgement, they and, where applicable, all Deloitte network firms are independent and their objectivity is not compromised.

The Committee met with Deloitte prior to the commencement of the audit of the financial statements for the financial year ended 31 December 2016. The Committee considered Deloitte's internal policies and procedures for maintaining independence and objectivity and their approach to audit quality. Under the Deloitte policy of lead partner rotation a new lead partner was appointed to cover the 2016 audit. The Committee assessed the quality of the external audit plan as presented by Deloitte and satisfied itself as to the expertise and resources being made available. The Committee also reviewed the terms of the Letter of Engagement and approved the level of remuneration.

Deloitte reported their key audit findings to the Committee in March 2017 prior to the finalisation of the financial statements. This report, which included a schedule of unadjusted errors and misstatements, significant judgements and estimations and key areas of risk, was considered by the Committee in forming their recommendation to the Board. The Committee also considered the representations sought by Deloitte from the Directors.

Deloitte issued a letter on control weakness noted during their audit, none of which were considered of a serious nature so as to cause Deloitte to amend the scope of their original audit plan. The Committee has considered these and having discussed with management have directed remedial action be taken where considered appropriate.

The Committee evaluated Deloitte's performance and remains satisfied that they remain effective, objective and independent. The Committee therefore recommended to the Board that Deloitte be retained as auditors to the Group.

Deloitte were appointed External Auditor to the Group in 1994 following a tender process. The Committee notes the provisions of the UK Corporate Governance Code in respect of audit tendering and the commencement of the European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation (EU) No 537/2014) Regulations 2016 (SI 312 of 2016), the "Statutory Audit Regulations". The Statutory Audit Regulations, which became effective in Ireland on 17 June 2016, include provisions dealing with audit reforms and audit tendering. As the Group met the definition of a smaller company under the Code, the Group has availed of the exemption under the Code on audit tendering. Under the Statutory Audit Regulations, the Group will at the latest be required to conduct a tender process for the external audit in respect of the financial year 2020. As Deloitte will have served in excess of 20 years at that time they will not be eligible for re-appointment.

Non-Audit Services
The Committee permits the External Auditor to provide non-audit services where they are permitted under the Statutory Audit Regulations and are satisfied that they do not conflict with auditor independence. The Committee's policy on the provision of non-audit services requires that each engagement for the provision of non-audit services requires approval of the Committee. The Committee approved the engagement of the External Auditor to provide certain tax compliance services in respect of the 2016 financial year.

The Audit Committee has considered all relationships between the Company and the external audit firm, Deloitte, including the provision of non-audit services as disclosed in note 9 to the financial statements which are within the thresholds set out in the Statutory Audit Regulations. The Committee does not consider that those relationships or the level of non-audit fees impair the auditor's judgement or independence.

Whistleblowing Procedures
The Group has a suite of policies covering employee conduct which are available on the internal staff intranet. Employees are reminded to refresh their knowledge of these policies at least annually. These policies include a whistleblowing policy formulated by the Committee and procedures are in place to enable employees to raise, in a confidential manner, any genuine concerns about possible financial impropriety or other wrongdoing. The Committee last reviewed this policy and procedure in November 2016.

Report of the Nomination Committee

Dear shareholder,

I am pleased to present the report of the Committee for the year ended 31 December 2016.

This report sets out how the Committee fulfilled its duties under its Terms of Reference and the UK Corporate Governance Code.

The Committee plays an important role in ensuring that the Board has the appropriate balance of skills, knowledge and experience to ensure the Board operates effectively for the long term success of the Group.

During the period, the composition of the Committee was changed to ensure that it comprised a majority of independent Directors in line with our independence criteria.

Catherine Duffy
Chair of the Nomination Committee

Composition

The Nomination Committee membership is set out in the table below which also details attendance and tenure. All Directors bring significant professional expertise to their roles on this Committee as set out in their professional biographies on pages 48 to 49.

Member	A	B	Tenure
C. Duffy (Chair)*	2	2	4 years
JB McGuckian	1	1	Resigned 6 October 2016
B. O'Kelly*	1	1	Appointed 6 October 2016
J. Sheehan*	1	1	Appointed 6 October 2016
E. Rothwell	2	2	17 years

*Independent director

Column A: the number of scheduled meetings held during the year where the Director was a member of the Committee.

Column B: the number of scheduled meetings attended during the year where the Director was a member of the Committee.

Mr. McGuckian stepped down from the Committee during the year as certain of our shareholders, considered him not to have been independent at the date of his appointment as Chairman of the Board.

Report of the Nomination Committee
- continued

Role and Responsibilities

The role, responsibilities and duties of the Nomination Committee are set out in written terms of reference which were last reviewed and updated by the Board in December 2016. The terms of reference are available on the Group's website www.icg.ie.

Its duties are to regularly evaluate the balance of skills, knowledge, experience and diversity of the Board and Committees and make recommendations to the Board with regards to any changes. It is also charged with searching out, identifying and proposing to the Board new appointments of executive or non-executive Directors. The committee also considers the re-appointment of any non-executive Director on the expiry of their term of office. In discharging its duties the Committee is cognisant of the requirement to allow for orderly succession and refreshment of the Board.

Work Performed

The Committee met twice during the year. The Chairman provides an update to the Board on key matters discussed and minutes are circulated to the Board.

The Committee made a recommendation to the Board for the appointment of Mr. David Ledwidge, Chief Financial Officer, as a Director of the Company. Mr. Ledwidge's biographical details are set out on page 49.

The Committee considered the results of the evaluation of the Board. The Committee were satisfied that the Board was of adequate size and composition to suit the current scale of its operations and had an appropriate balance of skills, knowledge, experience and diversity to enable it to effectively discharge its duties. Notwithstanding, it was agreed that future potential candidates be researched to ensure orderly Board refreshment on an ongoing basis.

The Committee, reviewed and recommended to the Board the re-appointment of Mr. McGuckian as non-executive Director, subject to re-election by shareholders at the AGM, noting that he has served on the Board for in excess of nine years. This recommendation was proposed following a robust review of the knowledge, skills and experience that he contributes. The Committee assessed him to be both independent in character and judgement and to be of continued significant benefit to the Board. The Committee noted certain shareholders consider Mr. McGuckian not to be independent under the Code at his date of appointment as Chairman of the Board in 2004 as he had served in excess of nine years as a non-executive Director at that date.

The Committee reviewed the performance of John Sheehan as a Director of the Company during his initial three year term and recommended that John be re-appointed as a Director of the Company for a further three year term subject to annual re-election by shareholders at the AGM.

The Committee also reconfirmed their previous assessment of the independence of the two other non-executive Directors, Catherine Duffy and Brian O'Kelly. In relation to Catherine Duffy the Committee assessed that her role with A&L Goodbody did not compromise her independence as a Director of the company.

No Committee member voted on a matter concerning their position as a Director.

The Company values diversity of backgrounds and the benefits this can contribute to future success. In considering any appointment to the Board the Committee identifies the set of skills and experience required. Individuals are selected based on the required competencies of the role with due regard for the benefits of diversity, including gender. External search agencies are engaged to assist where appropriate.

Report of the Remuneration Committee

Dear Shareholder,

I am pleased to present the Report of the Remuneration Committee for the year ended 31 December 2016.

The Committee ensures that the remuneration structures and levels are set to attract and retain high calibre individuals necessary at executive Directors and senior manager level and to motivate their performance in the best interests of shareholders. This report sets out how the Committee fulfilled its responsibilities under its Terms of Reference and details the remuneration outcomes for the Executive Directors.

Following from the voting result on the advisory resolution presented at the 2016 AGM, the Committee engaged with major shareholders and their advisers to listen to their concerns. Arising from this process the Committee implemented a number of changes to existing remuneration practices and are proposing an updated remuneration framework for 2017. This will include presenting a new Performance Share Plan for shareholder approval at the 2017 AGM as a replacement for the existing share option plan.

The Company will also be submitting this report to shareholders as an advisory resolution at the 2017 AGM.

Brian O'Kelly
Chair of the Remuneration Committee

Composition

The Committee membership is set out in the table below which also details attendance and tenure. All Directors bring significant professional expertise to their roles on this Committee as set out in their professional biographies on pages 48 to 49.

Member	A	B	Tenure
B. O' Kelly (Chair)	3	3	4 years
J. Sheehan	3	3	3 years
C. Duffy	2	2	Appointed 6 October 2016

Column A: the number of scheduled meetings held during the year where the Director was a member of the Committee.

Column B: the number of scheduled meetings attended during the year where the Director was a member of the Committee.

Role and Responsibilities

The role, responsibilities and duties of the Committee are set out in written terms of reference which were last reviewed and updated by the Board in December 2016. The terms of reference are available on the Group's website www.icg.ie.

The Committee's duties are to establish a remuneration framework that;

- Will attract, motivate and retain high calibre individuals
- Will reward individuals appropriately according to their level of responsibility and performance
- Motivate individuals to perform in the best interest of the shareholders
- Will not encourage individuals to take risks in excess of the Company's risk appetite

Report of the Remuneration Committee
- continued

Against this framework the Committee approves remuneration levels and awards based on an individual's contribution to the Company against the background of underlying Company financial performance having regard to comparable companies in both size and complexity.

Meetings
The Committee met three times during the year. The Chairman provided an update to the Board on key matters discussed.

The work performed included consideration of levels of executive Director and senior management remuneration. The level of basic salaries were reviewed by the Committee having regard to job specification, level of responsibility, individual performance and market practice. The Committee approved performance awards, to certain employees, based on Group, business unit and individual performance. The Committee also undertook a review of the existing and proposed a new remuneration framework which is discussed in more detail below.

The Committee considered the matter of clawback of performance awards and concluded that given the element awarded by way of restricted shares, as detailed below, that the value of performance awards were significantly aligned to future performance of the Group. Notwithstanding this the Committee recommended a new clawback policy under the proposed remuneration framework effective for any performance awards granted from 1 January 2017.

Shareholders Views
The Committee noted that 31.3% of the proxy votes held by the Board at the 2016 AGM held on 13 May 2016 on the advisory resolution to receive and consider the Report of the Remuneration Committee for the year ended 31 December 2015 were cast against the resolution. The Company has since engaged with our major shareholders and their advisers to understand their concerns. Having considered these concerns, the Committee has reviewed the existing remuneration framework.

In revising the remuneration framework we have sought the flexibility to choose the most appropriate remuneration structure for our business needs and strategy, a view expressed by the Investment Association Executive Remuneration Working Group in their report issued in July 2016.

We are of the view that any remuneration framework should seek to create strong linkages to longer term Company performance and alignment with shareholder interests through growth in equity value. To achieve this the Committee will seek to set base salaries at median market levels and structure performance awards in a manner that encourages individuals to acquire and retain significant shareholdings relative to base salary that are above market norms.

Following from this review the Committee has implemented a number of changes to the remuneration elements to more align our framework with market norms.

The changes adopted include;

- Setting of maximum opportunity levels in respect of annual bonus
- More transparent reporting of out-turns
- Requirement to allot a minimum of 50% of annual bonus by way of 5 year restricted shares
- Introduction of shareholding requirements of 300% of base salary for executive directors and members of the executive committee
- Introduction of clawback provisions

In addition as part of the revised remuneration framework going forward the Committee is proposing to replace the existing market priced option scheme with a new long term incentive scheme, the Performance Share Plan (PSP).

We are cognisant of the fact that there is necessarily a time window for the transitioning to the new framework and that full implementation may be constrained by pre-existing contractual arrangements in certain instances.

In line with this review the Company intends to operate its annual remuneration arrangements in line with the remuneration policy framework set out below, subject to shareholder approval of the new PSP. A cornerstone of the PSP is the creation of a mandatory alignment period of 8 years which is significantly greater than the current market norm of 5 years. A comprehensive summary of the plan will be set out in the Annual General Meeting materials which will be circulated to shareholders.

Proposed Remuneration Framework Effective from 1 January 2017

Element	Operation	Maximum Opportunity
Base Salary		
To attract and retain high calibre individuals	Base salaries are reviewed by the Committee annually in the last quarter of the year with any adjustments to take effect from 1 January of the following year. Factors taken into account in the review include the individuals role and level of responsibility, personal performance and general developments in pay in the market generally and across the Group.	There is no prescribed maximum salaries or maximum increases. Increases will broadly reflect increases across the Group and in the market generally. Increases may be higher to reflect changes in responsibility or market changes and in the case of newly appointed individuals to progressively align salary with market norms.
Benefits		
To be competitive with the market	Benefits include the use of a company car or an equivalent cash amount, club subscriptions, life and health insurance.	No maximum levels are prescribed as benefits will be related to each individual circumstances.
Annual Bonus		
To reward achievement of annual performance targets	Individuals will receive annual bonus awards based on the achievement of financial targets and personal objectives agreed prior to the start of each financial year. Threshold levels will be set for minimum and maximum awards with pro-rata payments between the two points. Due to commercial sensitivity the targets will not be disclosed in advance but may be disclosed retrospectively. For executive directors and members of the executive committee a minimum of 50% of any bonus earned, after allowing for payroll taxes, will be invested in ICG equity which must be held for a period of 5 years. A formal clawback policy whereby all or a portion of the share award is subject to clawback for a period of two years in certain circumstances. Further details of the clawback policy are on page 76. The Committee retains discretion to adjust any award to reflect the underlying financial position of the Company and to agree awards outside of the above framework in respect of recent joiners and leavers.	The maximum award in any period of 12 months may not exceed 200% of base salary in the case of the CEO and 150% of base salary in the case of any other individual. An existing contractual annual bonus arrangement will continue to apply to the existing CEO Mr. Eamonn Rothwell in lieu of the arrangements described here and is explained in further detail under the report on 2016 executive director remuneration outcomes.

Report of the Remuneration Committee
- continued

Proposed Remuneration Framework Effective from 1 January 2017 — continued

Element	Operation	Maximum Opportunity
Performance Share Plan (subject to the approval of Shareholders at the 2017 AGM)		
To align the interests of individuals with the long term interests of the Company's shareholders	The Committee will grant nominal cost options to individuals to acquire equity in the Company. The vesting period is normally 3 years with the extent of vesting based on the performance conditions set out below. Any vesting of awards is subject to the Committee discretion that it is satisfied that the Company's underlying performance has shown a sustained improvement in the period since the date of grant. No re-testing of the vesting performance conditions will be permitted. Options will normally be exercised upon vesting and any ICG equity delivered to an individual will be held for a period of 5 years, except to the extent that the Committee allow such number of the shares delivered to be sold to facilitate the discharge of any tax liabilities. The plan incorporates market standard good leaver / bad leaver provisions. Options may vest early in the event of a takeover, merger, scheme of arrangement or other similar event involving a change of control of the Company, subject to the pro-rating of the share awards, to reflect the shortened performance period since the date of grant, though the Committee can exercise its discretion not to apply pro-rating if it considers it to be inappropriate given any particular circumstances. The Committee in exercising its discretion under the rules of the PSP may (i) Re-calibrate the performance conditions and change their relative weightings (ii) introduce new and retire old performance measures; provided that any changes are no less challenging, are aligned with the interests of the Company's shareholders and are disclosed in the Committee's report to shareholders. A formal clawback policy whereby all or a portion of the share award is subject to clawback for a period of two years post vesting in certain circumstances. Further details of the clawback policy are on page 76. The performance conditions, which are described in more detail in the 2017 AGM materials, currently are • Diluted Earnings per Share (EPSd) • Return on Average Capital Employed (ROACE) • Free Cash Flow Ratio (FCFR) • Total Shareholder Return (TSR) Each condition is equally weighted and in all cases 30% vests at threshold performance and 100% vests at maximum with pro-rata vesting between these two levels. The performance levels are currently calibrated as follows;	The market value of any PSP awards in any period of 12 months may not exceed 200% of base salary in the case of the CEO and 150% of base salary in the case of any other individual. In exceptional situations, including recruitment, higher awards may be granted but not exceeding 300% of base salary.

	Vesting Threshold	
	Minimum	Maximum
EPSd*	5%	12%
ROACE*	13%	20%
FCFR*	100%	130%
TSR**	Median	Top Quartile

* average per annum over the 3 year vesting period

** Over the vesting period

Proposed Remuneration Framework Effective from 1 January 2017 — continued

Element	Operation	Maximum Opportunity
Retirement Benefits		
To attract and retain high calibre individuals	Certain individuals are members of a defined benefit pension scheme where contributions are determined by the scheme actuary pursuant to the benefits offered under the scheme rules. Other individuals are members of a defined contribution pension scheme where the Company has discretion to pay appropriate contributions as a percentage of base salary as agreed by the Company and individual under their contract of employment. In certain circumstances the Company may provide an equivalent cash payment in lieu of pension contributions.	There are no prescribed maximum levels of pension contribution. No element of remuneration other than base salary is pensionable.
Shareholding Requirement		
To align the interests of individuals with the long term interests of the Company's shareholders	All executive directors and members of the Executive Management Committee are expected to maintain a minimum shareholding of 300% of base salary. Individuals are allowed a five year period from date of first appointment to achieve the required holding. The market value of vested options and any shares held under the Company's restricted share arrangements will count towards determining an individual's holdings.	Not applicable.

Remuneration Outcomes for Executive Directors in 2016

Total Directors' remuneration for the year was €2,860,000 compared with €2,643,000 in 2015 and details are set in the table below:

		Performance Pay					
	Base Salary	Restricted shares	Cash	Benefits	Pension	Fees	Total 2016
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Executive Directors							
E. Rothwell	526	1,765	-	35	-	-	**2,326**
D. Ledwidge*	133	77	69	18	27	-	**324**
Total for executives	**659**	**1,842**	**69**	**53**	**27**	**-**	**2,650**
Non-executive Directors							
J. B. McGuckian	-	-	-	-	-	90	**90**
C. Duffy	-	-	-	-	-	40	**40**
B. O'Kelly	-	-	-	-	-	40	**40**
J. Sheehan	-	-	-	-	-	40	**40**
Total for non-executives	**-**	**-**	**-**	**-**	**-**	**210**	**210**
Total	**659**	**1,842**	**69**	**53**	**27**	**210**	**2,860**

Report of the Remuneration Committee
- continued

Details of Directors' remuneration for the year ended 31 December 2015 are set out below:

		Performance Pay					
	Base Salary	Restricted shares	Cash	Benefits	Pension	Fees	Total 2015
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Executive Directors							
E. Rothwell	513	1,086	514	36	63	-	**2,212**
G. O'Dea*	120	-	-	6	36	-	**162**
T. Kelly*	53	-	-	6	-	-	**59**
Total for executives	**686**	**1,086**	**514**	**48**	**99**	**-**	**2,433**
Non-executive Directors							
J. B. McGuckian	-	-	-	-	-	90	**90**
C. Duffy	-	-	-	-	-	40	**40**
B. O'Kelly	-	-	-	-	-	40	**40**
J. Sheehan	-	-	-	-	-	40	**40**
Total for non-executives	**-**	**-**	**-**	**-**	**-**	**210**	**210**
Total	**686**	**1,086**	**514**	**48**	**99**	**210**	**2,643**

*Mr Ledwidge was appointed to the Board on 3 March 2016. Mr Kelly and Mr O'Dea retired from the Board in March 2015 and May 2015 respectively.

The information above forms an integral part of the audited Consolidated Financial Statements as described in the Basis of Preparation on page 95.

Base Salary

Base salary for Eamonn Rothwell, CEO, increased by 2.5% in 2016 versus 2015 which was in line with the increase awarded to all employees generally. In terms of a wider comparator group the Committee noted that the CEO pay level was below median base salaries of the bottom half of the FTSE 250 constituent companies.

Mr. David Ledwidge, CFO, was appointed to the Board on 3 March 2016. His salary is reported from that date and was set at a level commensurate with his experience with the Group with the expectation that subject to individual and Group performance that this level of salary will rise progressively over a number of years to comparable levels in the market for similar roles.

Director's Pension benefits

The aggregate pension benefits attributable to the executive Directors at 31 December 2016 are set out below.

	E. Rothwell	**D. Ledwidge**	**Total 2016**	Total 2015
	€'000	**€'000**	**€'000**	€'000
Increase in accumulated accrued annual benefits (excluding inflation) in the period	-	1	1	-
Transfer value of the increase in accumulated accrued benefits (excluding inflation) at year end*	-	1	1	-
Accumulated accrued annual benefits on leaving service at year end	-	12	12	-

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

There were no pension benefits attributable to Eamonn Rothwell as he has reached normal retirement age and pension benefits have vested.

The Company also provides lump sum death in service benefits and the premiums paid during the year amounted to €4,000 and €1,000 in relation to Eamonn Rothwell and David Ledwidge respectively.

Performance Related Pay

Eamonn Rothwell

Eamonn Rothwell has been associated with ICG since its inception as a public company. He arranged the original purchase of Irish Continental Line in 1987 (when he joined the Board) and its flotation in 1988.He subsequently negotiated the purchase of B+I line over a two-year period ending in January 1992 and has led all the significant initiatives in the Company since that date.

The CEO annual bonus performance award is predominantly driven by a formula based on basic EPS growth which incorporates an adjustment for share buybacks. The Committee also retain discretion to make adjustments for any non-cash non-trading items. The Company believes that EPS is consistent and transparent and the EPS growth drives long term value creation in the business, reflected in share price appreciation. EPS is the key performance indicator by which the Board assesses the overall performance of the Company.

The CEO arrangement is a contractual commitment agreed with him on joining the Company as CEO in the very early stage of the company's development and was in lieu of arrangements with his previous employer. The bonus formula, which only paid out when there was an increase in EPS, was seen as an appropriate motivational reward structure to develop the Company over a longer-term horizon. This contract is reviewed by the Committee on a periodic basis and it is still seen as a successful formula in alignment with shareholders' interest and remains appropriate to the Company's strategy and needs.

As part of the Remuneration framework review the Committee has reassessed the CEO performance arrangements and in its view the arrangements remain appropriate. In carrying out this assessment the Committee has considered the arrangements over the longer-term performance of the Company rather than on a single year basis and note the following;

- Since flotation in 1988 up to 31 December 2016 shareholders have increased the value of their investment 97 fold compared with an 11 fold increase for both the ISEQ and the FTSE 100 and a 16 fold increase for the S&P 500. The total shareholder return over this period was 17.3% per annum for ICG compared with 8.8% per annum for the ISEQ, 8.9% per annum for the FTSE 100 and 10.2% per annum for the S&P 500.
- Over the last 10, 5 and 3 years to 31 December 2016 this outperformance has continued

Total Shareholder Return (TSR) (Compound annual growth)	Last 10 years	Last 5 years	Last 3 years
ICG	17.1%	29.2%	22.7%
ISEQ	-1.3%	20.0%	15.0%
FTSE 100	5.3%	9.1%	5.9%
FTSE 250	7.9%	15.4%	7.1%
S&P 500	6.9%	14.6%	8.9%

(Source: Bloomberg)

- Over the last 5 year and 10 year period ended 2016 the level of cumulative annual bonus awards as a ratio of cumulative base salary were 1.8 and 2.3 times base salary respectively. The Committee considers these levels to be reflective of market norms generally among FTSE 250 constituents taking into account lower base salary.
- Over the 10 year period average 3 year total remuneration (salary plus annual bonus) increased by 10.2 % per annum, compared to Company TSR of 17.1% per annum and FTSE 250 TSR of 7.9%.
- Over the 5 year period average 3 year total remuneration (salary plus annual bonus) increased by 14.8 % per annum, compared to Company TSR of 29.2% per annum and FTSE 250 TSR of 15.4%.
- Over the last 3 years 80% of the CEO's annual bonus has been remunerated by way of shares, to be held for a minimum of 5 years.

David Ledwidge

David Ledwidge was appointed Executive Director during the year. The Committee assessed Mr. Ledwidge's performance in his new role over the 10 months since appointment and in particular his development within the sphere of his greater responsibility. The assessment concluded that Mr. Ledwidge was performing in line with expectations and would continue to contribute to the Group going forward. On this basis, taking account of market norms and the expectation that, subject to performance at an individual and Company level, his remuneration will rise progressively over a number of years to comparable levels in the market for similar roles the Committee concluded that an annual bonus award of €146,000 amount, being 91% of annualised base salary was appropriate.

Clawback Arrangements in relation to 2016 Performance Related Pay

The final quantum of the 2016 annual bonus will be assessed on completion of the audit of the financial statements. In relation to the performance award paid through the restricted share plan, shares are held in trust for the beneficiaries and may not be sold for a period of 5 years and one month from the date of grant, aligning the value of the award with Group performance over the restricted period.

Long Term Incentive

The long term incentive scheme applicable for the 2016 financial year was the Share Option Plan approved by shareholder on 24 June 2009. During 2016 the Committee suspended any awards under this plan pending a review of the existing remuneration framework. Therefore, no options were granted to the executive directors or any other individuals under this plan during 2016.

Report of the Remuneration Committee
- continued

Other Matters

Minimum Shareholding Requirements

The Company encourages individuals to acquire and retain significant shareholdings to align interests of management with those of shareholders. During the year, the Company introduced minimum shareholding requirement for executive directors and members of the executive management committee to hold shares to a market value of 300% of base salary. Persons are allowed a period of 5 years to achieve this holding target. The market value of vested options and any shares held under the Company's restricted share arrangements will count towards determining an individual's holdings.

The market value of holdings of executive directors and Executive Committee at 31 December 2016 as a multiple of salary at that date are shown in the table.

	Salary multiple held
Eamonn Rothwell	247.0 times
David Ledwidge	1.4 times
Other Executive Management	6.8 times

Non –Executive Directors

Non-Executive Directors receive a fee which is set by the Committee and approved by the Board. They do not participate in any of the Company's performance award plans or pension schemes. There was no change in the level of fees paid during 2016 over the prior year which are detailed in the table on page 71.

Non-Executive directors do not have notice periods and the Company has no obligation to pay compensation when their appointment ceases. The letters of appointment are available for inspection at the Company's registered office during normal business hours and at the AGM.

Director's Service contracts

Non-executive Directors have been appointed under letters of appointment for periods of three years subject to annual re-election at the AGM.

In respect of Eamonn Rothwell, CEO, 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.

This amendment to Eamonn Rothwell's contract of employment was agreed by the Remuneration Committee a number of years ago to retain and motivate the CEO during a series of attempted corporate takeover actions.

The letters of appointment for other Executive Directors do not provide for any compensation for loss of office other than for payments in lieu of notice and, except as may be required under Irish law, the maximum amount payable upon termination is limited to 12 months equivalent.

On termination any outstanding options may at the absolute discretion of the Committee be retained by the departing individual in accordance with the good leaver / bad leaver provisions of the relevant plan. Any shares delivered to an individual which are subject to a retention period will remain unavailable to the individual until the end of the retention period and where applicable will be subject to clawback under the provisions of the Clawback Policy.

Share option schemes

There were no long term incentive plans in place during the year other than the Group's 1998 (which expired as regards new grants in 2008) and 2009 share option plans.

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 Committee on a discretionary basis, based on the employees expected contribution to the Group in the future. Non-executive Directors are not eligible to participate in the plan. Interests of the Executive Directors in outstanding share options is set out on page 75.

In the ten-year period ended 31 December 2016, the total number of options granted, net of options lapsed amounted to 5.1% of the issued share capital of the Company.

During 2016 the Committee deferred any awards under the 2009 Share Option Plan pending a shareholder vote at the 2017 AGM on the replacement Performance Share Plan.

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 financial year ended 31 December 2016 is €32,000 (2015: €4,000).

Directors' share options

Exercise Price	Exercise Period	Exercise Conditions	Directors E. Rothwell	D. Ledwidge*
€1.067	Sep 2009 - Sep 2016	Note 1	500,000	-
€1.067	Sep 2011- Sep 2016	Note 2	500,000	-
€2.132	Dec 2010 - Dec 2017	Note 1	750,000	50,000
€2.132	Dec 2012 - Dec 2017	Note 2	750,000	50,000
€1.570	Mar 2015 – Mar 2022	Note 3	-	150,000
€1.570	Mar 2017 – Mar 2022	Note 4	-	150,000
€3.580	Mar 2018 – Mar 2025	Note 3	350,000	75,000
€3.580	Mar 2020 – Mar 2025	Note 4	350,000	75,000
At 31 December 2015			**3,200,000**	**550,000**
Granted during the year			-	-
Exercised during the year				
Exercise Price	**Date of exercise**	**Market Price**		
€1.067	2 June 2016	€5.50	(1,000,000)	
€2.132	31 May 2016	€5.40		(100,000)
€1.570	31 May 2016	€5.40		(150,000)
At 31 December 2016			**2,200,000**	**300,000**

* Mr Ledwidge was appointed to the Board on 3 March 2016.

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.

Note 3: These options will vest and become exercisable three years after the date of grant once Earnings per Share growth over any period of three consecutive financial years commencing at the financial year immediately preceding the date of grant is at least 2% above the increase in the Consumer Price Index compounded per annum over such period.

Note 4: These options will vest and become exercisable from the fifth anniversary of grant once (i) Earnings Per Share growth over any period of five consecutive financial years commencing at the financial year immediately preceding the date of grant place the Company in the top quartile of companies either (a) listed on the Irish Stock Exchange or (b) included in the London Stock Exchange FTSE 250, by reference to Earnings Per Share growth over the same period and (ii) over that period the Earnings Per Share growth is at least 10% above the increase in the Consumer Price Index compounded per annum over such period.

Report of the Remuneration Committee
- continued

Clawback Policy

The Committee recognises that there could potentially be circumstances in which performance related pay (either annual bonuses, and/or longer term incentive awards) is paid based on misstated results or inappropriate conduct resulting in material damage to the Company. Whilst the Company has robust management and internal controls in place to minimise any such risk, the Committee has put in place formal clawback arrangements with effect from 1 January 2017 for the protection of the Company and its investors. The clawback of performance related pay (comprising the Annual Bonus, and the proposed PSP Awards) would apply in certain circumstances including:

- a material misstatement of the Company's financial results;
- a material breach of an executive's contract of employment;
- any wilful misconduct, recklessness, and/ or fraud resulting in serious injury to the financial condition or business reputation of the Company.

For Executive Directors and members of the Executive Committee 50% of the annual bonus will be invested in ICG equity which must be held for a period of 5 years and one month, which will be subject to clawback for a period of two years per the circumstances noted above. Under the proposed PSP, any awards granted will be subject to clawback during the vesting period and any shares delivered on vesting will be subject to clawback for an initial two year period per the circumstances noted above.

Payments to former directors

There were no pension payments or other payments for loss of office paid to any former directors during the year.

External Advisers

During the year the Committee obtained independent advice from Mercer in relation to market practices and design of the PSP. Mercer are members of the Remuneration Consultants Group and signatories to its Code of Conduct.

Say on Pay

ICG is an Irish incorporated company and is not subject to the UK disclosure requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. However, in accordance with ICG's commitment to best corporate governance practices and shareholder engagement, the Board, on the recommendation of the Remuneration Committee, will put this Report of the Committee to an advisory vote at the forthcoming 2017 AGM of the Company.

At the 2016 AGM where the 2015 Report of the Remuneration Committee was presented a vote of 31.3% against was registered. The Company has since engaged with its major shareholders and their advisors and the Directors believe that the proposed Remuneration Framework and additional disclosures outlined in this report addresses the concerns raised during this engagement process. Implementation of the proposed Remuneration Framework is dependent on shareholder support for the new PSP outlined and of which additional details will be provided in the 2017 AGM documentation.

Market price of shares

The closing price of the shares on the Irish Stock Exchange on 31 December 2016 was €4.500 and the range during the year was €4.020 to €5.676.

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the Group and Company Financial Statements, in accordance with applicable laws and regulations. Company law requires the directors to prepare Group and Company Financial statements each year. Under that law, the directors are required to prepare the Group Financial Statements in accordance with IFRS as adopted by the European Union and have elected to prepare the Company Financial Statements in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2014.

Under company law, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group profit or loss for that period. In preparing each of the Group and Company 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;
- state that the Financial Statements comply with IFRS as adopted by the European Union as applied in accordance with the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records 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 Act 2014 and in regard to the Group Financial Statements, Article 4 of IAS Regulation. 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 Group's and Company's website (www.icg.ie). Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Irish Continental Group plc acknowledge these responsibilities and accordingly have prepared this Consolidated Annual Report for the financial year ended 31 December 2016 in compliance with the provisions of Regulation (EC) No. 1606/2002, regulations 4 and 5 of Statutory Instrument No. 277 of 2007 of Ireland, the Transparency Rules of the Central Bank of Ireland, the applicable International Financial Reporting Standards as adopted by the European Union, the Companies Act 2014 and the Listing Rules issued by the Irish Stock Exchange.

Each of the Directors, whose names and functions are listed on pages 48 and 49 of the annual report confirms that to the best of each person's knowledge and belief:

- the Consolidated Financial Statements for the financial year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Operating and Financial Review includes a fair review of the development and performance of the business for the financial year ended 31 December 2016 and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

This responsibility statement was approved by the Board of Director's on 3 March 2017 and signed on its behalf by

Eamonn Rothwell	**David Ledwidge**
Director	Director


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Financial Statements

Independent Auditor's Report to the Members of Irish Continental Group plc

Opinion on financial statements of Irish Continental Group plc

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and the company as at 31 December 2016 and of the Group's profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and in particular, with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Company Statement of Financial Position;
- the Company Statement of Changes in Equity;
- the Consolidated Statement of Cash Flows;
- the Company Statement Cash Flows; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRSs as adopted by the EU), and in the case of the parent company financial statements Irish law and IFRSs as applied in accordance with the Companies Act 2014.

Summary of our audit approach

Key risks	The key risks that we identified in the current year related to: Appropriateness of Useful Lives of Vessels Appropriateness of key assumptions used to determine retirement benefit obligations Potential misstatement arising from incorrect revenue recognition
Materiality	The materiality that we used in the current year was €3.5 million which was determined on the basis of profit before tax.
Scoping	Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in ten legal entities all of which were subject to a full audit, whilst the remaining legal entities were subject to specified audit procedures, where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations in those entities

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group
As required by the Listing Rules we have reviewed the directors' statement on page 50 that the Group is a going concern.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 50 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on page 38 to 39 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement on page 50 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 50 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Useful Lives of Vessels	
Depreciation on vessels is charged so as to write off the cost or deemed cost of the vessel less its residual value over its estimated economic useful life. A change in the estimate of useful economic lives or residual value of vessels can have a significant impact on the amount of depreciation charged to the Income Statement. There is a risk that management's estimate of useful lives or residual values is inaccurate. The determination of appropriate provisions requires significant judgement by management and relies on inputs that are variable such as the value of scrap metal. Please also refer to page 62 (Audit Committee Report), page 101 (Accounting Policy – Property, Plant & Equipment), and note 3 – Critical accounting judgements and estimates and note 12 Property, Plant & Equipment.	We obtained an understanding of management's processes and key controls over the assessment of useful lives and residual values, which included evaluating design, determining implementation and testing operational effectiveness of those key controls. We challenged and evaluate management's key assumptions including their assessment of useful lives and their estimates of residual values. We also benchmarked management's assumptions against information available from other external sources, such as market data relating to the value of scrap metal, in assessing the reasonableness of management's estimates.

Independent Auditor's Report to the Members of Irish Continental Group plc
- continued

Risk	How the scope of our audit responded to the risk
Retirement Benefit Obligations/Surplus	
The Group operates a number of defined benefit schemes. The net pension asset and deficit relating to these schemes was €2.4m and €15.9m respectively at the balance sheet date. There is a high degree of estimation and judgement by management in the calculation of the pension liabilities, particularly in the underlying actuarial assumptions, specifically the discount and inflation rates, which are subject to high volatility from small movements in assumptions. There is a risk that the liabilities of pension schemes are determined using inappropriate actuarial assumptions, leading to potential misstatement of the net pension deficit. Please also refer to page 62 (Audit Committee Report), page 100 (Accounting Policy – Retirement Benefit Schemes), and note 3 – Critical accounting judgements and estimates.	We utilised Deloitte actuaries as part of our team to assist us in understanding, evaluating and challenging the appropriateness of key actuarial assumptions with particular focus on discount rates and inflation rates. Our work included discussions with both Management and the Group's external pension advisors to understand their processes and the assumptions used in calculating retirement benefit liabilities. We benchmarked key assumptions used against market and peer data where available. We tested the valuation of a sample of pension assets, by obtaining independent valuations of investment held at year end. We assessed whether managements' disclosures in the financial statements in respect of retirement benefit obligations were in accordance with the relevant accounting standards.
Revenue Recognition	
The Group recognises revenue in respect of its passenger and freight services on the date of travel or transportation. Proceeds from sales before the year end for a travel date after the year end are deferred and included in creditors at the year end. There is a risk that year end deferred revenues could be manipulated to achieve performance targets, or misstated as a result of error. Please also refer to page 62 (Audit Committee Report), and page 97 (Accounting Policy – Revenue Recognition).	We obtained an understanding of the significant revenue arrangements in place across the Group, and of the internal controls and IT systems in place over those revenue streams to evaluate the reliability of the systems to ensure revenue was appropriately recognised and reflect the terms of sale. We evaluated the design, determined the implementation and tested the operational effectiveness of key internal controls over the Group's significant revenue processes. We tested year end deferred revenue on a sample basis and assessed whether there was any evidence of bias in management's calculation of deferred revenue.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be €3.5 million, which is approximately 5.8% of profit before taxation, and approximately 2.4% of consolidated Shareholders' equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €175,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in ten legal entities all of which were subject to a full audit, whilst the remaining legal entities were subject to specified audit procedures, where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations in those entities. These ten entities within full audit scope represent the principal business units and account for 100% of the revenue and 100% of the Group's total assets. Our audit work of the ten entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality. In addition, audits are performed for entity statutory purposes for all legal entities.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances. As part of the Group audit, the Group engagement team issued instructions to all component audit teams, and evaluated the outputs from each audit location.

Opinion on other matters prescribed by the Companies Act 2014

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Parent Company were sufficient to permit the financial statements to be readily and properly audited.

The parent Company balance sheet is in agreement with the accounting records.

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

In addition we report, in relation to information given in the Strategic Report on page 4 to 45 and the Directors Report on pages 50 to 52, that:

- Based on knowledge and understanding of the Company and its environment obtained in the course of our audit, no material misstatements in the information identified above have come to our attention;
- Based on the work undertaken in the course of our audit, in our opinion:
  - The description of the main features of the internal control and risk management systems in relation to the process for preparing the Group Financial Statements, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 and specified by the Companies Act 2014 for our consideration, are consistent with the Financial Statements and have been prepared in accordance with the Companies Act 2014; and
  - The Corporate Governance Report contains the information required by the Companies Act 2014.

Matters on which we are required to report by exception

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Independent Auditor's Report to the Members of Irish Continental Group plc

- continued

Directors' remuneration

Under the Listing Rules of the Irish Stock Exchange we are required to review the six specified elements of disclosures in the report to shareholders by the board, on directors' remuneration. Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made. We have nothing to report arising from our review of these matters.

Corporate Governance Statement

Under the Listing Rules of the Irish Stock Exchange we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code and the provisions of the Irish Corporate Governance Annex specified for our review. We have nothing to report arising from our review.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with section 391 of the Companies Act 2014. 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Ciarán O'Brien
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin

Date: 3 March 2017

Consolidated Income Statement

for the financial year ended 31 December 2016

	Notes	2016 €m	2015 €m
Revenue	4	325.4	320.6
Depreciation and amortisation	9	(20.9)	(18.3)
Employee benefits expense	5	(22.0)	(21.4)
Other operating expenses		(219.9)	(223.7)
Operating profit		**62.6**	**57.2**
Finance Income	6	0.1	0.1
Finance costs	7	(2.3)	(3.2)
Profit before tax		**60.4**	**54.1**
Income tax expense	8	(1.6)	(0.4)
Profit for the financial year: all attributable to equity holders of the parent	9	**58.8**	**53.7**
Earnings per share – expressed in euro cent per share			
Basic	11	31.4c	28.9c
Diluted	11	31.1c	28.5c

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2016

	Notes	2016 €m	2015 €m
Profit for the financial year		58.8	53.7
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
- Fair value movements arising during the financial year	21 viii	(0.1)	(0.2)
-Transfer to Consolidated Income Statement – net settlement of cash flow hedge	21 viii	0.4	0.4
Exchange differences on translation of foreign operations		(2.8)	0.5
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss) / gain on defined benefit obligations	30a viii	(9.6)	16.5
Deferred tax on defined benefit obligations	22	0.7	(0.3)
Other comprehensive (expense) / income for the financial year		(11.4)	16.9
Total comprehensive income for the financial year: all attributable to equity holders of the parent		**47.4**	**70.6**

Consolidated Statement of Financial Position

as at 31 December 2016

Assets	Notes	2016 €m	2015 €m
Non-current assets			
Property, plant and equipment	12	204.3	170.0
Intangible assets	13	0.8	0.9
Retirement benefit surplus	30a iv	2.4	5.6
		207.5	**176.5**
Current assets			
Inventories	15	2.3	1.9
Trade and other receivables	16	39.6	41.0
Cash and cash equivalents	17	42.2	25.0
		84.1	**67.9**
Total assets		**291.6**	**244.4**
Equity and liabilities			
Equity			
Share capital	18	12.2	12.1
Share premium	19	15.7	13.1
Other reserves	19	(11.8)	(9.0)
Retained earnings		128.3	99.3
Equity attributable to equity holders of the parent		**144.4**	**115.5**
Non-current liabilities			
Borrowings	20	1.7	55.3
Deferred tax liabilities	22	2.7	3.8
Provisions	24	0.6	0.5
Deferred grant	25	0.3	0.4
Retirement benefit obligation	30a iv	15.9	10.7
		21.2	**70.7**
Current liabilities			
Borrowings	20	78.4	14.0
Trade and other payables	23	46.7	43.0
Derivative financial instruments	21 viii	0.2	0.5
Current income tax liabilities		-	0.1
Provisions	24	0.6	0.5
Deferred grant	25	0.1	0.1
		126.0	**58.2**
Total liabilities		**147.2**	**128.9**
Total equity and liabilities		**291.6**	**244.4**

The financial statements were approved by the Board of Directors on 3 March 2017 and signed on its behalf by:

Eamonn Rothwell Director

David Ledwidge Director

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2016

	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 2016	**12.1**	**13.1**	**7.3**	**3.3**	**(0.5)**	**(19.1)**	**99.3**	**115.5**
Profit for the financial year	-	-	-	-	-	-	58.8	58.8
Other comprehensive income / (expense)	-	-	-	-	0.3	(2.2)	(9.5)	(11.4)
Total comprehensive income / (expense) for the financial year	**-**	**-**	**-**	**-**	**0.3**	**(2.2)**	**49.3**	**47.4**
Employee share-based payments expense	-	-	-	0.2	-	-	-	0.2
Share issue	0.1	2.6	-	-	-	-	-	2.7
Dividends	-	-	-	-	-	-	(21.0)	(21.0)
Settlement of equity plans through market purchase of shares	-	-	-	-	-	-	(0.4)	(0.4)
Transferred to retained earnings on exercise of share options	-	-	-	(1.1)	-	-	1.1	-
	0.1	**2.6**	**-**	**(0.9)**	**0.3**	**(2.2)**	**29.0**	**28.9**
Balance at 31 December 2016	**12.2**	**15.7**	**7.3**	**2.4**	**(0.2)**	**(21.3)**	**128.3**	**144.4**
Analysed as follows:								
Share capital								12.2
Share premium								15.7
Other reserves								(11.8)
Retained earnings								128.3
								144.4

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2015

	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 2015	**12.0**	**9.7**	**7.3**	**4.8**	**(0.7)**	**(19.4)**	**47.6**	**61.3**
Profit for the financial year	-	-	-	-	-	-	53.7	53.7
Other comprehensive income	-	-	-	-	0.2	0.3	16.4	16.9
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**0.2**	**0.3**	**70.1**	**70.6**
Employee share-based payments expense	-	-	-	0.1	-	-	-	0.1
Share issue	0.1	3.4	-	-	-	-	-	3.5
Dividends	-	-	-	-	-	-	(19.9)	(19.9)
Settlement of equity plans through market purchase of shares	-	-	-	-	-	-	(0.1)	(0.1)
Transferred to retained earnings on exercise of share options	-	-	-	(1.6)	-	-	1.6	-
	0.1	**3.4**	**-**	**(1.5)**	**0.2**	**0.3**	**51.7**	**54.2**
Balance at 31 December 2015	**12.1**	**13.1**	**7.3**	**3.3**	**(0.5)**	**(19.1)**	**99.3**	**115.5**

Analysed as follows:	
Share capital	12.1
Share premium	13.1
Other reserves	(9.0)
Retained earnings	99.3
	115.5

Company Statement of Financial Position

as at 31 December 2016

	Notes	2016 €m	2015 €m
Assets			
Non-current assets			
Property, plant and equipment	12	30.6	1.5
Intangible assets	13	0.7	0.8
Investments in subsidiaries	14	11.7	11.7
Retirement benefit surplus	30b iv	0.7	0.6
		43.7	**14.6**
Current assets			
Inventories	15	0.4	0.4
Trade and other receivables	16	117.4	119.4
Cash and cash equivalents	17	20.6	0.9
		138.4	**120.7**
Total assets		**182.1**	**135.3**
Equity and liabilities			
Equity			
Share capital	18	12.2	12.1
Share premium	19	15.7	13.1
Other reserves	19	9.6	10.5
Retained earnings		95.1	75.9
Equity attributable to equity holders		**132.6**	**111.6**
Non-current liabilities			
Borrowings	20	0.6	0.9
Retirement benefit obligation	30b iv	-	0.1
Provisions	24	0.1	0.1
		0.7	**1.1**
Current liabilities			
Borrowings	20	0.3	0.3
Trade and other payables	23	48.4	22.2
Provisions	24	0.1	0.1
		48.8	**22.6**
Total liabilities		**49.5**	**23.7**
Total equity and liabilities		**182.1**	**135.3**

The financial statements were approved by the Board of Directors on 3 March 2017 and signed on its behalf by:

Eamonn Rothwell Director

David Ledwidge Director

Company Statement of Changes in Equity

for the financial year ended 31 December 2016

	Share Capital €m	Share Premium €m	Capital Reserve €m	Share Options Reserve €m	Retained Earnings €m	Total €m
Balance at 1 January 2016	**12.1**	**13.1**	**7.2**	**3.3**	**75.9**	**111.6**
Profit for the financial year	-	-	-	-	39.6	39.6
Other comprehensive expense	-	-	-	-	-	-
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**39.6**	**39.6**
Share issue	0.1	2.6	-	-	-	2.7
Dividends	-	-	-	-	(21.0)	(21.0)
Employee share-based payment expense	-	-	-	0.1	-	0.1
Transferred to retained earnings on exercise of share options	-	-	-	(1.0)	1.0	-
Settlement of equity plans through market purchase of shares	-	-	-	-	(0.4)	(0.4)
	0.1	**2.6**	**-**	**(0.9)**	**19.2**	**21.0**
Balance at 31 December 2016	**12.2**	**15.7**	**7.2**	**2.4**	**95.1**	**132.6**
Analysed as follows:						
Share capital						12.2
Share premium						15.7
Other reserves						9.6
Retained earnings						95.1
						132.6

Company Statement of Changes in Equity

for the financial year ended 31 December 2015

	Share Capital €m	Share Premium €m	Capital Reserve €m	Share Options Reserve €m	Retained Earnings €m	Total €m
Balance at 1 January 2015	**12.0**	**9.7**	**7.2**	**4.8**	**44.3**	**78.0**
Profit for the financial year	-	-	-	-	50.6	50.6
Other comprehensive expense	-	-	-	-	(0.1)	(0.1)
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**50.5**	**50.5**
Share issue	0.1	3.4	-	-	-	3.5
Dividends	-	-	-	-	(19.9)	(19.9)
Movement related to share options allocated to employees in subsidiaries	-	-	-	(0.4)	-	(0.4)
Transferred to retained earnings on exercise of share options	-	-	-	(1.1)	1.1	-
Settlement of equity plans through market purchase of shares	-	-	-	-	(0.1)	(0.1)
	0.1	**3.4**	**-**	**(1.5)**	**31.6**	**33.6**
Balance at 31 December 2015	**12.1**	**13.1**	**7.2**	**3.3**	**75.9**	**111.6**

Analysed as follows:	
Share capital	12.1
Share premium	13.1
Other reserves	10.5
Retained earnings	75.9
	111.6

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2016

	Notes	2016 €m	2015 €m
Net cash inflow from operating activities	32	**82.1**	**68.2**
Cash flow from investing activities			
Interest received		0.1	0.1
Proceeds on disposal of property, plant and equipment		1.3	0.1
Purchases of property, plant and equipment		(56.7)	(34.4)
Purchases of intangible assets		(0.3)	(0.6)
Net cash outflow from investing activities		**(55.6)**	**(34.8)**
Cash flow from financing activities			
Dividends paid to equity holders of the Company		(21.0)	(19.9)
Repayments of borrowings		(13.0)	(28.0)
Repayments of obligations under finance leases		(1.1)	(1.0)
Proceeds on issue of ordinary share capital		2.7	3.5
New bank loans raised		25.0	17.5
Settlement of equity plans through market purchase of shares		(0.4)	(0.1)
Net cash outflow from financing activities		**(7.8)**	**(28.0)**
Net increase in cash and cash equivalents		18.7	5.4
Cash and cash equivalents at beginning of year		25.0	19.4
Effect of foreign exchange rate changes		(1.5)	0.2
Cash and cash equivalents at end of year	17	**42.2**	**25.0**

Company Statement of Cash Flows

for the financial year ended 31 December 2016

	Notes	2016 €m	2015 €m
Net cash inflow / (outflow) from operating activities	32	**30.7**	**(35.5)**
Cash flow from investing activities			
Dividend received from subsidiary		40.0	55.0
Purchases of property, plant and equipment		(31.8)	(1.9)
Purchases of intangible assets		(0.2)	(0.6)
Net cash inflow from investing activities		**8.0**	**52.5**
Cash flow from financing activities			
Dividends paid to equity holders of the Company		(21.0)	(19.9)
Repayments of obligations under finance leases		(0.3)	(0.3)
Proceeds on issue of ordinary share capital		2.7	3.5
Settlement of equity plans through market purchase of shares		(0.4)	(0.1)
Net cash outflow from financing activities		**(19.0)**	**(16.8)**
Net increase in cash and cash equivalents		19.7	0.2
Cash and cash equivalents at beginning of year		0.9	0.7
Cash and cash equivalents at end of year	17	**20.6**	**0.9**

Notes to the Financial Statements

for the financial year ended 31 December 2016

1. General information

Irish Continental Group plc (ICG) is a public limited company incorporated in Ireland. The addresses of its registered office and principal places of business are disclosed on the inside back cover of the Annual Report.

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 Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and as applied in accordance with the Companies Act 2014.

The Company has availed of the exemption contained in Section 304 (2) of the Companies Act 2014 which permits a company which publishes its Company and Group financial statements together to exclude the Company Income Statement and related notes that form part of the approved Company financial statements from the financial statements presented to its members and filed with the CRO.

Basis of preparation

The financial statements have been prepared under the historical cost convention except for the measurement of certain financial assets and financial liabilities at fair value.

All figures presented in the financial statements are in Euro and are rounded to the nearest one hundred thousand except where otherwise indicated.

The Consolidated Financial Statements include the information in the Remuneration Report that is described as being an integral part of the Consolidated Financial Statements.

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 over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its return.

In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date the Company ceases to control the subsidiary.

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

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

2. Summary of accounting policies - continued

New standards and interpretations

The Group adopted certain new and revised International Financial Reporting Standards (IFRSs) and Interpretations in the year. The impact of these is set out below.

The following standards and interpretations have been adopted since the last Annual Report but had no material impact on the Financial Statements:

Title	Effective date – periods beginning on or after
IFRS 5 (Amendment) Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
IFRS 7 (Amendment) Financial Instruments: Disclosures	1 January 2016
IFRS 10 (Amendments) Consolidated Financial Statements	1 January 2016
IFRS 11 (Amendment) Joint Arrangements	1 January 2016
IFRS 12 (Amendment) Disclosure of Interests in Other Entities	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IAS 1 (Amendment) Presentation of Financial Statements	1 January 2016
IAS 16 (Amendments) Property, Plant and Equipment	1 January 2016
IAS 19 (Amendment) Employee Benefits	1 January 2016
IAS 27 (Amendment) Consolidated and Separate Financial Statements	1 January 2016
IAS 28 (Amendments) Investments in Associates	1 January 2016
IAS 34 (Amendment) Interim Financial Reporting	1 January 2016
IAS 38 (Amendment) Intangible Assets	1 January 2016
IAS 41 (Amendment) Agriculture	1 January 2016

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:

Title	Effective date – periods beginning on or after
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 7 (Amendments) Statement of Cash Flows	1 January 2017
IAS 12 (Amendments) Income taxes	1 January 2017

The Company is currently assessing the impact in relation to the adoption of these standards and interpretations for future periods of the Group. Excluding IFRS 15 and IFRS 16 which are currently under review the Directors assess that at this point they do not believe the standards will have a significant impact on the financial statements of the Group in future periods.

2. Summary of accounting policies - continued

IFRS 16 — Leases

IFRS 16 sets out the principle for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases that have a term of greater than a year. The Group is currently evaluating the impact that IFRS 16 will have on its financial statements. On adoption of the standard the effects on the Group's financial statements will be dependent on the transition option chosen, the contractual terms at date of adoption and the Group's marginal borrowing costs. The principal known material long term leases that are expected to exist on the latest adoption date relate to long term leases of property. The application of IFRS16 to these leases is not expected to have a material effect on Group net assets, but may have a material effect individually on lease asset totals and lease liability totals. The effects on Group profits are also expected to be immaterial on a net basis with higher depreciation and interest charges largely offset by a reduction in operating expenses. IFRS 16 is expected to be endorsed by the EU during 2017.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 is a converged standard from the IASB and the Financial Accounting Standards Board (FASB) on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in Financial Statements globally. The Group is currently considering the implications of IFRS 15 and the implementation options available.

IFRS 9 — Financial Instruments

IFRS 9 replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group is currently considering the implications of IFRS 9 and it does not intend to apply IFRS 9 before the EU effective date.

Accounting policies applied in preparation of the financial statements for the financial year ended 31 December 2016

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from passenger and freight services supplied to third parties, net 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 are 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.

Finance Income

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.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

2. Summary of accounting policies - continued

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 sale 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 or 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 included in Revenue and 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.

Concession and Licence agreements

Revenue received in relation to a concession agreement is recognised in the income statement as earned under the terms of the agreement.

Payments made under concession agreements where the Group is the operator are charged to the income statement as incurred under the terms of the arrangement.

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

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 financial year.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's 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 below 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 financial 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 net interest cost on defined benefit obligations is recognised in the Consolidated Income Statement under finance costs in accordance with IAS 19 Employee Benefits.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

2. Summary of accounting policies - continued

Retirement benefit schemes

Defined benefit obligations

For defined benefit obligations, 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 costs, past service cost, or credit, and net interest expense or income are recognised in the Consolidated Income Statement. Adjustments in respect of a settlement, a curtailment and past service cost, or credit, are recognised in the Consolidated Income Statement in the period of a plan amendment. Remeasurement comprising, actuarial gains and losses is reflected in the Statement of Financial Position with a charge or credit recognised in the Consolidated Statement of Comprehensive Income in the period in which they occur.

The net interest cost on defined benefit obligations has been recorded in the Consolidated Income Statement under finance costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

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 obligation 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 retirement benefit obligation recognised in the Consolidated Statement of Financial Position represents the deficit or surplus in the Group's defined benefit obligations. Any surplus 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 pension schemes

Payments to defined contribution pension schemes 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 (other than in a business combination) 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

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 the Consolidated Statement of Comprehensive Income or is 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
Vessels
Vessels 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.

Depreciation on vessels is charged so as to write off the cost or deemed cost less residual value over the estimated economic useful life on a straight line basis. The amount initially recognised in respect of Ropax ships less estimated residual value, is allocated between hull and machinery and hotel and catering elements for depreciation purposes. In respect of LoLo vessels, all value is attributed to hull and machinery.

In considering residual values of 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. Any change in estimates are accounted for prospectively.

The estimated economic useful lives of vessels is as follows;

Hull	
• Conventional Ropax Ships	30 - 35 years
• Fast ferries	15 - 25 years
• LoLo	25 years
Hotel and Catering	10 years

For conventional ferries, hull and machinery components are depreciated over an initial estimated useful life of 30 years but this is reviewed on a periodic basis for vessels remaining in service 25 years after original construction.

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 certificate are capitalised as a separate component under vessels in the tangible fixed assets and depreciated over the period to expiry of certificate of between 1 to 5 years. Costs and accumulated depreciation relating to expired certificates are treated as disposals.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

2. Summary of accounting policies - continued

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 property, plant and equipment other than vessels but including leased assets is charged so as to write off the cost, other than freehold land and assets under construction, over the estimated economic 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. Borrowing costs directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of the assets up to the date of substantial completion.

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. Equity settled share based payments granted by the Company to employees of subsidiary companies are accounted for as an increase or decrease in the carrying value of the investment in subsidiary companies and the share options reserve.

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

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.

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.

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 cash equivalents

Cash and cash equivalents comprise cash on hand, 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.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

2. Summary of accounting policies - 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 fair value, net of transaction costs incurred. 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 uses 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.

2. Summary of accounting policies - continued

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.

Financial guarantee contracts
Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other parties, the Group considers these to be insurance arrangements and accounts for them as such. The Group treats the guarantee contract as a contingent liability until such time it becomes probable that the Group will be required to make a payment under the guarantee.

Share-based payments
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 benefits 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. A liability for a termination benefit is recognised at the earlier of when an entity can no longer withdraw the offer of the termination benefit and the entity recognises any related restructuring costs.

Distributions
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 items arising from continuing operations. Non-trading items are material non-recurring items that derive 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 the net interest cost on defined benefit obligations and non-trading items.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

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. 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:

Estimates

Post-employment benefits

The Group's and Company's total obligation in respect of defined benefit obligations 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 assets is also sensitive to asset return levels and the level of contributions from the Group and Company. Further details are set out in note 30.

The Group and Company is a participating employer in the Merchant Navy Officer Pension Fund (MNOPF), a multi-employer defined benefit obligation. The MNOPF is in deficit. Under the rules of the fund all employers are jointly and severally liable for the deficit. The deficit included in the Financial Statements for the Group and Company represents an apportionment of the overall scheme deficit based on notification received from the trustees which is currently 1.53% for the Group and 0.51% for the Company, less any deficit payments made. 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.

Going concern

The Directors have satisfied themselves that the Group and Company are going concerns and will have adequate financial resources to continue in operational existence for the foreseeable future. In forming their view the Directors have taken into consideration the net current liabilities position of €41.9 million shown in the financial statements and the future financial requirements of the Group and Company. The Directors have also considered the likely availability of replacement loan facilities on normal terms and covenants to replace the existing bank facilities which have a maturity in September 2017. In forming this view the Directors have considered the future cash requirements of the Group's business in the context of the current economic environment outlook, the principal risks and uncertainties facing the Group (pages 38 to 39), the Group's 2017 budget plan and the medium term strategy of the Group, including capital investment plans.

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 change 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 12.

Uncertainity

Impairment

The Group assessed its property, plant & equipment and intangible 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. At 31 December 2016, no internal or external indications of impairment were identified for assets and consequently no impairment review was performed. In the prior year, following a change of operations in Belfast, certain terminal equipment became surplus to operational requirements. At 31 December 2015 no decision had been taken as to the future use of the equipment within the Company. On the basis there was no future revenue streams attributable to the assets, the Directors imputed an impairment charge of €0.6 million.

4. Segmental information

Revenue

The following is an analysis of the Group's revenue for the financial year:

	2016 €m	2015 €m
Ferries	209.8	203.9
Container & Terminal	123.9	118.2
Inter-segment	(8.3)	(1.5)
Total	**325.4**	**320.6**

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 Ferries segment derives its revenue from the operation of combined RoRo passenger ferries and the chartering of vessels. The Container & Terminal segment derives its revenue from the provision of door-to-door and feeder LoLo freight services, stevedoring and other related terminal services.

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

Revenue	Ferries €m	Container & Terminal €m	Inter- segment €m	Total €m
2016				
External revenue	202.7	122.7	-	325.4
Inter-segment revenue	7.1	1.2	(8.3)	-
Total	**209.8**	**123.9**	**(8.3)**	**325.4**
2015				
External revenue	203.6	117.0	-	320.6
Inter-segment revenue	0.3	1.2	(1.5)	-
Total	**203.9**	**118.2**	**(1.5)**	**320.6**

Inter-segment revenue is at prevailing market prices. The inter-segment revenue in the Ferries Division in 2016 of €7.1 million (2015: €0.3 million) primarily relates to the container vessels MV Elbtrader, MV Elbcarrier and MV Elbfeeder which are on time charter to the Group's container shipping subsidiary Eucon.

An analysis of the Group's revenue is as follows:

	2016 €m	2015 €m
Passenger	117.3	122.7
Freight	199.4	193.9
Chartering and other	8.7	4.0
Total	**325.4**	**320.6**

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

4. Segmental information - continued

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

	Ferries		Container & Terminal		Total	
	2016	2015	2016	2015	2016	2015
	€m	€m	€m	€m	€m	€m
Result						
Operating profit	52.3	48.1	10.3	9.1	62.6	57.2
Finance Income	0.1	0.1	-	-	0.1	0.1
Finance costs	(2.2)	(3.0)	(0.1)	(0.2)	(2.3)	(3.2)
Profit before tax	50.2	45.2	10.2	8.9	60.4	54.1
Income tax expense	(0.9)	(0.5)	(0.7)	0.1	(1.6)	(0.4)
Profit for the financial year	49.3	44.7	9.5	9.0	58.8	53.7
Statement of Financial Position						
Assets						
Segment assets	202.1	174.8	47.3	44.6	249.4	219.4
Cash and cash equivalents	37.2	23.1	5.0	1.9	42.2	25.0
Consolidated total assets	239.3	197.9	52.3	46.5	291.6	244.4
Liabilities						
Segment liabilities	44.1	40.6	23.0	19.0	67.1	59.6
Borrowings	78.9	67.3	1.2	2.0	80.1	69.3
Consolidated total liabilities	123.0	107.9	24.2	21.0	147.2	128.9
Other segment information						
Capital additions	51.4	32.1	5.6	2.9	57.0	35.0
Depreciation and amortisation	18.4	15.6	2.5	2.7	20.9	18.3

Geographic analysis of revenue by origin of booking

	2016	2015
Revenue	€m	€m
Ireland	163.2	153.6
United Kingdom	66.7	69.5
Netherlands	53.4	52.0
Belgium	26.5	26.9
France	7.6	7.1
Other	8.0	11.5
Total	**325.4**	**320.6**

4. Segmental information - continued

Geographic analysis of location of property, plant and equipment

	2016	2015
Property, plant and equipment	€m	€m
Vessels at sea / assets in transit / under construction		
Vessels	170.9	135.7
Containers	5.0	4.4
	175.9	140.1
On Shore		
Ireland	27.3	27.4
Other	1.1	2.5
	28.4	29.9
Carrying amount at 31 December	**204.3**	**170.0**

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

5. Employee benefits expense

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

	2016	2015
	€m	€m
Ferries	214	217
Container & Terminal	96	100
	310	**317**
The number of employees at the financial year end was	**302**	**316**

Aggregate costs of employee benefits were as follows:

	2016	2015
	€m	€m
Wages and salaries	18.0	17.8
Social insurance costs	1.8	1.8
Defined benefit obligations - current service cost (note 30a vii)	1.9	1.9
Defined contribution pension scheme – pension cost (note 30a)	0.1	0.1
Past service credit (note 30a vii)	-	(0.3)
Share-based payment expense (note 29)	0.2	0.1
Total employee benefit expense	**22.0**	**21.4**

There were no employees in the Company during the financial year ended 31 December 2016 (2015: nil). Costs of €3.2 million (2015: €3.0 million) were recharged to the Company from subsidiary companies in relation to management services.

No staff costs were capitalised during the financial year (2015: nil) for the Group or the Company.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

6. Finance Income

	2016 €m	2015 €m
Interest on bank deposits	0.1	0.1
Total Finance Income	**0.1**	**0.1**

7. Finance costs

	2016 €m	2015 €m
Interest on bank overdrafts and loans	2.1	2.5
Interest on obligations under finance leases	0.2	0.3
Net interest cost on defined benefit obligations (note 30a vii)	-	0.4
Total finance costs	**2.3**	**3.2**

8. Income tax expense

	2016 €m	2015 €m
Current tax	2.0	0.7
Deferred tax (note 22)	(0.4)	(0.3)
Total income tax expense for the financial year	**1.6**	**0.4**

The Company and its Irish tax resident subsidiaries have elected to be taxed under the Irish tonnage tax scheme. Under the tonnage tax scheme, 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 scheme. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. Income tax expense - continued

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

	2016 €m	2015 €m
Profit before tax	60.4	54.1
Tax at the domestic income tax rate of 12.5% (2015: 12.5%)	7.6	6.8
Effect of tonnage relief	(5.8)	(5.5)
Net utilisation of tax losses	(0.1)	(0.3)
Difference in effective tax rates	0.2	-
Other items	(0.3)	(0.6)
Income tax expense recognised in the Consolidated Income Statement	**1.6**	**0.4**

9. Profit for the year

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

	2016 €m	2015 €m
Gain on disposal of property, plant and equipment	(0.3)	(0.1)
Foreign exchange losses / (gains)	2.5	(1.3)
Fuel cost	32.2	39.0
Amortisation of intangible assets (note 13)	0.4	0.4
Depreciation of property, plant and equipment (note 12)	20.6	18.0
	21.0	18.4
Amortisation of deferred grant (note 25)	(0.1)	(0.1)
Net depreciation and amortisation expense	20.9	18.3

Auditors' remuneration:	€'000	€'000
- Audit of Group financial statements	193	186
- Audit of the Subsidiary financial statements	25	25
- Other assurance services	-	-
- Tax advisory services	43	44
- Other non-audit services	6	3
	267	258

Disclosure of Directors' emoluments as required by Section 305 Companies Act 2014, is given in the Report of the Remuneration Committee and is included within the financial statements by way of a cross reference.

The Company's profit for the financial year determined in accordance with IFRS as adopted by the EU was €39.6 million (2015: €50.6 million).

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

10. Dividends

	2016 €m	2015 €m
Final dividend of 7.387c per ICG Unit for financial year ended 31 December 2015 (2014: 7.035c)	13.8	13.1
Interim dividend of 3.820c per ICG Unit for the financial year ended 31 December 2016 (2015: 3.638c)	7.2	6.8
	21.0	19.9

The Board is proposing a final dividend of 7.760 cent per ICG Unit amounting to €14.6 million in respect of the results for the financial year ended 31 December 2016.

11. Earnings per share

	2016 '000	2015 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	187,536	185,776
Effect of dilutive potential ordinary shares: Share options	1,692	2,806
Weighted average number of ordinary shares for the purpose of diluted earnings per share	189,228	188,582

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 18).

The earnings used in both the adjusted basic and adjusted diluted earnings per share are adjusted to take into account the net interest on defined benefit obligations (note 30a).

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

Earnings	2016 €m	2015 €m
Earnings for the purposes of basic and diluted earnings per share -		
Profit for the financial year attributable to equity holders of the parent	58.8	53.7
Net interest cost on defined benefit obligations	-	0.4
Earnings for the purposes of adjusted basic and diluted earnings per share	58.8	54.1

	2016 Cent	2015 Cent
Basic earnings per share	31.4	28.9
Diluted earnings per share	31.1	28.5
Adjusted basic earnings per share	31.4	29.1
Adjusted diluted earnings per share	31.1	28.7

11. Earnings per share - continued

Diluted earnings per ordinary share

Diluted earnings per Ordinary Share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume the exercise of all vested share option awards at 31 December. Share option awards which have not yet satisfied the required performance conditions for vesting are excluded from the calculation. The dilutive effect of vested share options is calculated as the difference in the average market value during the period and the option price expressed as a percentage of the average market value. Share options outstanding at 31 December are set out in note 29. Of the 2,866,500 (2015: 4,815,000) vested options at 31 December 2016, the dilutive effect is 1,692,000 ordinary shares (2015: 2,806,000 ordinary shares).

12. Property, plant and equipment

Group	Assets under Construction €m	Vessels €m	Plant and Equipment €m	Vehicles €m	Land and Buildings €m	Total €m
Cost						
At 1 January 2015	-	302.3	54.9	1.4	25.1	383.7
Additions	-	31.1	3.2	-	0.1	34.4
Exchange differences	-	-	0.3	-	-	0.3
Disposals	-	(5.7)	(0.3)	(0.3)	-	(6.3)
Impairment	-	-	(0.6)	-	-	(0.6)
At 1 January 2016	-	327.7	57.5	1.1	25.2	411.5
Additions	31.8	21.0	2.3	0.3	1.3	56.7
Exchange differences	-	(0.5)	(0.6)	-	-	(1.1)
Disposals	-	(6.0)	(2.7)	(0.4)	-	(9.1)
At 31 December 2016	**31.8**	**342.2**	**56.5**	**1.0**	**26.5**	**458.0**
Accumulated depreciation						
At 1 January 2015	-	183.5	37.2	0.9	8.1	229.7
Depreciation charge for the financial year	-	14.2	3.2	0.2	0.4	18.0
Eliminated on disposals	-	(5.7)	(0.3)	(0.3)	-	(6.3)
Exchange difference	-	-	0.1	-	-	0.1
At 1 January 2016	-	192.0	40.2	0.8	8.5	241.5
Depreciation charge for the financial year	-	17.1	3.0	0.2	0.3	20.6
Eliminated on disposals	-	(6.0)	(1.8)	(0.3)	-	(8.1)
Exchange difference	-	-	(0.3)	-	-	(0.3)
At 31 December 2016	**-**	**203.1**	**41.1**	**0.7**	**8.8**	**253.7**
Carrying amount						
At 31 December 2015	-	135.7	17.3	0.3	16.7	170.0
At 31 December 2016	**31.8**	**139.1**	**15.4**	**0.3**	**17.7**	**204.3**

Notes to the Financial Statements
for the financial year ended 31 December 2016 - continued

12. Property, plant and equipment - continued

Under the terms of the amortising term loan facility, statutory mortgages securing amounts outstanding under that facility have been registered on certain of the Group's vessels. At 31 December 2016, the amount outstanding under that facility was €37.7 million (2015: €50.7 million) and the vessels that are subject to the mortgages had a net book value of €53.1 million (2015: €57.1 million).

Assets held under finance leases are secured by the lessors' title to the leased assets.

The carrying amount of the Group's plant and equipment includes an amount of €2.3 million (2015: €3.9 million) in respect of assets held under finance leases.

Company	Assets under Construction €m	Plant And Equipment €m	Vehicles €m	Land and Buildings €m	Total €m
Cost					
At 1 January 2015	-	6.8	0.1	0.1	7.0
Additions	-	1.9	-	-	1.9
Disposals	-	(1.9)	-	-	(1.9)
At 1 January 2016	-	6.8	0.1	0.1	7.0
Additions	29.6	2.2	-	-	31.8
Disposals	-	(1.7)	-	-	(1.7)
At 31 December 2016	**29.6**	**7.3**	**0.1**	**0.1**	**37.1**
Accumulated depreciation					
At 1 January 2015	-	4.8	0.1	0.1	5.0
Depreciation charge for the financial year	-	2.4	-	-	2.4
Eliminated on disposals	-	(1.9)	-	-	(1.9)
At 1 January 2016	-	5.3	0.1	0.1	5.5
Depreciation charge for the financial year	-	2.7	-	-	2.7
Eliminated on disposals	-	(1.7)	-	-	(1.7)
At 31 December 2016	**-**	**6.3**	**0.1**	**0.1**	**6.5**
Carrying amount					
At 31 December 2015	-	1.5	-	-	1.5
At 31 December 2016	**29.6**	**1.0**	**-**	**-**	**30.6**

The carrying amount of the Company's plant and equipment includes an amount of €0.8 million (2015: €1.1 million) in respect of assets held under finance leases.

In accordance with IAS 16, the 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.

12. Property, plant and equipment - continued

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 €0.2 million (2015: €0.1 million) decrease / increase on depreciation in the Consolidated Income Statement and a €0.2 million (2015: €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 would have a €1.4 million (2015: €1.1 million) decrease / €1.8 million (2015: €1.4 million) increase in depreciation in the Consolidated Income Statement, and a €1.4 million (2015: €1.1 million) increase / €1.8 million (2015: €1.4 million) decrease on the carrying value of property, plant and equipment in the Statement of Financial Position.

In the Company the asset under construction amount relates to initial payments in relation to the new build announced on 31 May 2016. ICG have entered into an agreement with the German company Flensburger Schiffbau-Gesselschaft & Co.KG ("FSG") whereby FSG has agreed to build a cruise ferry for ICG at a contract price of €144 million to be delivered during 2018. Capitalised interest costs of €0.2m and €nil staff costs are included within the aggregated amount. Group assets under construction also include payments under other contracts to deliver certain items of property, plant and equipment in 2017. At the balance sheet date, the Group and Company had paid €31.8 million and €29.6 million respectively under contractual agreements, of which €22.2 million and €20.0 million represents work completed at the balance sheet date.

13. Intangible assets

	Group 2016 €m	Group 2015 €m	**Company 2016 €m**	Company 2015 €m
Cost				
At 1 January	10.2	9.6	9.6	9.0
Additions	0.3	0.6	0.2	0.6
At 31 December	**10.5**	**10.2**	**9.8**	**9.6**
Amortisation				
At 1 January	9.3	8.9	8.8	8.5
Charge for the financial year	0.4	0.4	0.3	0.3
At 31 December	**9.7**	**9.3**	**9.1**	**8.8**
Carrying amount				
At 1 January	0.9	0.7	0.8	0.5
At 31 December	**0.8**	**0.9**	**0.7**	**0.8**

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

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

14. Investment in subsidiaries

Company	2016	2015
	€m	€m
Investment in subsidiaries at beginning of the financial year	11.7	12.1
Movement related to share options allocated to employees in subsidiaries	-	(0.4)
Investment in subsidiaries at end of the financial year	11.7	11.7

The movement related to share options represents share options attributable to employees of subsidiary companies.

The composition of the Group and the Company's principal subsidiaries at 31 December 2016 is 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
Eucon Shipping & Transport Limited	Ireland	100%	100%	Container shipping services
Irish Continental Line Limited	Ireland	100%	100%	Ship leasing
Irish Ferries Services Limited	Ireland	100%	100%	Administration services
Belfast Container Terminal (BCT) Limited	Northern Ireland	100%	100%	Container handling
Irish Ferries (U.K.) Limited	United Kingdom	100%	100%	Shipping & forwarding agents
Eurofeeders Limited	United Kingdom	100%	100%	Shipping & forwarding agents
Irish Ferries (U.K.) Services Limited	United Kingdom	100%	100%	Administration services
Zatarga Limited	Isle of Man	100%	100%	Ship leasing
Contarga Limited	Ireland	100%	100%	Ship leasing

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

The registered office for Belfast Container Terminal Limited is 1 Lanyon Place, The Soloist Building, Belfast BT1 3LP, Northern Ireland.

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

The registered office for Eurofeeders Limited is Collins House, Rutland Square, Edinburgh, Midlothian EH1 2AA, Scotland.

The registered office for Zatarga Limited is Merchants House, 24 North Quay, Douglas IM1 4LE, Isle of Man.

15. Inventories

	Group 2016 €m	Group 2015 €m	Company 2016 €m	Company 2015 €m
Fuel and lubricating oil	2.1	1.6	0.1	0.1
Catering and other stocks	0.2	0.3	0.3	0.3
	2.3	1.9	0.4	0.4

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

Cost of inventories recognised as an expense in the Consolidated Income Statement amounted to €39.0 million during the financial year (2015: €45.5 million).

16. Trade and other receivables

	Group 2016 €m	Group 2015 €m	Company 2016 €m	Company 2015 €m
Trade receivables	35.1	33.0	1.1	1.2
Allowance for doubtful debts	(1.4)	(1.4)	-	-
	33.7	31.6	1.1	1.2
Prepayments	4.8	5.7	0.2	0.2
Amounts due from subsidiary companies	-	-	115.7	115.1
Other receivables	1.1	3.7	0.4	2.9
	39.6	41.0	117.4	119.4

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. Year-end trade receivables represent 39 days sales at 31 December 2016 (2015: 38 days).

The Group's trade receivables are analysed as follows:

	Gross value 2016 €m	Impairment 2016 €m	Net value 2016 €m	Gross value 2015 €m	Impairment 2015 €m	Net value 2015 €m
Not past due						
-Within terms	32.7	(1.1)	31.6	30.5	(0.9)	29.6
Past due						
-Within 3 months	1.9	(0.2)	1.7	2.3	(0.4)	1.9
-After 3 months	0.5	(0.1)	0.4	0.2	(0.1)	0.1
	35.1	**(1.4)**	**33.7**	**33.0**	**(1.4)**	**31.6**

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

16. Trade and other receivables - continued

The amounts presented in the Statement of Financial Position are net of allowances for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Movement in the allowance for doubtful debts

	Group 2016 €m	Group 2015 €m
Balance at beginning of the financial year	1.4	1.3
Increase in allowance during the financial year	-	0.1
Balance at end of the financial year	1.4	1.4

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 allowance required in excess of the allowance for doubtful 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 2016.

17. 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 2016 €m	Group 2015 €m	**Company 2016 €m**	Company 2015 €m
Cash and cash equivalents	42.2	25.0	20.6	0.9
Cash and cash equivalents	**42.2**	**25.0**	**20.6**	**0.9**

Cash and cash equivalents comprise cash held by the Group and Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. The Directors consider the credit risk of these counterparties to be compatible with the Group's credit policy and operational requirements.

17. Cash and cash equivalents - continued

The geographic spread by deposit institution for the Group was as follows:

	Group 2016 €m	Group 2015 €m	Company 2016 €m	Company 2015 €m
Ireland	40.5	22.9	20.6	0.9
United Kingdom	0.2	0.8	-	-
Europe	1.5	1.3	-	-
Total	42.2	25.0	20.6	0.9

The cash and cash equivalents figure of €42.2 million at 31 December 2016 includes a deposit of €1.4 million (2015: €0.9 million) which the Group has granted a charge in favour of the Irish Ferries Pension Trustee DAC as continuing security for amounts due under a deficit funding agreement concluded with the Trustee on behalf of the Irish Ferries Limited Pension Scheme.

18. Share capital

Group and Company

Authorised	2016 Number	2016 €m	2015 Number	2015 €m
Ordinary shares of par value €0.065 each	450,000,000	29.3	450,000,000	29.3
Redeemable shares of par value €0.00001 each	4,500,000,000	0.0	4,500,000,000	0.0
		29.3		**29.3**

Allotted, called up and fully paid	2016 Number	2016 €m	2015 Number	2015 €m
Ordinary shares				
At beginning of the financial year	186,471,890	12.1	184,526,890	12.0
Share issue	1,837,500	0.1	1,945,000	0.1
At end of the financial year	188,309,390	12.2	186,471,890	12.1

The Company has one class of share unit, an ICG Unit, which at 31 December 2016 comprised one ordinary share and nil redeemable shares. The share unit, nor any share therein, carries no right to fixed income

The number of ICG Units issued during the year was 1,837,500 (2015: 1,945,000) and total consideration received amounted to €2.7 million (2015: €3.5 million). These ICG Units were issued under the Group's and Company's share option plans.

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. At a General Meeting of the Company on 22 May 2014, shareholders approved redemption at par and the cancellation of all of the Company's issued Redeemable Shares which was implemented on 6 June 2014.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

19. 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 2016 the reserve balance stands at €0.1 million. The balance is unchanged from 1 January 2015 and 1 January 2016.

The capital redemption reserve represents the nominal value of share capital repurchased. At 31 December 2016 the reserve balance stands at €7.2 million (2015: €7.2 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 cumulative amount of gains and losses on hedging instruments arising from effective cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in the Income Statement only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign currency denominated subsidiaries, from their functional currency into the parent's functional currency, being Euro, are recognised directly in the translation reserve.

20. Borrowings

	Group 2016 €m	Group 2015 €m	**Company 2016 €m**	Company 2015 €m
Bank loans	77.7	65.7	-	-
Finance lease liabilities	2.4	3.6	0.9	1.2
	80.1	69.3	0.9	1.2
The borrowings are repayable as follows:				
On demand or within one year	78.4	14.0	0.3	0.3
In the second year	0.7	53.5	0.3	0.3
In the third year	0.6	0.7	0.3	0.3
In the fourth year	0.3	0.6	-	0.3
Fifth year and after	0.1	0.5	-	-
	80.1	69.3	0.9	1.2
Less: Amount due for settlement within 12 months	(78.4)	(14.0)	(0.3)	(0.3)
Amount due for settlement after 12 months	1.7	55.3	0.6	0.9

20. Borrowings - continued

Under the terms of the amortising term loan facility, the Group has (i) granted statutory mortgages securing amounts outstanding under that facility of €37.7 million at 31 December 2016 (2015: €50.7 million), registered on certain of the Group's vessels (ii) granted a floating charge over the remaining assets of Zatarga Limited.

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

The currency profile of the Group's borrowings are set out in note 21 (iii).

Company lease obligations at 31 December 2016 of €0.9 million (2015: €1.2 million) are denominated in Euro.

Group finance leases	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	€m	€m	**€m**	€m
Amounts payable under finance leases:				
Within one year	0.8	1.2	0.6	1.0
In the second to fifth years inclusive	1.9	2.6	1.8	2.4
After five years	-	0.2	-	0.2
	2.7	4.0	2.4	3.6
Less: future finance charges	(0.3)	(0.4)	-	-
Present value of lease obligations	2.4	3.6	2.4	3.6
Less: amount due for settlement within 12 months	(0.7)	(1.0)	(0.7)	(1.0)
Amount due for settlement after 12 months	1.7	2.6	1.7	2.6

Company finance leases	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	€m	€m	**€m**	€m
Amounts payable under finance leases:				
Within one year	0.3	0.3	0.3	0.3
In the second to fifth years inclusive	0.7	1.1	0.6	0.9
	1.0	1.4	0.9	1.2
Less: future finance charges	(0.1)	(0.2)	-	-
Present value of lease obligations	0.9	1.2	0.9	1.2
Less: amount due for settlement within 12 months	(0.3)	(0.3)	(0.3)	(0.3)
Amount due for settlement after 12 months	0.6	0.9	0.6	0.9

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 financial year ended 31 December 2016, the average effective lease borrowing rate was 5.5% (2015: 5.5%) in the Group and 5.6% (2015: 5.6%) in the Company. Interest rates are fixed at the contract date, and thus expose the Group and Company to fair value interest rate risk. All leases are on a fixed repayment basis.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

20. Borrowings - continued

Bank loan facilities

	Group 2016 €m	Group 2015 €m	Company 2016 €m	Company 2015 €m
Unsecured bank overdraft and trade guarantee facility:				
Amount utilised – bank overdraft	-	-	-	-
Amount utilised – trade guarantee	0.7	0.7	-	-
Amount undrawn	14.3	14.3	14.3	14.3
	15.0	15.0	14.3	14.3
Unsecured bank loan facility:				
Amount drawn	40.0	15.0	-	-
Amount undrawn	-	25.0	-	25.0
	40.0	40.0	-	25.0
Secured bank amortising term loan facility:				
Amount outstanding	37.7	50.7	-	-

At 31 December the Group had total committed facilities of €92.7 million (2015: €105.7 million) which comprised of amounts utilised of €78.4 million (2015: €66.4 million) and amounts undrawn of €14.3 million (2015: €39.3 million).

The weighted average interest rates paid during the financial year were as follows:

	Group 2016	Group 2015	Company 2016	Company 2015
Bank overdrafts	0.7%	0.9%	0.7%	0.9%
Bank loans	2.9%	3.2%	-	-

20. Borrowings - continued

The Group has the following borrowing facilities available with its lenders;

(i) A bank overdraft and trade guarantee facility with permitted drawing amounts of €15.0 million. At 31 December 2016, €0.7 million (2015: €0.7 million) was utilised on this facility by way of trade guarantees and €nil was utilised as an overdraft. The maturity date of the bank overdraft and trade guarantee facility is June 2017. Interest rates are calculated by reference to the lenders prime rate plus a fixed margin. This facility, available for drawing by the Company and certain subsidiaries, is reviewed annually and is repayable on demand. This facility is unsecured but is cross guaranteed between certain subsidiaries within the Group.

(ii) A multicurrency revolving credit facility with permitted drawing amounts of €40.0 million. At 31 December 2016, €40.0 million (2015: €15.0 million) was drawn under this facility. Interest rates are arranged at floating rates, calculated by reference to EURIBOR or LIBOR settings depending on currency drawn plus an agreed margin which varies with the Group's net debt to EBITDA ratio, which creates a cash flow interest rate risk. This facility is available for drawing by the Company and certain subsidiaries and matures on 30 September 2017. This facility is unsecured but is cross guaranteed between certain subsidiaries within the Group.

(iii) An amortising term loan facility with an outstanding balance at 31 December 2016 of €37.7 million (2015: €50.7 million). This is repayable in quarterly instalments together with a final payment of €31.2 million on maturity on 30 September 2017. The interest rate is calculated by reference to EURIBOR plus a fixed margin. Under the facility terms the floating interest rate has been swapped for fixed rates to match exactly the quarterly principal repayments. The derivative financial instrument underlying this swap has been fair valued at 31 December 2016 as set out in note 21(i). This facility is secured by vessel mortgages on certain of the Group's vessels and by a floating charge over the assets of Zatarga Limited.

The Group's financing facilities contain provisions that where there is a change in control of the company, lenders may cancel the facilities and declare all utilisations immediately due and payable. A change of control is where any person or group of persons acting in concert becomes the owner of more than fifty per cent of the voting share capital of the Company.
In the opinion of the Directors, the Group and Company are in compliance with the covenants contained in its banking agreements as of 31 December 2016.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

21. Financial instruments and risk management

The Group's activities expose it to a variety of financial risks including interest rate risk, foreign currency risk, liquidity risk, credit risk, market risk and commodity price 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 pages 40 to 41 for further disclosures.

(i) Categories of financial instruments
Financial assets and liabilities

2016	**Loans and receivables at amortised cost**	**Cash flow hedges at fair value**	**Financial liabilities at amortised cost**	**Carrying value**	**Fair value**
	€m	**€m**	**€m**	**€m**	**€m**
Trade and other receivables	39.6	-	-	39.6	39.6
Cash and cash equivalents	42.2	-	-	42.2	42.2
Borrowings	-	-	80.1	80.1	80.5
Derivative financial instruments	-	0.2	-	0.2	0.2
Trade and other payables	-	-	46.7	46.7	46.7

2015	Loans and receivables at amortised cost	Cash flow hedges at fair value	Financial liabilities at amortised cost	Carrying value	Fair value
	€m	€m	€m	€m	€m
Trade and other receivables	41.0	-	-	41.0	41.0
Cash and cash equivalents	25.0	-	-	25.0	25.0
Borrowings	-	-	69.3	69.3	66.3
Derivative financial instruments	-	0.5	-	0.5	0.5
Trade and other payables	-	-	43.0	43.0	43.0

Fair value hierarchy

The fair value of financial assets and financial liabilities that are carried in the Statement of Financial Position at fair value, are classified within Level 2 (2015: Level 2) of the fair value hierarchy as market observable inputs (forward rates and yield curves) which are used in arriving at fair values.

The Group has adopted the following fair value measurement hierarchy for financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

21. Financial instruments and risk management - continued

Trade and other receivables / payables

For trade receivables and trade payables, with average settlement periods of 39 days (2015: 38 days) and 72 days (2015: 64 days) respectively the carrying value less allowance for doubtful debts, where appropriate, is estimated to reflect fair value.

Cash and cash equivalents

For cash and cash equivalents, all with a maturity of three months or less, the nominal amount is estimated to reflect fair value.

Borrowings

The fair value of bank loans has been determined based on a discounted cash flow analysis with the most significant input being the discount rate reflecting the Group's own credit risk. For finance leases the Group considers that the implicit interest rate used to calculate the carrying value includes a fair estimate of counterparty risk and the carrying value approximates fair value.

Derivative financial instruments

Derivative financial instruments are measured in the Statement of Financial Position at fair value. The fair values of derivative financial instruments which comprised interest rate swaps is based on the movement in the market cost of credit derivatives between the commencement and the balance sheet date. The fair value of derivative financial instruments was a liability of €0.2 million as at 31 December 2016 (2015: €0.5 million) and consisted entirely of interest rate swaps.

(ii) Interest rate risk

The Group has an exposure to interest rate risk arising on changes in Euro and Sterling interest rates.

Interest rates on finance leases payable are fixed at the contract date for the lease term. Under the terms of its bank loan facilities the Group has swapped the floating interest rate on the amortising term loan for fixed rates to match the loan amortisation schedule for the loan term. At 31 December 2016, 50% (2015: 78%) of Group borrowings were at fixed rates at an average effective rate of 3.5% (2015: 3.5%) with an average repricing period of 0.9 years (2015: 1.9 years). The agreement to fix interest rates has exposed the Group to fair value interest rate risk and the derivative instrument to effect this was fair valued at 31 December 2016 as a liability of €0.2 million (2015: €0.5 million).

At 31 December 2016, interest rates on short term bank deposits and short term borrowings were contracted for terms of less than three months at average effective rates of 0.1% (2015: 0.4%) and 1.7% (2015: 1.7%) respectively.

Sensitivity

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 2016, 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 2016 and 31 December 2015 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 one percentage point increase or decrease in market interest rates for all currencies in which the Group had borrowings and derivative financial instruments at 31 December 2016 would have decreased or increased profit before tax and equity by approximately €0.4 million (2015: €0.2 million).

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

21. 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.

Sensitivity

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

Under the assumptions; (i) a 10% strengthening in Euro exchange rates against all currencies, profit before tax would have increased by €1.1 million (2015: €0.6 million) and equity (before tax effects) would have decreased by €0.3 million (2015: €0.2 million); (ii) a 10% weakening in Euro exchange rates against all currencies, profit before tax would have decreased by €1.4 million (2015: €0.7 million) and equity (before tax effects) would have increased by €0.4 million (2015: €0.2 million).

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

2016	**Euro**	**Sterling**	**US Dollar**	**Total**
	€m	**€m**	**€m**	**€m**
Trade and other receivables[1]	34.0	6.8	0.2	41.0
Cash and cash equivalents	33.1	8.9	0.2	42.2
Total assets	67.1	15.7	0.4	83.2
Trade and other payables	32.8	10.6	3.3	46.7
Bank loans	77.7	-	-	77.7
Derivative financial instruments	0.2	-	-	0.2
Finance leases	2.4	-	-	2.4
Total liabilities	113.1	10.6	3.3	127.0
Net current (liabilities) / assets	**(46.0)**	**5.1**	**(2.9)**	**(43.8)**

2015	Euro	Sterling	US Dollar	Total
	€m	€m	€m	€m
Trade and other receivables[1]	32.3	7.7	2.4	42.4
Cash and cash equivalents	9.2	15.6	0.2	25.0
Total assets	41.5	23.3	2.6	67.4
Trade and other payables	31.3	9.8	1.9	43.0
Bank loans	65.7	-	-	65.7
Derivative financial instruments	0.5	-	-	0.5
Finance leases	3.0	0.6	-	3.6
Total liabilities	100.5	10.4	1.9	112.8
Net current (liabilities) / assets	**(59.0)**	**12.9**	**0.7**	**(45.4)**

1. Excludes allowance for doubtful debts

21. Financial instruments and risk management - continued

(iv) Commodity price risk

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 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 Group's policy has been to purchase these commodities in the spot markets and to remain unhedged. 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.

(v) Liquidity risk

The Group and Company is exposed to liquidity risk which arises primarily from the maturing of short-term and long-term debt obligations and derivative transactions. The Group and Company'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 and Company:

- monitors credit ratings of institutions with which the Group and Company maintains cash balances;
- 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 and Company's rolling liquidity reserve (which comprises cash and undrawn committed facilities and which represents the amount of available cash headroom in the Group and Company's funding structure) was as follows:

	Group 2016 €m	Group 2015 €m	**Company 2016 €m**	Company 2015 €m
Cash and cash equivalents	42.2	25.0	20.6	0.9
Committed undrawn facilities	14.3	39.3	14.3	39.3
Liquidity reserve	56.5	64.3	34.9	40.2

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

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

21. Financial instruments and risk management - continued

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 2016	Weighted average period until maturity	Carrying amount	Contractual amount	Less than 1 year	Between 1 – 2 years	Between 2 – 5 years	More than 5 years
	Years	€m	€m	€m	€m	€m	€m
Liabilities							
Trade and other payables		46.7	46.7	46.7	-	-	-
Bank loans	0.7	77.7	78.1	78.1	-	-	-
Finance leases	1.9	2.4	2.7	0.8	0.7	1.2	-
Derivative financial instruments	0.7	0.2	0.2	0.2	-	-	-
Total liabilities		**127.0**	**127.7**	**125.8**	**0.7**	**1.2**	**-**

Liquidity Table 2015	Weighted average period until maturity	Carrying amount	Contractual amount	Less than 1 year	Between 1 – 2 years	Between 2 – 5 years	More than 5 years
	Years	€m	€m	€m	€m	€m	€m
Liabilities							
Trade and other payables		43.0	43.0	43.0	-	-	-
Bank loans	1.3	65.7	68.2	14.6	53.6	-	-
Finance leases	2.1	3.6	4.0	1.2	0.9	1.7	0.2
Derivative financial instruments	1.1	0.5	0.5	0.3	0.2	-	-
Total liabilities		**112.8**	**115.7**	**59.1**	**54.7**	**1.7**	**0.2**

(vi) Credit risk

The Group and Company 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. Credit risk in relation to trade and other receivables and cash and cash equivalents has been discussed in notes 16 and 17 respectively. The maximum exposure to credit risk is represented by the carrying amounts in the Statement of Financial Position.

21. Financial instruments and risk management - continued

(vii) 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 financial years ended 31 December 2016 and 31 December 2015.

The capital structure of the Group consists of net debt (borrowings as detailed in note 20 offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in notes 18 and 19).

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 policy requirements were achieved at 31 December 2016 and 31 December 2015. At 31 December 2016, the ratio of consolidated net debt as a multiple of EBITDA (reported basis) improved to 0.5 times (2015: 0.6 times).

(viii) Derivative financial instruments

The fair value of derivative financial instruments at 31 December 2016 was a liability of €0.2 million (2015: €0.5 million). All cash flow hedges were effective and fair value losses of €0.1 million (2015: losses of €0.2 million) were recorded in other comprehensive income and net settlements amounted to €0.4 million (2015: €0.4 million).

The Group utilised interest rate swaps during the years ended 31 December 2016 and 31 December 2015. The Group entered into an agreement whereby it swapped its EURIBOR floating interest rate exposure from 1 January 2013 under the amortising term loan facility for fixed interest rates. The notional amount of this contract at 31 December 2016 was €37.7 million (2015: €50.7 million) and the notional amounts for all future periods match the amortising schedule of the loan agreement. This interest rate swap agreement is designated and is effective as a cash flow hedge. The estimated fair value of this agreement based on quoted market prices for equivalent instruments at 31 December 2016 was a liability of €0.2 million (2015: €0.5 million). The estimated fair value has been accumulated in equity and will be subsequently recognised in the Consolidated Income Statement in the same period as the hedged expense.

The Company did not utilise any other interest rate swaps during the years ended 31 December 2016 and 31 December 2015.

The Group and Company utilises currency derivatives to hedge short term future cash flows in the management of its exchange rate exposures. At 31 December 2016 and 31 December 2015, there were no outstanding forward foreign exchange contracts.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

22. Deferred tax liabilities

The Company and its subsidiaries, where appropriate, have elected to be taxed under the tonnage tax scheme in respect of all eligible activities. Certain activities will not fall within the tonnage tax scheme 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 Group has not provided deferred tax in relation to temporary differences applicable to investments in subsidiaries on the basis that the Group can control the timing and realisation of these temporary differences and it is probable that the temporary difference would be immaterial and will not reverse in the foreseeable future.

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

Group 2016	**Accelerated tax depreciation**	**Retirement benefit obligation**	**Total**
	€m	**€m**	**€m**
At beginning of the financial year	3.0	0.8	3.8
Credit to the Consolidated Income Statement	(0.4)	-	(0.4)
Credit to the Consolidated Statement of Comprehensive Income	-	(0.7)	(0.7)
At end of the financial year	2.6	0.1	2.7

Group 2015	Accelerated tax depreciation	Retirement benefit obligation	Total
	€m	€m	€m
At beginning of the financial year	3.1	0.7	3.8
Credit to the Consolidated Income Statement	(0.1)	(0.2)	(0.3)
Charge to the Consolidated Statement of Comprehensive Income	-	0.3	0.3
At end of the financial year	3.0	0.8	3.8

Deferred tax is recognised in the Consolidated Statement of Comprehensive Income to the extent it arises on income or expenses recognised in that statement.

Company

There are no deferred tax liabilities and assets recognised by the Company during the current and prior reporting periods.

22. Deferred tax liabilities - continued

Unrecognised deferred tax assets – Group and Company

The estimated value of the deferred tax asset not recognised is €0.1 million (2015: €0.1 million) in the Group and €0.1 million (2015: €0.1 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 2016 €m	Group 2015 €m	**Company 2016 €m**	Company 2015 €m
Tax losses carried forward	0.1	0.1	0.1	0.1
Other temporary differences	-	-	-	-
	0.1	0.1	0.1	0.1

23. Trade and other payables

Within 1 year	**Group 2016 €m**	Group 2015 €m	**Company 2016 €m**	Company 2015 €m
Trade payables and accruals	43.2	39.2	3.8	3.9
Payroll taxes	1.3	1.3	0.1	0.1
Social insurance cost	0.4	0.4	-	-
Value added tax	1.8	2.1	0.1	0.2
Amounts due to subsidiary companies	-	-	44.4	18.0
	46.7	43.0	48.4	22.2

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

The average trade credit period outstanding was 72 days at 31 December 2016 (2015: 64 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.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

24. Provisions

	Group 2016 €m	Group 2015 €m	Company 2016 €m	Company 2015 €m
Claims provision				
At beginning of the financial year	1.0	1.0	0.2	-
Utilisation of provision	-	(0.1)	-	-
Increase in provision	0.2	0.1	-	0.2
At end of the financial year	1.2	1.0	0.2	0.2
Analysed as follows:				
Current liabilities	0.6	0.5	0.1	0.1
Non-current liabilities	0.6	0.5	0.1	0.1
	1.2	1.0	0.2	0.2

The claims provision comprises the insurance excess payable by the Group and Company in a number of potential compensation claims, arising in the normal course of business. No provision has been recognised for instances that may have been incurred prior to the financial year end, but for which no claim has been received.

25. Deferred grant

Group	2016 €m	2015 €m
At beginning of the financial year	0.5	0.6
Amortisation	(0.1)	(0.1)
At end of the financial year	0.4	0.5
Analysed as follows:		
Current liabilities	0.1	0.1
Non-current liabilities	0.3	0.4
	0.4	0.5

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

26. Commitments

	Group 2016 €m	Group 2015 €m
Commitments for the acquisition of property, plant and equipment – approved and contracted for	122.2	10.1

27. Operating lease agreements

	Group 2016 €m	Group 2015 €m
Minimum lease payments under operating leases recognised as an expense during the financial year	12.8	14.8

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

	Group 2016 €m	Group 2015 €m
Within one year	11.0	7.8
In the second to fifth years inclusive	15.6	10.8
After five years	64.2	62.6
	90.8	81.2

Group

Operating lease payments represent rentals payable by the Group for certain of its properties, for the charter of vessels and for the hire of containers and other equipment. Excluding the lease with Dublin Port, which has an outstanding term of 106 years, the outstanding terms of the operating leases within the Group at 31 December 2016 range from less than 1 month to 5 years. Property rentals are fixed for periods ranging from 1 to 7 years.

28. Operating lease income

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

	Group 2016 €m	Group 2015 €m	Company 2016 €m	Company 2015 €m
Within one year	4.1	4.1	0.3	0.3
In the second to fifth years inclusive	8.2	1.9	0.7	1.1
	12.3	6.0	1.0	1.4

The Group charters vessels under operating leases to third parties.

The Company leases certain assets under an operating lease to a subsidiary company.

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for the financial year ended 31 December 2016 - continued

29. Share-based payments

The Group and Company operate equity settled share option schemes, the 1998 and 2009 share option plans. Certain employees of the Group and Company have been issued with share options under the Group's and Company's plans.

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

1. Basic 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.
2. Super 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.

Options granted under the 2009 share option plan are subject to the following performance criteria:

1. Basic Tier Options will vest and become exercisable three years after the date of grant once Earnings Per Share growth over any period of three consecutive financial years commencing at the financial year immediately preceding the date of grant is at least 2% above the increase in the Consumer Price Index compounded per annum over such period.
2. Second Tier Options will vest and become exercisable from the fifth anniversary of grant once (i) Earnings Per Share growth over any period of five consecutive financial years commencing at the financial year immediately preceding the date of grant place the Company in the top quartile of companies either (a) listed on the Irish Stock Exchange or (b) included in the London Stock Exchange FTSE 250, by reference to Earnings Per Share growth over the same period and (ii) over that period the Earnings Per Share growth is at least 10% above the increase in the Consumer Price Index compounded per annum over such 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 where the grantee ceases employment with the Group or Company unless retention, for a maximum period of 12 months, is permitted by the Remuneration Committee. The Scheme Rules allow for the early exercise of outstanding options upon a change in control of the Company.

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

	2016		2015	
	Number of share options	Weighted average exercise price €	Number of share options	Weighted average exercise price €
Outstanding at 1 January	8,385,000	2.22	8,365,000	1.80
Granted during the year	-	-	2,030,000	3.58
Exercised during the year	(1,948,500)	1.48	(1,980,000)	1.83
Forfeited during the year	(155,000)	3.36	(30,000)	3.38
Outstanding at 31 December	6,281,500	2.42	8,385,000	2.22
Exercisable at 31 December	2,866,500	1.95	4,815,000	1.76
Weighted average share price at date of exercise of options		5.38		4.14
Weighted average remaining contractual life of options outstanding at year end		4.9 years		4.2 years

29. Share-based payments - continued

The exercise prices of options outstanding at 31 December are as follows:

	2016 Options	2015 Options	Price €
Exercisable:			
1998 Share Option Plan			
Basic Options	-	500,000	1.067
Super Options	-	540,000	1.067
Basic Options	890,000	1,100,000	2.132
Super Options	1,050,000	1,475,000	2.132
2009 Share Option Plan			
Basic Tier Options	926,500	1,200,000	1.570
Exercisable at 31 December	**2,866,500**	**4,815,000**	
Not Yet Exercisable:			
2009 Share Option Plan			
Second Tier Options	1,200,000	1,200,000	1.570
Basic Tier Options	152,500	180,000	2.970
Second Tier Options	152,500	180,000	2.970
Basic Tier Options	955,000	1,005,000	3.580
Second Tier Options	955,000	1,005,000	3.580
Not Yet Exercisable at 31 December	**3,415,000**	**3,570,000**	
Outstanding at 31 December	**6,281,500**	**8,385,000**	

Under Group equity settled share based payment schemes the maximum life of a share option is ten years, these 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.

On 1 January 2015 (start of comparative period) outstanding options had been granted on 13 April 2005, 18 September 2006, 19 December 2007, 26 March 2012, 1 September 2014 and 5 March 2015. The estimated fair values of the options are as follows:

Year of Grant	2015 Basic Tier	2015 Second Tier	2014 Basic Tier	2014 Second Tier	2012 Basic Tier	2012 Second Tier
Fair value of option	€0.4528	€0.5581	€0.2992	€0.4449	€0.324	€0.368

Year of Grant	2007	2006	2005
Fair value of option	€0.922	€0.443	€0.401

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

29. Share-based payments - continued

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

Year of Grant	**2015 Basic Tier**	**2015 Second Tier**	**2014 Basic Tier**	**2014 Second Tier**	**2012 Basic Tier**	**2012 Second Tier**
At date of grant:						
Weighted average share price	€3.580	€3.580	€2.970	€2.970	€1.570	€1.570
Weighted average exercise price	€3.580	€3.580	€2.970	€2.970	€1.570	€1.570
Expected volatility	29%	31%	27%	30%	34%	33%
Expected life	7 years	9 years	7 years	9 years	7 years	9 years
Risk free rate	0.090%	0.299%	0.439%	0.765%	1.323%	1.799%
Expected dividend yield	5.16%	4.72%	5.83%	4.89%	4.97%	4.41%

Year of Grant	**2007**	**2006**	**2005**
Weighted average share price	€2.132	€1.067	€1.000
Weighted average exercise price	€2.132	€1.067	€1.000
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%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 7 years in the case of 2012, 2014 and 2015 basic tier options, and 9 years in the case of 2012, 2014 and 2015 second tier options and 10 years in respect of previous option grants. 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 2016, the share-based payment expense recognised in the Consolidated Income Statement was €0.2 million (2015: €0.1 million) and in the Income Statement of the Company was €0.1 million (2015: €nil).

The share-based payment expense has been classified in the Consolidated Income Statement as follows:

	Group 2016 €m	Group 2015 €m	**Company 2016 €m**	Company 2015 €m
Employee benefits expense	0.2	0.1	0.1	-
Total share-based payment expense	0.2	0.1	0.1	-

Share-based payment expense of €32,000 (2015: €4,000) relates to the Directors of the Group. The balance on the share option reserve in the Consolidated Statement of Financial Position at 31 December 2016 is €2.4 million (2015: €3.3 million). The balance on the share option reserve in the Company Statement of Financial Position at 31 December 2016 is €2.4 million (2015: €3.3 million).

30. Retirement benefit schemes

(a) Group retirement benefit schemes

The Group operates defined contribution pension schemes in all of its main operating locations. The Group also has defined benefit obligations as set out below. Scheme assets are held in separate trustee administered funds.

Defined Contribution Scheme

The Group operates a defined contribution pension scheme, which provides retirement and death benefits for all recently hired employees. The total cost charged in the Consolidated Income Statement of €0.1 million (2015: €0.1 million) represents employer contributions payable to the externally administered defined contribution pension scheme at rates specified in the rules of the scheme. There was €nil in outstanding contributions included in trade and other payables at 31 December 2016 (2015: €nil).

Defined Benefit Obligations

(i) Group sponsored schemes

The Group operates contributory defined benefit obligations, which provide retirement and death benefits for other employees who are not members of the defined contribution pension scheme. The defined benefit obligations provide benefits to members in the form of a guaranteed level of pension payable for life, the level of the benefits depend on the member's length of service and salary.

The assets of these schemes are held separately from those of the Group in schemes under the control of trustees. The trustees are responsible for ensuring the schemes are run in accordance with the applicable trust deed and the pension laws of the relevant jurisdiction. The trustees invest the funds in a range of assets with the objective of maximising the fund return whilst minimising the cost of funding the scheme at an acceptable risk profile. In assessing the risk profile the trustees take account of the nature and duration of the liabilities and review investment strategy regularly.

The pension contributions paid in the year ended 31 December 2016 amounted to €3.7 million (2015: €4.3 million) while the current service cost charged to the Consolidated Income Statement amounted to €1.9 million (2015: €1.9 million). A past service credit of €nil (2015: €0.3 million) is recognised as a credit in the employee benefits expense note. The past service credit relates to reduction of benefits applied by the trustee to recoup the cost of pension levies imposed on schemes resident in Ireland. At 31 December 2016, there were 783 pensioners in receipt of pension payments from the Group's schemes (2015: 768).

In 2015, one of the Group's defined benefit obligations which had no employed members was wound up. The scheme assets at the date of wind up, amounting to €4.4 million, were utilised in full to secure the accrued benefits of the deferred members and pensioners. The actuary determined, as at date of wind-up, that the scheme assets equated to the actuarial value of the accrued benefits and that no augmentation cost or curtailment gain arose.

In 2014 the Group concluded a deficit funding agreement with the trustee of the Group's main defined benefit obligations, the Irish Ferries Limited Pension Scheme. Under the terms of the agreement the Company makes deficit payments to the scheme of €1.5 million per annum, adjusted for inflation, for a projected period up to 2023, or until the deficit is eliminated if earlier, with additional payments of €0.5 million per annum to an escrow account, the balance of which will also be payable to the scheme in certain circumstances.

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 29 June 2012 and 1 April 2015. 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 2016 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 credit, were measured using the projected unit credit method and assets have been valued at bid value.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

30. 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 MNOPF, an industry wide multi-employer scheme. The latest actuarial valuation of the scheme, which is available for public inspection, is dated 31 March 2012, which disclosed a funding shortfall of £152 million. The MNOPF trustee subsequently issued contribution demands on participating employers. The share of the Group in the MNOPF as advised by the trustees is 1.53% (2015: 1.53%). Disclosures relating to this scheme are based on these allocations.

The valuation at 31 December 2016 is based on the actuarial deficit contributions notified to the Group in May 2013 by the Trustee based on the deficit as at 31 March 2012 less any payments made thereof by the Group.

The share of the overall deficit in the MNOPF apportioned to the Group at 31 December 2016 is €nil (2015: €0.5 million). During the year the Group made payments of €0.5 million (2015: €1.1 million) to the trustees.

(iii) Principal risks and assumptions

The Group is exposed to a number of actuarial risks as set out below:

Investment risk

The pension schemes hold investments in asset classes such as equities which are expected to provide higher returns than other asset classes over the long-term, but may create volatility and risk in the short-term. The present value of the defined benefit obligations liability is calculated using a discount rate by reference to high quality corporate bond yields; if the future achieved return on scheme assets is below this rate, it will create a deficit.

Salary risk

The present value of the defined benefit liability is calculated by reference to the projected salaries of scheme participants at retirement based on salary inflation assumptions. As such, any variation in salary versus assumption will vary the schemes liabilities.

Life expectancy risk

The present value of the defined benefit obligations liability is calculated by reference to the best estimate of the mortality of scheme participant's both during and after their employment. An increase in the life expectancy of the scheme participants will change the scheme liabilities.

30. Retirement benefit schemes - continued

Inflation risk

A significant proportion of the benefits under the plans are linked to inflation with higher inflation leading to higher liabilities.

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

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

	Sterling Liabilities		Euro Liabilities	
	2016	2015	**2016**	2015
Discount rate	2.50%	3.75%	1.70%	2.20%
Inflation rate	3.45%	3.10%	1.60%	1.50%
Rate of annual increase of pensions in payment	3.15%	2.90%	0.70% - 0.80%	0.60% - 0.70%
Rate of increase of pensionable salaries	1.00%	1.44%	0.00% - 1.00%	0.00% - 1.00%

IAS 19 Employee Benefits provides that the discount rate used to value retirement benefits should be determined by reference to market yields on high quality corporate bonds consistent with the duration of the liabilities. Due to a narrow bond universe the Group defines high quality bonds in the Eurozone as those rated AA or higher by at least one rating agency. In respect of Sterling schemes, corporate bonds must be rated AA, or higher, by at least two rating agencies.

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

	2016		2015	
	Male	**Female**	Male	Female
Current retirees	26.1 years	28.9 years	26.0 years	28.9 years
Future retirees	28.5 years	30.8 years	27.6 years	30.2 years

Assumptions regarding life expectancies are set based on actuarial advice in accordance with published statistics and experience in each jurisdiction.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

30. Retirement benefit schemes - continued

Sensitivity of pension liability judgemental assumptions

The Group's total obligation in respect of defined benefit obligations is calculated by independent, qualified actuaries, updated at least annually and totals €288.3 million at 31 December 2016 (2015: €268.8 million). At 31 December 2016, the Group also has scheme assets totalling €274.8 million (2015: €263.7 million), giving a net pension deficit of €13.5 million (2015: deficit of €5.1 million). The size of the obligation is sensitive to actuarial assumptions. The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant with the exception of the rate of inflation assumption which impacts other inflation linked assumptions. The sensitivity analyses intends to provide assistance in understanding the sensitivity of the valuation of pension liabilities to market movements on discount rates, inflation rates and mortality assumptions for scheme beneficiaries. The analyses are for illustrative purposes only as in practice assumptions rarely change in isolation. There has been no change from the prior year in the methods and assumptions used in preparing the sensitivity analyses below.

Assumption	Change in assumption	Impact on Euro schemes liabilities	Impact on Sterling scheme liabilities	Combined impact on liabilities
Discount rate	0.5% increase in discount rate	7.1% decrease in liabilities	8.3% decrease in liabilities	7.2% decrease in liabilities
Rate of inflation*	0.5% increase in price inflation	5.6% increase in liabilities	5.1% increase in liabilities	5.6% increase in liabilities
Rate of mortality	Members assumed to live 1 year longer	3.7% increase in liabilities	3.8% increase in liabilities	3.7% increase in liabilities

*The rate of inflation sensitivity includes its impact on the rate of annual increase of pensions in payment assumption and the rate of increase of pensionable salaries assumption as they are both inflation linked assumptions.

The size of the scheme assets which are also sensitive to asset return levels and the level of contributions from the Group are analysed by asset class in part (iv) of this note.

(iv) Retirement benefit assets and liabilities

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

	Schemes with liabilities in Sterling		Schemes with liabilities in Euro	
	2016	2015	**2016**	2015
	€m	€m	**€m**	€m
Equities	9.4	9.9	124.7	119.4
Bonds	14.9	16.2	93.7	88.4
Property	0.3	0.4	18.0	16.5
Other	1.0	0.6	12.8	12.3
Fair value of scheme assets	25.6	27.1	249.2	236.6
Present value of scheme liabilities	(23.9)	(22.8)	(264.4)	(246.0)
Surplus / (deficit) in schemes	1.7	4.3	(15.2)	(9.4)

Two of the defined benefit obligations 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 obligations accounted for by the Group are in a net deficit position and are shown in non-current liabilities.

The overall weighted average duration of the Group's defined benefit obligations is 16.1 years (Euro schemes 16 years, Sterling schemes 17years).

30. Retirement benefit schemes - continued

The split between the amounts shown in each category is as follows:

	2016 €m	2015 €m
Non-current assets – retirement benefit surplus	2.4	5.6
Non-current liabilities – retirement benefit obligation	(15.9)	(10.7)
Net deficit in pension schemes	(13.5)	(5.1)

(v) Movements in retirement benefit assets

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

2016	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of the financial year	27.1	236.6	263.7
Interest income	1.0	5.2	6.2
Actuarial gains	1.8	13.6	15.4
Exchange difference	(4.0)	-	(4.0)
Employer contributions	0.4	2.8	3.2
Contributions from scheme members	0.1	0.3	0.4
Benefits paid	(0.8)	(9.3)	(10.1)
At end of the financial year	25.6	249.2	274.8

2015	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of the financial year	25.8	230.7	256.5
Interest income	0.9	4.5	5.4
Actuarial gains	(0.8)	13.1	12.3
Exchange difference	1.5	-	1.5
Employer contributions	0.4	2.8	3.2
Contributions from scheme members	0.1	0.3	0.4
Benefits paid	(0.8)	(14.8)	(15.6)
At end of the financial year	27.1	236.6	263.7

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

30. 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:

2016	**Schemes in Sterling €m**	**Schemes in Euro €m**	**Total €m**
At beginning of the financial year	22.8	246.0	268.8
Service cost	0.2	1.7	1.9
Interest cost	0.8	5.4	6.2
MNOPF deficit payments	(0.5)	-	(0.5)
Contributions from scheme members	0.1	0.3	0.4
Actuarial loss	4.7	20.3	25.0
Exchange difference	(3.4)	-	(3.4)
Benefits paid	(0.8)	(9.3)	(10.1)
At end of the financial year	23.9	264.4	288.3

2015	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of the financial year	22.6	258.0	280.6
Service cost	0.4	1.5	1.9
Interest cost	0.8	5.0	5.8
Past service credit	-	(0.3)	(0.3)
MNOPF deficit payments	(1.1)	-	(1.1)
Contributions from scheme members	0.1	0.3	0.4
Actuarial gains	(0.5)	(3.7)	(4.2)
Exchange difference	1.3	-	1.3
Benefits paid	(0.8)	(14.8)	(15.6)
At end of the financial year	22.8	246.0	268.8

30. Retirement benefit schemes - continued

(vii) Amounts recognised in the Consolidated Income Statement

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

	2016 €m	2015 €m
Charges / (credits) to Employee benefits expense		
Current service cost	1.9	1.9
Past service credit	-	(0.3)
	1.9	1.6

The past service credit relates to reduction of benefits applied by the trustee to recoup the cost of pension levies imposed on schemes resident in Ireland.

	2016 €m	2015 €m
Charged to Finance costs		
Interest income on scheme assets	(6.2)	(5.4)
Interest on scheme liabilities	6.2	5.8
Net interest cost on defined benefit obligations (note 7)	-	0.4

The estimated amounts of contributions expected to be paid to the schemes during 2017 is €2.8 million based on current funding agreements.

(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 obligations are as follows:

Actuarial gains and losses

	2016 €m	2015 €m
Actual return on scheme assets	21.6	17.7
Interest income on scheme assets	(6.2)	(5.4)
Return on scheme assets (excluding amounts included in net interest cost)	15.4	12.3
Remeasurement adjustments on scheme liabilities:		
- Gains and losses arising from changes in demographic assumptions	0.3	-
- Gains and losses arising from changes in financial assumptions	(27.3)	8.4
- Gains and losses arising from experience adjustments	2.0	(4.2)
Actuarial (loss) / gains recognised in the Consolidated Statement of Comprehensive Income	(9.6)	16.5

Exchange movement:

	2016 €m	2015 €m
Exchange (loss) / gain on scheme assets	(4.0)	1.5
Exchange gain / (loss) on scheme liabilities	3.4	(1.3)
Net exchange gain recognised in the Consolidated Statement of Comprehensive Income	(0.6)	0.2

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

30. 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 obligations 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 Ex Merchant Navy Officers Pension Fund (Ex MNOPF), which is sponsored by the Company.

In the prior year, one of the Group's defined benefit obligations which had no employed members was wound up. The scheme assets at the date of wind up, amounting to €4.4 million, were utilised in full to secure the accrued benefits of the deferred members and pensioners. The actuary determined, as at date of wind-up, that the scheme assets equated to the actuarial value of the accrued benefits and that no augmentation cost or curtailment gain arose.

The contributory defined benefit obligations sponsored by the Company and the Group companies provide retirement and death benefits for employees. The defined benefit obligations provide benefits to members in the form of a guaranteed level of pension payable for life, the level of the benefits depend on the member's length of service and salary. The assets of these schemes are held separately from those of the Company and Group in schemes under the control of trustees. The trustees are responsible for ensuring the schemes are run in accordance with the applicable trust deeds and the pension laws of the relevant jurisdiction. 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 Ex MNOPF Scheme, which is not available for public inspection, is dated 29 June 2012. 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 2016 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 credit, 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 MNOPF, an industry wide multi-employer scheme. The latest actuarial valuation of the scheme, which is available for public inspection, is dated 31 March 2012. The share of the Company in the MNOPF as advised by the Trustees is 0.51% (2015: 0.51%). Disclosures relating to this scheme are based on these allocations.

The valuation at 31 December 2016 is based on the actuarial deficit contributions notified to the Group in May 2013 by the Trustee based on the deficit as at 31 March 2012 less any payments made by the Company.

The share of the overall deficit in the MNOPF apportioned to the Company is €nil at 31 December 2016 (2015: €0.1 million). During the year the Company made payments of €0.2 million (2015: €0.3 million) to the Trustees.

(iii) Principal risks and assumptions

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

The Company's total obligation in respect of the defined benefit obligations is calculated by independent, qualified actuaries, updated at least annually and totals €0.9 million at 31 December 2016 (2015: €1.0 million). At 31 December 2016, the Company also has scheme assets totalling €1.6 million (2015: €1.5 million) giving a net pension surplus of €0.7 million (2015: €0.5 million). The size of the obligation is sensitive to actuarial assumptions.

30. 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 obligations, including an apportionment in respect of the MNOPF are as follows:

	Schemes with liabilities in Sterling		Schemes with liabilities in Euro	
	2016	2015	**2016**	2015
	€m	€m	**€m**	€m
Equities	-	-	1.2	1.1
Bonds	-	-	0.2	0.2
Property	-	-	0.1	0.1
Other	-	-	0.1	0.1
Fair value of scheme assets	-	-	1.6	1.5
Present value of scheme liabilities	-	(0.1)	(0.9)	(0.9)
(Deficit) / surplus in schemes	-	(0.1)	0.7	0.6

One of the retirement benefit schemes accounted for by the Company is 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:

	2016	2015
	€m	€m
Non-current assets – retirement benefit surplus	0.7	0.6
Non-current liabilities – retirement benefit obligation	-	(0.1)
Net surplus in pension schemes	0.7	0.5

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 assets is also sensitive to asset return levels and the level of contributions from the Company.

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

30. Retirement benefit schemes - continued

(v) Movement in retirement benefit assets

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

2016	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of the financial year	-	1.5	1.5
Actuarial gains	-	0.1	0.1
At end of the financial year	-	1.6	1.6

2015	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of the financial year	-	5.4	5.4
Interest income	-	0.1	0.1
Actuarial gains	-	0.3	0.3
Benefits paid	-	(4.3)	(4.3)
At end of the financial year	-	1.5	1.5

(vi) Movement in retirement benefit liabilities

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

2016	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of the financial year	0.1	0.9	1.0
MNOPF deficit payments	(0.2)	-	(0.2)
Actuarial losses	0.1	-	0.1
At end of the financial year	-	0.9	0.9

2015	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of the financial year	0.4	4.7	5.1
Interest cost	-	0.1	0.1
MNOPF deficit payments	(0.3)	-	(0.3)
Actuarial losses	-	0.4	0.4
Benefits paid	-	(4.3)	(4.3)
At end of the financial year	0.1	0.9	1.0

The present value of scheme liabilities at the financial year ended 31 December 2016 and 31 December 2015 relate to wholly funded plans.

30. 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 obligations are as follows:

	2016 €m	2015 €m
Charged to Finance costs		
Interest income on scheme assets	-	(0.1)
Interest cost on scheme liabilities	-	0.1
Net interest cost on defined benefit obligations	-	-

The estimated amounts of contributions expected to be paid by the Company to the schemes during 2017 is €nil based on current funding agreements.

(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 obligations are as follows:

Actuarial gains and losses:

	2016 €m	2015 €m
Actual return on scheme assets	0.1	0.4
Interest income on scheme assets	-	(0.1)
Return on scheme assets (excluding amounts included in net interest cost)	0.1	0.3
Remeasurement adjustments on scheme liabilities:		
- Gains and losses arising from changes in demographic assumptions	-	-
- Gains and losses arising from changes in financial assumptions	-	-
- Gains and losses arising from experience adjustments	(0.1)	(0.4)
Actuarial loss recognised in Statement of Comprehensive Income	-	(0.1)

31. Related party transactions

During the financial year, Group entities incurred costs of €0.3 million (2015: €0.3 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.

As at the statement of financial position date, Catherine Duffy, non-executive Director of the Company, is Chairman at law firm A&L Goodbody ("ALG''). During the year ended 31 December 2016, expenses of €0.2 million of which €40,000 relates to Catherine's remuneration for her role as Non - Executive Director (2015: €0.1 million of which €40,000 relates to Catherine's remuneration for her role as Non - Executive Director) were incurred for services received from ALG in their capacity as legal advisors to the Group. All services have been provided on an arm's length basis at the standard commercial terms of ALG.

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 received from subsidiaries during the financial year amounted to €25.8 million (2015: €32.3 million advanced to subsidiaries). The Company has provided Letters of Financial Support for certain of its other subsidiaries as disclosed in note 33.

During the financial year the Company received dividends of €40.0 million (2015: €55.0 million) from subsidiary companies.

Notes to the Financial Statements
for the financial year ended 31 December 2016 - continued

31. Related party transactions - continued
At 31 December the following amounts were due to or from the Company by its subsidiaries:

	2016 €m	2015 €m
Amounts due from subsidiary companies (note 16)	115.7	115.1
Amounts due to subsidiary companies (note 23)	(44.4)	(18.0)
	71.3	97.1

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.

Compensation of key management personnel
The Group's key management comprise the Board of Directors and senior management having authority and responsibility for planning, directing and controlling the activities of the Group.

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

	Group 2016 €m	Group 2015 €m
Short-term benefits	4.1	3.9
Post-employment benefits	0.3	0.3
Share-based payment expense	0.1	0.1
	4.5	4.3

Short-term benefits comprise salary, performance pay and other short term employee benefits.

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

Share-based payment expense represents the cost charged in respect of equity settled share-based payments.

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.

There were no key management directly employed by the Company during the financial year ended 31 December 2016 (2015: nil). Costs of €3.3 million (2015: €3.0 million) which includes amounts recharged from subsidiary companies were included in the Company Income Statement in respect of key management.

Details of the Remuneration of the Groups Individual Directors, together with the number of ICG shares owned by them and their outstanding share options are set out in the Report of the Remuneration Committee and the Report of the Directors.

31. Related party transactions - continued

Dividends

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

	Group 2016 €m	Group 2015 €m	Company 2016 €m	Company 2015 €m
Dividends	3.2	3.0	3.1	3.0

Share options

Share options exercised by the Company's Directors are set out in the Report of the Remuneration Committee on page 75.

32. Net cash from operating activities

Group

	2016 €m	2015 €m
Operating activities		
Profit for the financial year	58.8	53.7
Adjustments for:		
Finance costs (net)	2.2	3.1
Income tax expense	1.6	0.4
Retirement benefit obligations – current service cost	1.9	1.9
Retirement benefit obligations – payments	(3.7)	(4.3)
Retirement benefit obligations – past service credit	-	(0.3)
Depreciation of property, plant and equipment	20.6	18.0
Amortisation of intangible assets	0.4	0.4
Amortisation of deferred income	(0.1)	(0.1)
Share-based payment expense	0.2	0.1
Gain on disposal of property, plant and equipment	(0.3)	(0.1)
Impairment	-	0.6
Increase in provisions	0.2	-
Operating cash flows before movements in working capital	**81.8**	**73.4**
(Increase) / Decrease in inventories	(0.4)	0.1
Decrease / (Increase) in receivables	1.4	(6.3)
Increase in payables	3.7	4.6
Cash generated from operations	**86.5**	**71.8**
Income taxes paid	(2.1)	(0.8)
Interest paid	(2.3)	(2.8)
Net cash inflow from operating activities	**82.1**	**68.2**

Notes to the Financial Statements

for the financial year ended 31 December 2016 - continued

32. Net cash from operating activities - continued

Company

	2016	2015
	€m	€m
Operating activities		
Profit for the financial year	39.6	50.6
Adjustments for:		
Finance costs (net)	0.2	0.4
Retirement benefit obligations – payments	(0.2)	(0.3)
Dividend income	(40.0)	(55.0)
Depreciation of property, plant and equipment	2.7	2.4
Amortisation of intangible assets	0.3	0.3
Share-based payment expense	0.1	-
Increase in provisions	-	0.2
Operating cash flows before movements in working capital	**2.7**	**(1.4)**
Decrease in inventories	-	0.1
Decrease in receivables	2.0	6.8
Increase / (decrease) in payables	26.2	(40.6)
Cash utilised by operations	**30.9**	**(35.1)**
Interest paid	(0.2)	(0.4)
Net cash inflow / (outflow) from operating activities	**30.7**	**(35.5)**

33. 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 €0.7 million (2015: €0.7 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 is a participating employer in the Merchant Navy Officer Pension Fund (MNOPF), a multi-employer defined benefit obligations. The MNOPF is closed to future accrual. Under the rules of the fund all employers are jointly and severally liable for any past service deficit of the fund. The last notification from the trustees showed that the Group and Company's share of any deficit would be 1.53% and 0.51% respectively. Should other participating employers default on their obligations, the Group and Company will be required to absorb a larger share of the scheme deficit. If the Group (and or Company) were to terminate their obligations to the fund, voluntarily or otherwise, the Group may incur a statutory debt under Section 75 of the United Kingdom Pensions Act 1995 amended by the Pensions Act 2004. The calculation of such statutory debt is prescribed in legislation and is on a different basis from the current deficit calculations. This would likely be a greater amount than the net position included in these financial statements and the Directors consider that this amount is not quantifiable unless and until such an event occurs.

In the ordinary course of business the Group and Company is exposed to legal proceedings from various sources including employees, customers, suppliers and regulatory authorities. It is the opinion of the Directors that losses, if any, arising in connection with these matters will not be materially in excess of provisions made in the financial statements.

Pursuant to the provision of Section 357 of the Companies Act 2014, the Company has guaranteed the liabilities of its Irish subsidiaries for the financial year ended 31 December 2016. Details of the Group's principal subsidiaries have been included in note 14 which includes the Irish subsidiaries of the Group covered by the Section 357 exemption. The Company has fair valued these guarantees at €nil at 31 December 2016 (2015: €nil) based on projected cash flows.

The Company has entered into a Put and Call agreement with a subsidiary company, Zatarga Limited, which grants the Company the option to purchase one or more vessels from Zatarga Limited.

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 overdraft and revolving credit facilities.

34. Events after the Reporting Period

The Board is proposing a final dividend of 7.760 cent per ICG Unit in respect of the results for the financial year ended 31 December 2016.

There have been no other material events affecting the Group since 31 December 2016.

35. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 3 March 2017.


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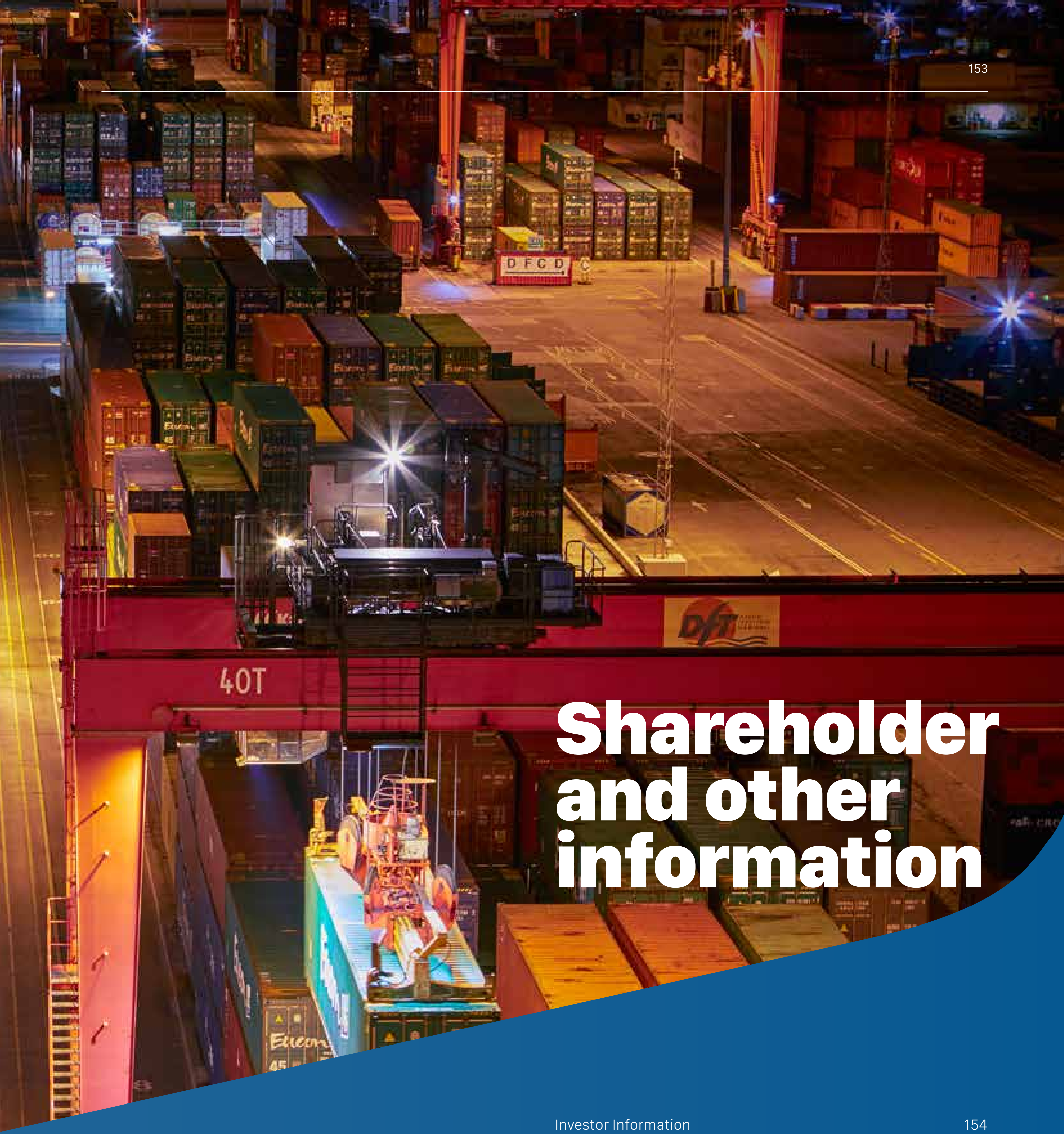

Shareholder and other information

Investor Information

ICG Units

An ICG Unit consists of one Ordinary Share and nil Redeemable Shares at 31 December 2016 and 31 December 2015. 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 3 March 2017, an ICG Unit consisted of one Ordinary share and nil Redeemable shares.

Payments to Shareholders

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 2016	5.676	4.020	4.500
Year ended 31 December 2015	5.474	3.170	5.414

Share listings

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

ICG's ISIN code is IE00BLP58571.

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

Investor Relations

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

Telephone: +353 1 607 5628
Fax: +353 1 855 2268
Email: 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 1 447 5483
Fax: +353 1 447 5571
Email: webqueries@computershare.ie

Financial calendar 2017

Announcement of Preliminary Statement of Results to 31 December 2016	6 March 2017
Annual General Meeting	17 May 2017
Proposed final dividend payment date	9 June 2017
Half year results announcement	31 August 2017

Travel discounts for Shareholders

Registered shareholders of 1,000 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 3 March 2017 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 email shareholders@ irishferries.com.

Investor Information

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Other information

Registered office	Ferryport Alexandra Road Dublin 1, Ireland.
Solicitors	A&L Goodbody, Dublin
Auditors	Deloitte Chartered Accountants and Statutory Audit Firm Earlsfort Terrace, Dublin 2
Principal bankers	Allied Irish Bank plc, Dublin The Governor and Company of the Bank of Ireland, Dublin Ulster Bank Ireland Ltd, Dublin
Stockbrokers	Investec Stockbrokers, Dublin Goodbody Stockbrokers, Dublin
Registrars	Computershare Investor Services (Ireland) Limited Heron House, Corrig Road Sandyford Industrial Estate Dublin 18
Website	www.icg.ie
Email	info@icg.ie

	ISE	LSE
Reuters	IR5B_u.I	ICG_u.L
Bloomberg	IR5B	ICGC
ISE Xetra	IR5B	

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