Irish Continental Group

# 2008 REPORT AND FINANCIAL STATEMENTS



IRISH FERRIES

IRISH CONTINENTAL GROUP

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

We aim for success in our chosen markets, focusing on the provision of a reliable, timely and high quality experience for our customers.

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

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

# CONTENTS

# THE GROUP

## Irish Ferries:
Modern fleet of multi-purpose ferries between Ireland and the UK & France.

## Irish Ferries - Passenger services:
1.5 million passengers carried annually on 11 to 13 daily sailings.

## Irish Ferries - Freight:
Market leader on short sea routes between the Republic of Ireland and Britain.

## Irish Ferries - Holidays:
Inclusive package holidays to Ireland, France and Britain.

## Chartering:
Charter out of passenger ferries.

## Dublin Ferryport Container Depot:
Container repair and storage facilities.

## Eucon:
Container services between Ireland and Continental Europe.

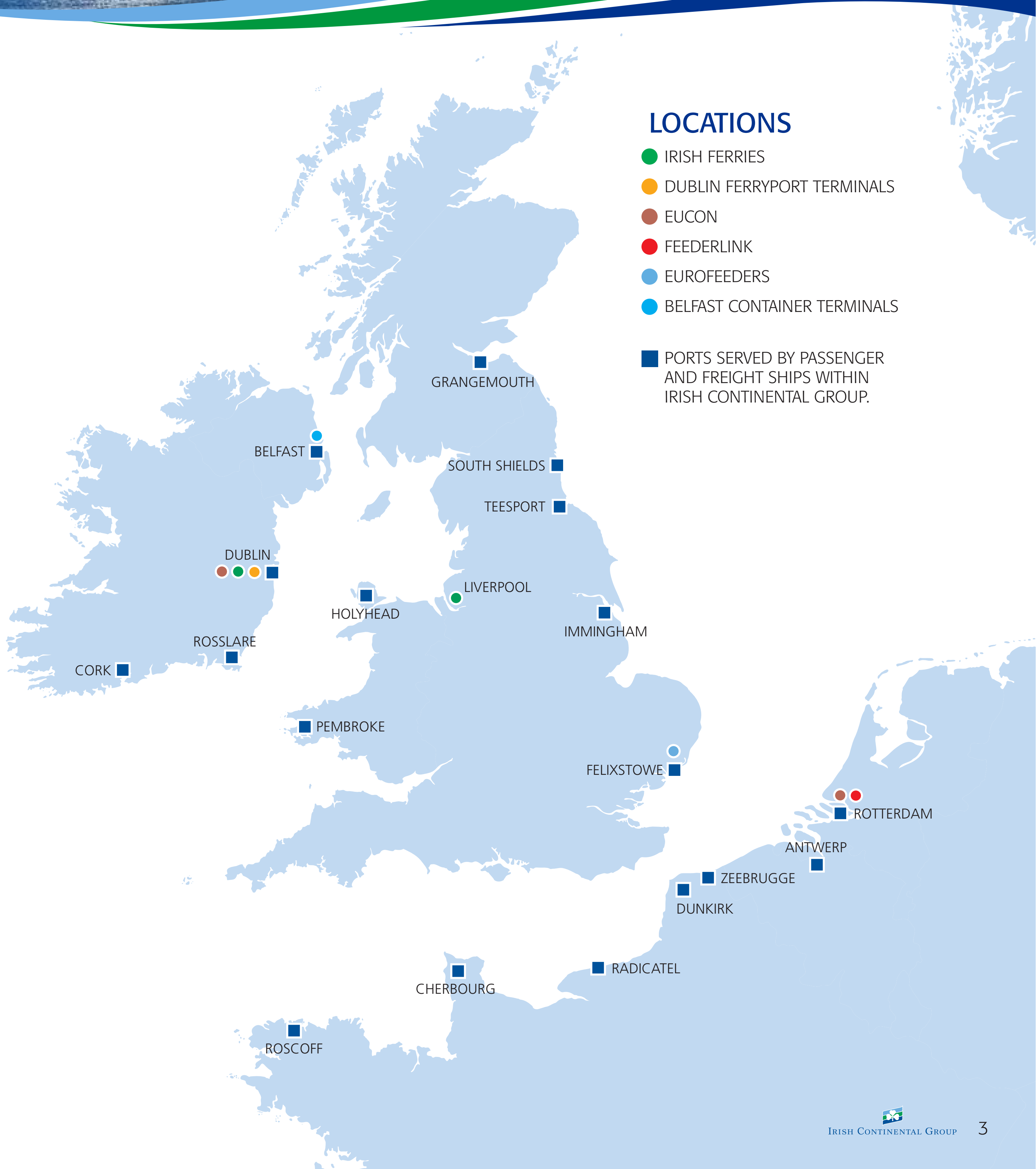
## Eurofeeders:
Shipping agency services.

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

## Dublin Ferryport Terminal:
Stevedoring and storage facilities for container traffic at Dublin Port.

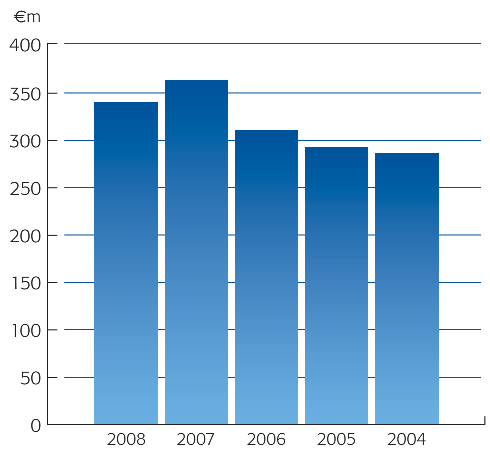
## Belfast Container Terminal:
Stevedoring and storage facilities for container traffic in the Port of Belfast.


IRISH FERRIES

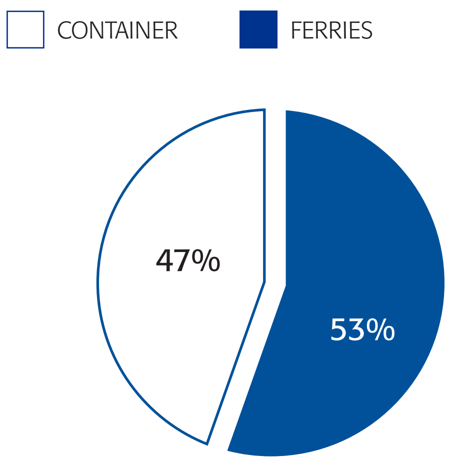

LOCATIONS
IRISH FERRIES
DUBLIN FERRYPORT TERMINALS
EUCON
FEEDERLINK
EUROFEEDERS
BELFAST CONTAINER TERMINALS
PORTS SERVED BY PASSENGER AND FREIGHT SHIPS WITHIN IRISH CONTINENTAL GROUP.
GRANGEMOUTH
BELFAST
SOUTH SHIELDS
TEESPORT
DUBLIN
LIVERPOOL
HOLYHEAD
IMMINGHAM
ROSSLARE
CORK
PEMBROKE
FELIXSTOWE
ROTTERDAM
ANTWERP
ZEEBRUGGE
DUNKIRK
RADICATEL
CHERBOURG
ROSCOFF


# FINANCIAL HIGHLIGHTS

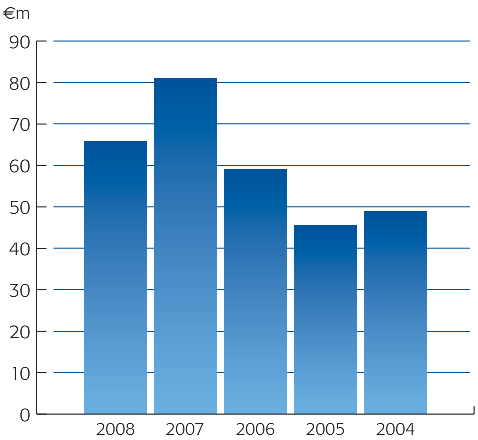
## Turnover



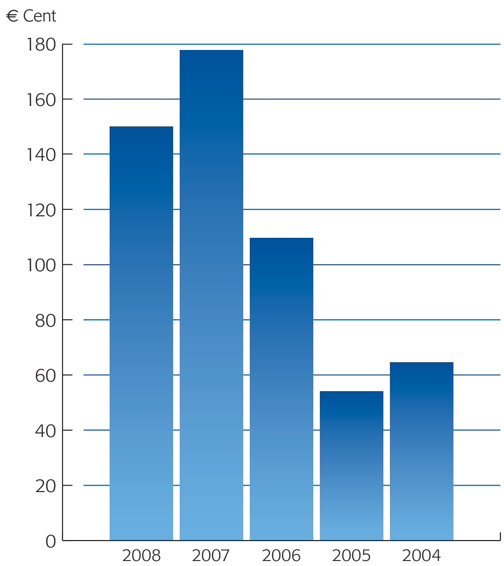

## 2008 Divisional Breakdown



## EBITDA

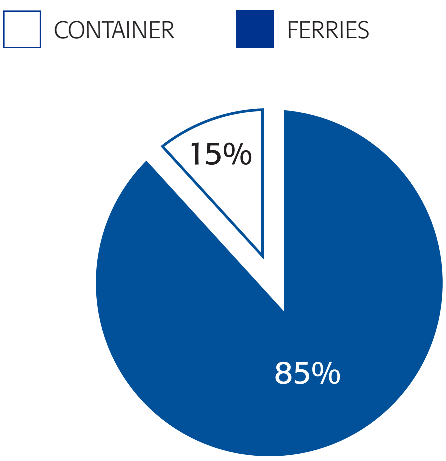



## Adjusted Earnings per Share




Adjusted earnings excludes non trading items and pension interest.

## 2008 Divisional Breakdown



# FIVE YEAR SUMMARY

| Consolidated Income Statement | 2008 €m | 2007 €m | 2006 €m | 2005 €m | 2004 €m |
|---|---|---|---|---|---|
| Revenue | 342.9 | 355.8 | 312.1 | 298.5 | 293.1 |
| Employee benefits expense & other operating expenses | (276.9) | (275.6) | (252.4) | (252.7) | (243.9) |
| EBITDA | 66.0 | 80.2 | 59.7 | 45.8 | 49.2 |
| Depreciation / amortisation | (24.2) | (30.1) | (27.5) | (27.7) | (26.1) |
| | 41.8 | 50.1 | 32.2 | 18.1 | 23.1 |
| Non trading (charges) / credits | - | (10.1) | 0.7 | (31.6) | (12.4) |
| Interest (net) | 1.2 | 0.7 | 0.4 | (1.5) | (5.4) |
| Profit / (loss) before taxation | 43.0 | 40.7 | 33.3 | (15.0) | 5.3 |
| Taxation | (2.5) | (2.4) | (1.0) | (0.8) | - |
| Profit / (loss) for the financial year | 40.5 | 38.3 | 32.3 | (15.8) | 5.3 |
| **Per share information (cent):** | | | | | |
| Earnings / (loss) per share - cent | | | | | |
| - Basic | 164.7 | 160.9 | 137.4 | (67.8) | 22.6 |
| - Adjusted | 148.9 | 178.6 | 108.5 | 54.1 | 63.0 |
| Redemption per share | 100 | - | 10.9 | 29.2 | 25.9 |
| | | | | | |
| Shares in issue at year end | **m** | **m** | **m** | **m** | **m** |
| - ICG units including treasury shares | 25.5 | 25.4 | 24.4 | 24.3 | 23.3 |
| - treasury shares | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Average shares in issue | 24.6 | 23.8 | 23.5 | 23.3 | 23.5 |
| Number of shareholdings | 1,177 | 1,259 | 2,092 | 2,263 | 2,326 |


| Consolidated Balance Sheet | 2008 €m | 2007 €m | 2006 €m | 2005 €m | 2004 €m |
|---|---|---|---|---|---|
| Property, plant and equipment and intangible assets | 238.2 | 279.6 | 273.8 | 291.1 | 297.6 |
| Retirement benefit surplus | 2.7 | 32.5 | 29.9 | 8.0 | 2.8 |
| Other assets | 70.4 | 74.5 | 70.1 | 57.1 | 55.9 |
| Total assets | 311.3 | 386.6 | 373.8 | 356.2 | 356.3 |
| | | | | | |
| Equity | 152.2 | 212.3 | 178.3 | 140.4 | 152.8 |
| Retirement benefit obligation | 27.4 | 6.6 | 10.1 | 0.6 | 4.7 |
| Other non-current liabilities | 71.2 | 91.3 | 117.7 | 115.5 | 107.7 |
| Current liabilities | 60.5 | 76.4 | 67.7 | 99.7 | 91.1 |
| | 311.3 | 386.6 | 373.8 | 356.2 | 356.3 |
| | | | | | |
| Net debt | 48.7 | 84.5 | 113.8 | 105.9 | 117.9 |
| | | | | | |
| Gearing | 32.0% | 39.8% | 63.8% | 75.4% | 77.2% |

| Consolidated Cashflow | 2008 €m | 2007 €m | 2006 €m | 2005 €m | 2004 €m |
|---|---|---|---|---|---|
| Net cash from operating activities | 51.3 | 77.5 | 8.7 | 31.7 | 32.0 |
| Net cash from / (used in) investing activities | 8.5 | (57.0) | (11.5) | (11.9) | (12.7) |
| Net cash (used in) / from financing activities | (43.5) | (17.8) | 0.1 | (16.7) | (21.8) |
| Cash and cash equivalents at the beginning of year | 12.4 | 11.0 | 14.0 | 9.2 | 12.2 |
| Effect of foreign exchange rate changes | (0.2) | (1.3) | (0.3) | 1.7 | (0.5) |
| Closing bank balance and cash | 28.5 | 12.4 | 11.0 | 14.0 | 9.2 |


# CHAIRMAN'S STATEMENT

2008 proved to be a challenging year for tourism and transport, the markets in which we operate. We experienced a combination of a period of sustained high world oil prices together with a weakening economic backdrop. In the circumstances, the results achieved by Irish Continental Group plc represent a solid performance in such testing times. Revenue for the year was down 3.6% at €342.9 million while EBITDA (before non trading charge) was 17.7% lower than in 2007 at €66.0 million. Trading profit was €41.8 million compared with €50.1 million (before non trading charge) the previous year while adjusted EPS at 148.9 cent was 16.6% lower than in 2007.

These results were achieved despite a €15.2 million (42%) increase in our Group-wide fuel bill from €36.1 million in 2007 to €51.3 million in 2008 and a substantially weaker sterling, the currency of one of our most significant markets, Britain.

In recognition of the weaker demand environment, and the higher fuel prices being experienced for much of the year, in the last quarter of the year we adjusted the frequency of our fast ferry service from Dublin and Holyhead from two round trips a day to one round trip, except for peak holiday periods. The revised schedule will be kept under review during 2009 and increased as appropriate. This will generate fuel and other operational cost savings over the full year in 2009. We have also taken steps to reduce sales, distribution and other overhead costs. The significant reductions in our cost base achieved during 2004 and 2005 are now bearing fruit and are giving us the flexibility to enable us to compete vigorously in the adverse macro economic environment.

In our Container and Terminal division we have recognised the need, under current market conditions, to optimise capacity and to exploit the economies of scale offered by larger vessels. As all of our container vessels are time-chartered and charter rates are easing, we are in a position to flexibly manage our capacity in response to market conditions. Our new container terminal in Belfast is meeting expectations and the significant expansion of our port facility in Dublin Port is expected to be completed in early 2010.

During the year we returned €24.5 million to shareholders via a redemption of redeemable shares.

Our cash flow from operations remains robust and net debt at year end was down to €48.7 million (versus €84.5 million in 2007) leaving us in a strong financial position. This is the lowest level of net debt in the Group since 1994. Our liquidity position also remains strong with year end cash balances of €28.5 million.

In conclusion, I would like to thank my colleagues in the organisation and also our business partners who contributed to the results achieved by Irish Continental Group this past year. The indicators in the early months of the year are that 2009 is likely to be an equally, if not more, challenging year as the past year, but, I have no doubt, given our reduced cost base, the quality of our recent investments and the Group's strong financial position, your Group is well placed to address that challenge.

John B. McGuckian,
*Chairman*


## OPERATING AND FINANCIAL REVIEW

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

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

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

This Operating and Financial Review discusses the following:

- Long Term Strategy and Business Objectives
- Results for 2008 Financial Year
- Operating Review
- Outlook
- Risks and Uncertainties
- Resources
- Environmental and Safety Review
- Financial Review

## LONG TERM STRATEGY AND BUSINESS OBJECTIVES

Irish Continental Group plc is a focused provider of maritime passenger and freight services with its principal operations in the area of North West Europe. The Group operates through two divisions; the Ferries Division comprising Irish Ferries and ship chartering activities, and the Container & Terminal Division, comprising two intermodal freight carriers, Eucon and Feederlink, and two container terminals, Dublin Ferryport Terminal (DFT) and Belfast Container Terminal (BCT), within the two main ports on the island of Ireland. Further details on these operations are set out in the Operating Review on page 11.

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

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

We measure our performance using the following financial objectives:

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

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

# RESULTS FOR 2008 FINANCIAL YEAR

A summary of the key financial results is set out in the table below. A detailed review of the divisional operations is set out under "Operating Review" on page 11.

| | Ferries | | Container & Terminal | | Intersegment | | Group | |
|---|---|---|---|---|---|---|---|---|
| | €m | €m | €m | €m | €m | €m | €m | €m |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenue | 183.1 | 197.9 | 161.1 | 158.4 | (1.3) | (0.5) | 342.9 | 355.8 |
| EBITDA | 56.1 | 68.0 | 9.9 | 12.2 | | | 66.0 | 80.2 |
| EBIT | 34.9 | 40.9 | 6.9 | 9.2 | | | 41.8 | 50.1 |
| Non trading charge | - | - | - | - | | | - | (10.1) |
| Net pension interest credit | | | | | | | 3.9 | 5.9 |
| Other finance charges | | | | | | | (2.7) | (5.2) |
| Interest (net) | | | | | | | 1.2 | 0.7 |
| PBT | | | | | | | 43.0 | 40.7 |
| EPS Basic | | | | | | | 164.7c | 160.9c |
| EPS Adjusted | | | | | | | 148.9c | 178.6c |

EBITDA: EBITDA for the year was down 17.7% at €66.0 million. The fall is due mainly to lower revenue in Irish Ferries and higher fuel costs across the Group.

EPS: Adjusted EPS (before non trading charges and the net interest credit arising in our pension schemes) was 148.9 cent per share compared with 178.6 cent in 2007. Basic EPS was 164.7 cent per share compared with 160.9 cent per share in 2007. The changes were for the reasons set out above in relation to EBITDA.

ROACE: We achieved a return on average capital employed of 16.8% (2007: 18.3%) due to the reduction in profitability referred to above and an 8% reduction in the capital employed in the business.

Operating margin: The Group's operating margin in 2008 was 12.2% (2007: 14.1%). In Ferries the operating margin was 19.1% (2007: 20.7%) and in Container & Terminal the operating margin was 4.3% (2007: 5.8%).

Free cash flow: The Group's free cash flow was €53.6 million (2007: €83.1 million) or 128% (2007: 166%) of Group operating profit before non trading charges of €41.8 million (2007: €50.1 million).

Schedule integrity: With regard to schedule integrity we achieved 93% of scheduled sailings compared with 94% in the previous year.


# OPERATING REVIEW
# Ferries Division

The Ferries division comprises Irish Ferries, the leading ferry operator to and from the Republic of Ireland and the Group's ship chartering activities. Irish Ferries operates 4 modern ferries on international routes between Ireland and the UK and between Ireland and France. The principal revenue streams are passenger revenue (travelling with or without vehicles), Roll On Roll Off freight, on board and ancillary sales.

The following table illustrates the fleet and daily sailings:

| Ferry | Route | Sailings Per Day |
|---|---|---|
| MV Ulysses | Dublin / Holyhead | 4 |
| MV Jonathan Swift | Dublin / Holyhead | 2 to 4 |
| MV Isle of Inishmore | Rosslare / Pembroke | 4 |
| MV Oscar Wilde | Rosslare / Cherbourg or Roscoff | 1 |

Turnover in the division was down 7.5% at €183.1 million while profit from operations was €34.9 million compared with €40.9 million in 2007. The reduction in profit was due to weaker passenger and freight markets, weaker sterling and higher fuel costs within the division, which rose 37% to €30.3 million.

## Passenger Revenue

2008 was characterised by a much tougher environment as total traffic from Ireland's largest tourism market, Britain, declined on the previous year. Some of the drop in business was attributed to the weakening of consumer confidence as credit markets tightened but much of the problem related to the substantial weakening of sterling against the euro from the first quarter of the year. In addition, higher fuel prices contributed to the reduction of 7% in the Cars market which had enjoyed a return to growth in 2007 for the first time in four years.

Irish Ferries Passenger numbers carried were 1.47 million (2007: 1.57 million) while our car numbers fell 7% to 377,000. The total number of sailings operated fell by 1.3% to 4,234. Following the very substantial increase in fuel costs during the year, combined with the reduction in the Irish Sea market, we reduced the schedule of our fast ferry service between Dublin and Holyhead from four sailings per day to two sailings from November 2008. The revised schedule will be increased during 2009 in line with holiday weekend and Summer period demands.

Continued investment in our strong technology platform throughout the year allowed us to further develop our on-line capabilities whilst improving efficiencies throughout all areas of our operation.

Our focus on customer satisfaction remains as a major priority and we were pleased that feedback throughout the year confirmed the very positive trend of continuous improvement in all areas of our operation. This was evidenced by Irish Ferries winning the award for "Best Ferry Company 2008" at the annual Irish Travel Trade Awards in January 2009. The delivery of first class customer care by our subcontracted crewing company on board all of our vessels was consistent throughout the year whilst also delivering improved cost effectiveness throughout the fleet.

## Freight Revenue

For the first time in over twenty years, the Republic of Ireland Roll on Roll Off freight market did not exhibit growth. Total market volumes were down by 8.7% in the twelve months.

Notwithstanding record carryings by Irish Ferries in the previous year when we did benefit from some competitor disruption, the economic slowdown and increased capacity by some of our competitors did have an impact and our carryings were down by 9% to 241,000 freight vehicles. During the year, two new entrants commenced operations on the direct Ireland - Europe routes and existing operators increased capacity on the Dublin - Holyhead and Dublin - Liverpool routes.

Throughout the year, Irish Ferries remained focused on providing strong commercially attractive services to the Roll On Roll Off freight market with particular emphasis on value for money. In the changed environment where pressure on costs has intensified in all areas of activity, we have continued to deliver efficiencies to all of our customers, large and small. Much of this derived from the continued strength of our schedule integrity where the benefits of our investment in state of the art tonnage have been so apparent.


## Ireland - France Route

2008 was the first full year of operation of our newly acquired €51.0 million vessel, MV Oscar Wilde on the Ireland to France route. This vessel carries up to 1,458 passengers in 468 cabins as well as 580 cars or 1,220 lane meters of vehicle deck space.

Reaction from our passenger and freight customers has been universally positive. We outperformed the Ireland - France passenger and car markets whilst growing our freight business by 127% as our revised schedules found favour with the prime users of the routes. Given the rejuvenation of this important part of our business, we look forward to 2009 with renewed confidence notwithstanding the arrival of additional competition at the end of 2008. The route's previous vessel, MV Normandy, was sold to Asian buyers in March 2008 at a profit of €3.8 million.

## Chartering

Both the MV Pride of Bilbao and MV Kaitaki remained on long term bareboat charter to P&O during the period. The former vessel operates the Portsmouth to Bilbao service for P&O, while the MV Kaitaki operates on a sub-charter on the route between the North and South Islands of New Zealand. As previously reported, P&O has exercised its options to extend both charters until 2010 (mid 2010 in the case of the MV Kaitaki and autumn 2010 in the case of the MV Pride of Bilbao). P&O retains a further option on each vessel for the period 2010 to 2013. The revenue in the current year has fallen due to the reduced charter rates which took effect in the second half of 2007, together with the weakening of average sterling and dollar foreign exchange rates against the euro. In the previous year, the Group also had charter income in respect of the MV Oscar Wilde, which had been chartered back to the previous owners, Color Line, for approximately seven months.

## CONTAINER AND TERMINAL DIVISION

The division includes our intermodal freight services Eucon and Feederlink as well as our strategically located container terminals in Dublin (DFT) and in Belfast (BCT). Within the division we operate up to 12 container vessels ranging in size from 350 – 850 teu capacity (teu = twenty foot equivalent unit, the standard measure in the container industry).

In 2008, turnover in the division grew by 1.7% to €161.1 million, while operating profit, adversely affected by fuel costs which increased by 50% to €21.0 million, was €6.9 million (2007: €9.2 million). Despite economic activity declining in all key markets, overall container volumes shipped remained relatively robust, falling by 1.3% to 534,000 teu.

Units handled at our terminals were broadly unchanged at 215,000 lifts. During the year we progressed the expansion of our Dublin terminal. The final phase of the terminal's development involves the lengthening of the quay wall, which will position DFT to handle the next generation of vessels calling at Dublin Port. The project will be completed in early 2010. We also continue to invest in our IT systems to support the business, and, during 2009 we will be renewing our cargo handling equipment in BCT with new Liebherr built straddle carriers.

## OUTLOOK

The economic environment in 2009 is extremely challenging. This will have an impact on the levels of both tourism and trade. On a positive note, world oil prices have eased substantially from the highs seen in 2008 which will partially offset the impact of reduced revenue.

In the passenger market the competitive threat from air carriers continues and the imperative is to provide an equally competitive alternative, which Irish Ferries is now achieving through continuing strict cost control and capacity management.

With our restructured cost base, our substantial investment in modern tonnage and terminal facilities and our strong balance sheet, we are, fortunately, well placed to compete vigorously in this tougher environment.

# RISKS & UNCERTAINTIES

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

## Safety

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

## Market Risk

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

The freight market is subject to general economic conditions and in particular the volume of internationally traded goods in North West Europe.

## Fuel

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

## Business Continuity

The business of the Group is exposed to the risk of interruption from incidents such as mechanical failure of vessels or plant or labour disputes either within the Group or in key suppliers, for example ports or fuel suppliers, or a loss of significant IT systems.

# RESOURCES

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

- A modern owned ferry fleet and container terminals
- Secure port agreements
- Recognised brand names
- Experienced qualified staff

## Fleet & Terminals

In the Ferries Division the Group operates 4 ferries. They are the MV Oscar Wilde (31,914GT), built 1986, the MV Isle of Inishmore (34,031 GT), built 1997, MV Jonathan Swift (5,992 GT), built 1999, and the MV Ulysses (50,938 GT), built 2001.

The Group also charters out on bareboat charter the MV Pride of Bilbao (37,583 GT), built 1986 and MV Kaitaki (23,365 GT), built 1995.

The Group's leased 33 acre terminal in Dublin Port comprises 480 metres of berths for container ships, with a depth of 9 to 11 metres and equipped with 3 modern Liebherr gantry cranes (40 tonne capacity), 7 rubber tyred gantries (each of 40 tonnes capacity) and one 45 tonne reachstacker on a strategically located site within three kilometres of Dublin City Centre and within one kilometre of the Dublin Port Tunnel. In Belfast our terminal comprises an 11.5 acre site on the County Antrim side of the port, equipped with one mobile crane and three straddle carriers.

## Secure Port Agreements

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

## Recognised Brand Names

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

## Experienced Qualified Staff

The Group, which has a rich history and origins dating back to 1837, has a highly experienced and competent staff. The Group has a decentralised structure giving divisional management substantial autonomy in the management of their own divisions. At the end of 2008 we had 438 employees compared with 474 at the start of the year, located in Ireland (Dublin and Rosslare), the UK (Liverpool, Holyhead, Pembroke and Felixstowe) and The Netherlands (Rotterdam).

## ENVIRONMENTAL AND SAFETY REVIEW
## Environment

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

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

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

## Safety

The wellbeing of the Group's staff is guarded through the adherence to statutory health and safety standards and international maritime regulations.

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

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

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

In addition to the Group's own internal verification procedures, we are subject to inspection by the relevant Health and Safety Authorities. Irish Ferries operates to the International Safety Management Code (ISM), which is the international standard for the safe management and operation of ships and for pollution prevention. Irish Ferries has successfully held the internationally recognised award for quality (ISO 9000) since 1996. Since 2003 Irish Ferries is ISO 9000:2000 accredited. Irish Continental Group is also in full compliance with the International Ship and Port Facility Security code (ISPS) which became law in 2004.

Eamonn Rothwell,
*Chief Executive*

# FINANCIAL REVIEW
## Results

Turnover for the year amounted to €342.9 million (2007: €355.8 million) while trading profit before tax and before non trading charges amounted to €41.8 million (2007: €50.1 million). Group wide fuel costs were substantially higher in the year at €51.3 million (2007: €36.1 million).

The interest charge was €2.7 million (2007: €5.2 million) before a net interest credit from defined benefit pension schemes of €3.9 million (2007: €5.9 million). Because of the volatility of the net interest credit from the pension scheme, it is excluded from the calculation of adjusted earnings per share (see below).

## TAXATION

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

## EARNINGS PER SHARE

Adjusted EPS (i.e. before non trading charges and the net pension interest credit) amounted to 148.9 cent (2007: 178.6 cent). Basic EPS was 164.7 cent (2007: 160.9 cent).

## PENSIONS

The Group has five defined benefit schemes covering employees in Ireland, the UK and the Netherlands. Combined pension assets at year end were €195.4 million (2007: €284.0 million), while combined pension liabilities were €220.1 million (2007: €258.1 million). Of the Group's five schemes, one was in surplus at year end (€2.7 million versus €5.0 million in 2007), while four were in deficit (a combined deficit of €27.4 million, compared with surpluses of €27.5 million in three of the schemes and a deficit of €6.6 million in the fourth scheme in 2007). Included in the schemes in deficit is our estimated share of the deficit in the UK based industry wide scheme, the Merchant Navy Officers Pension Fund (MNOPF).

The principal reason for the emergence of an aggregate deficit is a reduction in pension scheme assets of €88.6 million, partially offset by an actuarial gain on pension scheme liabilities of €34.3 million.

## CASH FLOW AND INVESTMENT

EBITDA for the year was €66.0 million (2007: €80.2 million). Net interest payments were €2.7 million and tax payments amounted to €3.9 million. Capital expenditure was €8.4 million which primarily included the annual refits of the vessels as well as progress payments in respect of our terminal expansion in Dublin Port. During the year we realised €13.2 million net from the sale of assets, principally the vessel MV Normandy. Net debt at year end was €48.7 million (2007: €84.5 million).

## REDEMPTION OF REDEEMABLE SHARES

During the year, the Group redeemed one redeemable share per ICG unit for a premium of 100 cent per redeemable share, a total redemption of €24.5 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 total committed bank facilities of €120.9 million of which €74.7 million was drawn at 31 December 2008, comprising of €74.3 million of borrowings and €0.4 million of trade guarantees. Of these committed facilities €6.0 million expires on 31 July 2009 and the remainder in October 2010.

The Group has finance lease liabilities of €2.9 million at 31 December 2008 (2007: €5.1 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 finances its operations through a mixture of equity, bank borrowings and lease finance. The Group borrows in required currencies at both fixed and floating rates of interest.

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

At 31 December 2008, 43% (2007: 47%) of the Group's gross debt was at fixed rates with a weighted average repricing period of 1.1 years (2007: 1.8 years). The weighted average fixed rate of interest is 3.9% (2007: 4.2%). Interest cover for the year was 10.2 times.

## Currency Management

The Group's primary operating currency is the euro. The Group also has significant sterling and US dollar cash flows. The Group's principal policy to minimise currency risk is to match foreign currency assets and liabilities and to match cash flows of like currencies.

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

## Commodity Price Management

Bunker oil costs constitute a separate and significant operational risk, partly as a result of historically significant price fluctuations. Bunker costs of the Container division are hedged to a large extent by the inclusion of price-adjustment agreements 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 120,000 tons in 2008. Cost of fuel in 2008 was 42% higher than in 2007.

## Credit Risk

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

## Liquidity

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

Net debt at 31 December 2008 was €48.7 million (2007: €84.5 million) made up of borrowings of €77.2 million (2007: €96.9 million) which is offset by cash and cash equivalents of €28.5 million (2007: €12.4 million).

At the year end 86% of the Group's borrowings are due to mature in more than one year (2007: 86%).

Overdraft facilities are in place to secure short term funding.

Gearoid O'Dea,
*Finance Director*

# THE FLEET

Below

**Isle of Inishmore**
**Ulysses**
**Jonathan Swift**


Below

**Oscar Wilde**

Below

**Pride of Bilbao**


**Eucon Progress**
one of 12 chartered container ships employed by the Container Division.

**Kaitaki**


# THE BOARD

## NON-EXECUTIVE DIRECTORS

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

John B. McGuckian, aged 69, has been a director since 1988. He has a wide range of interests, both in Ireland and internationally. He is Chairman of UTV Media plc, a director of Cooneen Textiles Limited and TVC Holdings plc and was, until recently, Chairman of Allied Irish Banks UK plc and a director of Allied Irish Banks plc. He has previously acted as the Chairman of the International Fund for Ireland, the Chairman of the Industrial Development Board for Northern Ireland and as Senior Pro-Chancellor and Chairman of the Senate of the Queen's University of Belfast.

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

Peter Crowley, aged 46, was appointed to the Board in 2003. Peter qualified as a chartered accountant with KPMG following which he spent 6 years as Director of KPMG Corporate Finance. He is a founder partner of FL Partners, the private equity firm. He is a former CEO of IBI Corporate Finance and is a former COO of Sigma Communications Group.

**Bernard Somers,**
*BComm, FCA.*
**Independent Director.**

Bernard Somers, aged 59, was appointed to the Board in 2004. He is a non-executive director of a number of public companies including, Independent News & Media plc, DCC plc, and was a director of Allied Irish Banks plc between 2006 and 2008. He is also a former director of the Central Bank of Ireland. He is the founder of Somers and Associates, a professional practice which specialises in corporate restructuring.

# EXECUTIVE DIRECTORS


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

Eamonn Rothwell, aged 53, joined the Board in 1987 as non-executive director and was appointed to the position of Managing Director in 1992. 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).

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

Gearoid O'Dea, aged 53, joined the Group in 1988 and was appointed to the Board in the same year. He qualified as a chartered accountant with KPMG, the international professional services firm, following which, in 1981, he joined the international building materials group CRH plc, where he worked in a number of financial positions until 1988.


**Tony Kelly,**
*FCIT.*
**Marketing Director - Irish Ferries.**

Tony Kelly, aged 53, joined the Group in 1973 and worked in a variety of operational and marketing roles within the Group. He was appointed to the Board in 2002. He is a former director of the all-Ireland tourism body Tourism Ireland and a council member and former chairman of the Irish Tourism Industry Confederation.

# COMPANY SECRETARY

**Thomas Corcoran,**
*BComm, FCA.*
**Company Secretary.**

Thomas Corcoran, aged 44, joined the Company in 1989 from professional services firm PwC, where he qualified as a chartered accountant. He was appointed Company Secretary in 2001.

# REPORT OF THE DIRECTORS

The directors present their annual report together with the audited financial statements of the Group for the year ended 31 December 2008.

## RESULTS AND BUSINESS DEVELOPMENTS

Details of the results for the year are set out in the consolidated income statement on page 44 and in the related notes forming part of the financial statements. The fair review of the development of the business of the Company and its subsidiaries is set out in the Operating Review and the Financial Review on pages 9 to 16. This includes a description of the principal risks and uncertainties and the key performance indicators.

## RESEARCH AND DEVELOPMENT

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

## SHARE CAPITAL

Ordinary shares and redeemable shares are inextricably linked as an ICG unit. An ICG unit consists of one ordinary share and ten redeemable shares (or such lesser number thereof, if any, resulting from the redemption of one or more redeemable share). At 31 December 2008 an ICG unit consisted of one ordinary share and two redeemable shares. No ordinary or redeemable share may be transferred unless they are transferred in connection with a simultaneous transfer of the other shares with which they are linked as an ICG unit.

The rights and obligations attaching to the ordinary shares and redeemable shares are as contained in the Articles of Association of the Company.

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

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

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

## REDEMPTION OF REDEEMABLE SHARES

In March 2008, the Board redeemed one Redeemable Share per ICG Unit for a premium of 100 cent per share.

## BOARD OF DIRECTORS

The Board members are listed on pages 18 and 19 of this report. There were no changes in the composition of the Board in 2008.

In accordance with the Articles of Association and The Combined Code on Corporate Governance (the "Combined Code") Eamonn Rothwell and Tony Kelly retire by rotation, and being eligible, offer themselves for re-election. As John B. McGuckian has served three terms, he also offers himself for re-election. Biographical details of the three Directors are set out on pages 18 and 19 of this report.

John B. McGuckian is a non-executive director and Chairman of the Board. The Board proposes that John B. McGuckian be re-elected as he makes a significant contribution to the direction of the Company, due to his range of interests and depth of experience. The Board confirms, following its formal evaluation performed during the period, that the Chairman's performance continues to be effective and that he continues to demonstrate commitment to the role.

## PROPER BOOKS OF ACCOUNT

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

## GOING CONCERN

After making enquiries and taking into account the Group's committed banking facilities which extend to October 2010, the directors believe that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

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

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

Irish Continental Group presents its financial statements and annual reports in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS as adopted by the European Union. The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008 and that have been adopted by the European Union.

## SUBSTANTIAL SHAREHOLDINGS

The latest notifications of substantial interests in the Share Capital of the Company received by the Company on or before 6 March 2009 were as follows;

| Beneficial Holder as Notified | Number of Units | % of Issued Units |
|---|---|---|
| South Morston Investment Company Limited | 7,201,572 | 29.3% |
| Moonduster Limited | 6,134,170 | 24.9% |
| Eamonn Rothwell | 3,938,771 | 16.0% |
| Deutsche Bank AG (note 1) | 1,536,280 | 6.3% |

**Note 1:** The Company has been advised that Sandell Asset Management through Castlerigg Master Investments Limited has an interest in 1,400,000 of these ICG Units in the form of a contract for difference entered into with Deutsche Bank.

# REPORT OF THE DIRECTORS - CONTINUED

## DIRECTORS' AND SECRETARY'S SHAREHOLDINGS

The interests of the directors and secretary of the Company and their spouses and minor children in the share capital of the Company at 31 December 2008 and 1 January 2008, all of which were beneficial, were as follows:

| | 31/12/2008 Units | 1/1/2008 Units |
|---|---|---|
| John B. McGuckian | 32,354 | 32,354 |
| Eamonn Rothwell | 3,938,771 | 3,938,771 |
| Gearoid O'Dea | 179,377 | 179,377 |
| Tony Kelly | 39,588 | 39,588 |
| Peter Crowley | - | - |
| Bernard Somers | - | - |
| Thomas Corcoran | - | 8,736 |

There were no changes in directors' shareholdings between 31 December 2008 and the date of this report. Units are explained on page 98 of this report.

## AUDITORS

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

## CORPORATE GOVERNANCE

The Group applies the principles and provisions of The Combined Code on Corporate Governance (the "Combined Code") as adopted by the Irish Stock Exchange and the UK Financial Services Authority. A corporate governance statement is set out on pages 25 to 27.

## KEY PERFORMANCE INDICATORS

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

## Return on average capital employed

Capital employed is taken as consolidated net assets, excluding net debt and pension assets/liabilities. Earnings before interest, tax and non trading charges of €41.8 million (2007: €50.1 million) expressed as a percentage of capital employed results in a return on average opening and closing capital employed of 16.8% in the current year (2007: 18.3%).

## Operating margin

The Group's operating margin in 2008 was 12.2% compared to 14.1% in 2007. In the Ferries Division the operating margin was 19.1% (2007: 20.7%) and in the Container & Terminal Division the operating margin was 4.3% (2007: 5.8%).

## Free cash flow

The Group's free cash flow measure is net cash flow from operating activities adjusted for replacement capital expenditure. Group free cash flow was €53.6 million in 2008 (2007: €83.1 million) or 128% (2007: 166%) of Group operating profit before non trading charges of €41.8 million (2007: €50.1 million).

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

EBITDA for the year was down 17.7% at €66.0 million. The fall is due mainly to lower revenue in Irish Ferries and higher fuel costs across the Group.

## Earnings per share (EPS)

EPS: Adjusted EPS (before non trading charges and the net interest credit arising in our pension schemes) was 148.9 cent per share compared with 178.6 cent in 2007. Basic EPS was 164.7 cent per share compared with 160.9 cent per share in 2007. The changes were for the reasons set out above in relation to EBITDA.

## Schedule integrity

With regard to schedule integrity we achieved 93% of scheduled sailings compared with 94% in the previous year.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

## Safety

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

## Market Risk

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

The freight market is subject to general economic conditions and in particular the volume of internationally traded goods in North West Europe.

## Fuel

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

## Business Continuity

The business of the Group is exposed to the risk of interruption from incidents such as mechanical failure of vessels or plant or labour disputes either within the Group or in key suppliers, for example ports or fuel suppliers, or a loss of significant IT systems.

## Financial

The principal financial risks, including interest rate, foreign currency, liquidity and credit risks are actively managed by the Group.

The Group's defined benefit pension schemes are exposed to the risk of changes in interest rates and the market values of investments, as well as inflation and the increasing longevity of scheme members. The assumptions used in calculating the funding position of the pension schemes are shown in detail in note 33 to the Group financial statements.

# ANNUAL GENERAL MEETING

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

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

6 March 2009
REGISTERED OFFICE:
Ferryport, Alexandra Road, Dublin 1.

# CORPORATE GOVERNANCE STATEMENT

The Group applies the principles and provisions of The Combined Code on Corporate Governance (the "Combined Code") as adopted by the Irish Stock Exchange and the UK Financial Services Authority. The Board believes that it is in compliance with the Combined Code except that the Chairman of the Group was deemed the most suitable member of the Remuneration Committee to act as Chairman given his broad range of experience.

## BOARD OF DIRECTORS

The Board consists of three executive and three non-executive directors. 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.

Non-executive directors are appointed by the Board for an initial term not exceeding three years. The terms and conditions of appointment of non-executive directors 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. The roles of Chairman and Chief Executive are separate, set out in writing and approved by the Board. The Board has appointed Peter Crowley as the Senior Independent Director. Biographies of the directors and secretary are set out on pages 18 and 19. Each director brings independent judgement to bear on issues of strategy, risk and performance. Each director is subject to re-election at least every three years.

## BOARD PROCEDURES

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

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

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

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

## BOARD COMMITTEES

During the year ended 31 December 2008, there were three standing Board Committees with formal terms of reference; the Audit Committee, the Nomination Committee and the Remuneration Committee. The terms of reference of each committee are available, on request, from the Company Secretary and on the Group's website.

## THE AUDIT COMMITTEE

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

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

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

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

## THE NOMINATION COMMITTEE

The Nomination Committee comprises the non-executive directors John B. McGuckian (chairman) and Peter Crowley and executive director Eamonn Rothwell.

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

## THE REMUNERATION COMMITTEE

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

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

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

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

| Director | Board | Audit * | Nomination ** | Remuneration |
|---|---|---|---|---|
| Scheduled Meetings | 9 | 4 | - | 2 |
| J.B. McGuckian (note 1) | 9 | - | - | 2 |
| P. Crowley (note 2) | 7 | 3 | - | 2 |
| B. Somers (note 3) | 9 | 4 | - | - |
| E. Rothwell (note 4) | 9 | - | - | - |
| G. O'Dea (note 5) | 9 | - | - | - |
| T. Kelly (note 5) | 9 | - | - | - |

**Note 1:** Member of Board, Nomination and Remuneration Committee

**Note 2:** Member of Board, Audit, Nomination and Remuneration Committee

**Note 3:** Member of the Board and Audit Committee

**Note 4:** Member of the Board and Nomination Committee

**Note 5:** Member of the Board

* John B. McGuckian was co-opted a member of the audit committee for one meeting to ensure a quorum was present for that meeting.

** There were no nomination committee meetings held during the year.

## COMMUNICATIONS WITH SHAREHOLDERS

The Board promotes good communications with shareholders and the Group commits resources to shareholder communication commensurate with its size. Other than during close periods and subject to the requirements of the Takeover Code, when applicable, the Chief Executive and the Finance Director have a regular dialogue with institutional shareholders throughout the year and report on these meetings to the Board. The Senior Independent Director is available on request to meet with major shareholders.

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

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

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

Arrangements will be made for the 2008 annual report and Annual General Meeting notice to be sent to shareholders 20 working days before the meeting and for the level of proxy votes cast on each resolution, and the numbers for and against, to be announced at the meeting. In compliance with the Transparency Directive, quarterly Interim Management Statements will be issued during 2009.

Further investor relations information is available on pages 98 to 99 of this report.

## INTERNAL CONTROL

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

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

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

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

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

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

## PERFORMANCE EVALUATION

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

## DIRECTORS' REMUNERATION

The report of the Remuneration Committee is set out on pages 28 to 31.

# REPORT OF THE REMUNERATION COMMITTEE

The remuneration of executive directors and senior management is determined by the Remuneration Committee. The Remuneration Committee is composed exclusively of non-executive directors and its composition and duties are shown on page 26.

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

In framing remuneration policy the remuneration committee has regard to comparable companies in both size and complexity.

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

Details of directors' remuneration for the year ended 31 December 2008 are set out below:

| 2008 | Salary €'000 | Performance pay €'000 | Benefits €'000 | Pension Contributions €'000 | Fees €'000 | Total €'000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| E. Rothwell | 500 | 717 | 42 | 131 | - | **1,390** |
| G. O'Dea | 283 | 189 | 23 | 73 | - | **568** |
| T. Kelly | 206 | 104 | 22 | 15 | - | **347** |
| **Total for Executives** | **989** | **1,010** | **87** | **219** | **-** | **2,305** |
| **Non-executive directors** | | | | | | |
| J.B. McGuckian | - | - | - | - | 90 | **90** |
| P. Crowley | - | - | - | - | 105 | **105** |
| B. Somers | - | - | - | - | 40 | **40** |
| **Total for Non-executives** | **-** | **-** | **-** | **-** | **235** | **235** |
| **Total** | **989** | **1,010** | **87** | **219** | **235** | **2,540** |

Eamonn Rothwell is released to serve as a non-executive director on the board of The United Kingdom Mutual War Risks Association Limited and does not retain his fee for this position.

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

Details of directors' remuneration for the year ended 31 December 2007 are set out below:

| 2007 | Salary €'000 | Performance pay €'000 | Benefits €'000 | Pension Contributions €'000 | Fees €'000 | Total €'000 |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| E. Rothwell | 424 | 953 | 45 | 94 | - | **1,516** |
| G. O'Dea | 257 | 246 | 23 | 56 | - | **582** |
| T. Kelly | 186 | 130 | 22 | 8 | - | **346** |
| **Total for Executives** | **867** | **1,329** | **90** | **158** | **-** | **2,444** |
| **Non-executive directors** | | | | | | |
| J.B. McGuckian | - | - | - | - | 240 | **240** |
| P. Crowley | - | - | - | - | 135 | **135** |
| B. Somers | - | - | - | - | 135 | **135** |
| **Total for Non-executives** | **-** | **-** | **-** | **-** | **510** | **510** |
| **Total** | **867** | **1,329** | **90** | **158** | **510** | **2,954** |

No element of remuneration, other than basic salary, is pensionable. The aggregate pension benefits attributable to the executive directors at 31 December 2008 are as follows:

| 2008 | E. Rothwell €'000 | G. O'Dea €'000 | T. Kelly €'000 | Total €'000 |
|---|---|---|---|---|
| Increase in accumulated accrued annual benefits excluding inflation in the period | 42 | 15 | 10 | **67** |
| Transfer value of the increase in accumulated accrued benefits (excluding inflation) at year end* | 673 | 229 | 156 | **1,058** |
| Accumulated accrued annual benefits on leaving service at year end | 290 | 148 | 121 | **559** |

The aggregate pension benefits attributable to the executive directors at 31 December 2007 are as follows:

| 2007 | E. Rothwell €'000 | G. O'Dea €'000 | T. Kelly €'000 | Total €'000 |
|---|---|---|---|---|
| Increase in accumulated accrued annual benefits excluding inflation in the period | 9 | 7 | 4 | **20** |
| Transfer value of the increase in accumulated accrued benefits (excluding inflation) at year end* | 112 | 94 | 53 | **259** |
| Accumulated accrued annual benefits on leaving service at year end | 238 | 128 | 107 | **473** |

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

There are no long term incentive plans in place other than the Group's 1998 share option plan which was introduced to encourage identification with shareholders' longer term interests. Since that date, options have been granted both to directors and to employees of the Group. The options were granted by the Remuneration Committee on a discretionary basis, based on the employees' expected contribution to the Group in the future. Since 25th March 2008 no further options may be granted under this scheme.

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

| Exercise Price | Exercise Period | Exercise Conditions | Director E. Rothwell | Director G. O'Dea | Director T. Kelly | Secretary T. Corcoran |
|---|---|---|---|---|---|---|
| €10.75 | Jan 2003 - Mar 2010 | Note 1 | 25,000 | - | - | - |
| €10.75 | Jan 2005 - Mar 2010 | Note 2 | 25,000 | - | - | - |
| €7.35 | Jan 2005 - Mar 2012 | Note 1 | 100,000 | - | - | - |
| €7.35 | Jan 2007 - Mar 2012 | Note 2 | 100,000 | 25,000 | 25,000 | - |
| €5.30 | Sep 2005 - Sep 2012 | Note 1 | 50,000 | 15,000 | 12,500 | - |
| €5.30 | Sep 2007 - Sep 2012 | Note 2 | 50,000 | 15,000 | 12,500 | - |
| €10.00 | Apr 2008 - Apr 2015 | Note 1 | 25,000 | 12,500 | 12,500 | 5,000 |
| €10.00 | Apr 2010 - Apr 2015 | Note 2 | 25,000 | 12,500 | 12,500 | 5,000 |
| €10.67 | Sep 2009 - Sep 2016 | Note 1 | 50,000 | 25,000 | 25,000 | 7,500 |
| €10.67 | Sep 2011 - Sep 2016 | Note 2 | 50,000 | 25,000 | 25,000 | 7,500 |
| €21.32 | Dec 2010 - Dec 2017 | Note 1 | 75,000 | 37,500 | 37,500 | 10,000 |
| €21.32 | Dec 2012 - Dec 2017 | Note 2 | 75,000 | 37,500 | 37,500 | 10,000 |
| **At 31 December 2007** | | | **650,000** | **205,000** | **200,000** | **45,000** |
| **Exercised during the year** | | | | | | |
| €7.35 | | | - | - | (25,000) | - |
| €5.30 | | | - | - | (25,000) | - |
| €10.00 | | | - | - | (12,500) | - |
| **Granted during the year** | | | - | - | - | - |
| | | | | | | |
| **At 31 December 2008** | | | **650,000** | **205,000** | **137,500** | **45,000** |

**Note 1:** These options are exercisable only if growth in the Group's EPS is at least 2% p.a. above the increase in the Consumer Price Index.

**Note 2:** These options are exercisable only if growth in the Group's EPS places it in the top quarter of ISEQ companies and also only if the growth in the Group's EPS is at least 10% p.a. above the increase in the Consumer Price Index.

The market price of the shares at 31 December 2008 was €18.00 and the range during the year was €13.10 to €25.91. The market price of the shares on the dates of exercise by Tony Kelly were €20.20, €20.36, €20.44 and €20.50.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

Irish Company Law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company, and the Group as a whole, will continue in business.

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

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

The Directors of ICG plc acknowledge these responsibilities and accordingly have prepared this consolidated Annual Report for the year ended 31 December 2008 in compliance with the provisions of Regulation (EC) No. 1606/2002, regulations 4 and 5 of Statutory Instrument 277 of 2007 of Ireland, the Transparency Rules of the Irish Financial Services Regulatory Authority and the applicable International Financial Reporting Standards as adopted by the European Union.

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

- the Group consolidated financial statements for the year ended 31 December 2008 have been prepared in accordance with the applicable International Financial Reporting Standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole as at that date;
- the Business Review includes a fair review of the development and performance of the business for the year ended 31 December 2008 and the position of the Group and the undertakings included in the consolidation taken as a whole at the year end; and
- the Report of the Directors provides a description of the principal risks and uncertainties which may impact on the Group's and the undertakings included in the consolidation taken as a whole future performance.

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IRISH CONTINENTAL GROUP PLC

We have audited the financial statements of Irish Continental Group plc for the year ended 31 December 2008 which comprise the Group Financial Statements including the Statement of Significant Accounting Policies, the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the Company Financial Statements including the Company Balance Sheet, the Company Statement of Recognised Income and Expense, the Company Cash Flow Statement and the related notes 1 to 40. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The Directors are responsible, as set out in the Statement of Directors' Responsibilities, for preparing the Annual Report, including the preparation of the Group Financial Statements and the Company Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our responsibility, as independent auditors, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its internal controls.

We read the other information contained in the annual report for the above year as described in the contents section and considered the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

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

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the affairs of the Group as at 31 December 2008 and of its profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006, and as regards the Group financial statements Article 4 of the IAS Regulations as far as concerns the Group;
- the Company Financial Statements give a true and fair view, in accordance with IFRS, as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2006, of the state of the affairs of the Company as at 31 December 2008; and
- the Company Financial Statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006.

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

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

The net assets of the Company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2008 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Company.

Deloitte & Touche
*Chartered Accountants and Registered Auditors*
Dublin
6 March 2009

# STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

## BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore the Group's financial statements comply with Article 4 of the IAS Regulations. The financial statements have also been prepared in accordance with the Companies Acts 1963 to 2006, and the Listing Rules of the Irish and London Stock Exchanges.

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

## BASIS OF CONSOLIDATION

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

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

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

## NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in the present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## REVENUE RECOGNITION

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

Passenger ticket revenue is recognised at the date of travel. Unused tickets are treated as revenue in accordance with the Group's terms and conditions of sale. Freight revenue is recognised at the date of transportation. Revenue from passenger tickets sold before the year end for a travel date after the year end is included in the balance sheet in current liabilities under the caption "trade and other payables".

Cash revenue from on-board sales is recognised immediately.

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.

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

## NON TRADING (CHARGE) / CREDIT

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

## LEASING

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

### The Group as lessee

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

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

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

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.

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 Group as lessor

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.

## FOREIGN CURRENCIES

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

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 balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are included in the Income Statement for the year.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group foreign operations are expressed in euro using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rate 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 classified as equity and transferred to the Group's translation reserve. On disposal of a foreign subsidiary the cumulative translation difference for that foreign subsidiary is transferred to the Consolidated Income Statement as part of the gain or loss on disposal.

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

## BORROWING COSTS

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

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

## GOVERNMENT GRANTS

Grants of a capital nature are 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.

## RETIREMENT BENEFIT SCHEMES

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

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

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

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

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

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

## 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. The interest expense component of finance lease payments is recognised in the Consolidated Income Statement using the effective interest rate method. The finance cost on defined benefit pension scheme liabilities is recognised in the Consolidated Income Statement in accordance with IAS 19.

## TAXATION

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

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

## TAXATION - CONTINUED

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

Deferred 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 balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet 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. Deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

## PROPERTY, PLANT AND EQUIPMENT

### Passenger ships

Passenger ships are stated at cost, with the exception of the fast ferry MV Jonathan Swift which is stated at deemed cost upon transition to IFRS less accumulated depreciation and any accumulated impairment losses.

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

In considering residual values of passenger ships, the directors have based the valuation on the current scrap value of the ships per light displacement ton. Residual values are reviewed annually and updated if required. Estimations of economic life and residual values of ships are a key judgemental estimate in the financial statements.

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

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

### Drydocking

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

## PROPERTY, PLANT AND EQUIPMENT - CONTINUED

### Other Assets

Other property, plant and equipment other than passenger ships are stated at cost less accumulated depreciation and any accumulated impairment losses. The carrying values of property, plant and equipment 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. Freehold land is not depreciated.

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

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

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

Assets under construction, the construction of which falls into two or more accounting periods 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.

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 they meet the recognition criteria of IAS 38. Computer software costs recognised as assets are written off on a straight line basis over their estimated useful lives, which is normally 5 years.

## INVESTMENTS IN SUBSIDIARIES

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

## IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS EXCLUDING GOODWILL

At each balance sheet 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. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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.

## IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS EXCLUDING GOODWILL - CONTINUED

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## 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 estimated costs of completion and costs to be incurred in marketing selling and distribution.

## FINANCIAL INSTRUMENTS

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

### Trade receivables

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

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

### Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in the Consolidated Income Statement when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments that are classified as either held for trading or available-for-sale, are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in Consolidated Income Statement for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly into equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

### Cash and cash equivalents

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

### Financial liabilities and equity

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

### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in 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 at amortised cost.

### Trade payables

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

### Equity instruments

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

### Derivative financial instruments and hedge accounting

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

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

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

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the 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 recognised 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 recognised in equity is transferred to net profit or loss in the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value, with gains or losses reported in the Income Statement.

# STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

## PROVISIONS

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

## SHARE-BASED PAYMENTS

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

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

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

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.

## DISTRIBUTIONS / PREMIUM ON SHARES REDEEMED

Distributions are accounted for when they are approved, through retained earnings. Dividends received are taken to income when received. Dividends received from fellow subsidiaries are eliminated on consolidation.

## OPERATING PROFIT

Operating profit is stated after non trading charge or credit items but before investment income and finance costs.

## ADJUSTED EARNINGS PER SHARE

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

## TREASURY SHARES

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

## SEGMENTAL ANALYSIS

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

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

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

# CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

## POST-RETIREMENT BENEFITS

The Group's total obligation in respect of defined benefit schemes is calculated by independent, qualified actuaries, updated at least annually and totals €220.1 million at 31 December 2008 (2007: €258.1 million). At 31 December 2008 the Group also has scheme assets totalling €195.4 million (2007: €284.0 million), giving a net pension deficit of €24.7 million (2007: asset of €25.9 million). The size of the obligation is sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used. The size of the scheme asset is also sensitive to asset return levels and the level of contributions from the Group.

The Company's total obligation in respect of the defined benefit scheme is calculated by independent, qualified actuaries, updated at least annually and totals €13.5 million at 31 December 2008 (2007: €17.6 million). At 31 December 2008 the Company also has scheme assets totalling €10.5 million, (2007: €15.4 million) giving a net pension liability of €3.0 million (2007: liability of €2.2 million). The size of the obligation is sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used. The size of the scheme asset is also sensitive to asset return levels and the level of contributions from the Company.

## DEFERRED TAX

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. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations, and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations require the use of estimates.

## USEFUL LIVES FOR PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

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

# CONSOLIDATED INCOME STATEMENT
## for the year ended 31 December 2008

| | Notes | 2008 €m | 2007 €m |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 3 | 342.9 | 355.8 |
| Depreciation and amortisation | 10 | (24.2) | (30.1) |
| Employee benefits expense | 5 | (29.9) | (32.8) |
| Other operating expenses | | (247.0) | (242.8) |
| | | **41.8** | **50.1** |
| Non trading charge | 6 | - | (10.1) |
| **Operating profit** | | **41.8** | **40.0** |
| Investment revenue | 7 | 19.6 | 20.6 |
| Finance costs | 8 | (18.4) | (19.9) |
| **Profit before tax** | | **43.0** | **40.7** |
| Income tax expense | 9 | (2.5) | (2.4) |
| **Profit for the year: all attributable to equity holders of the parent** | **10** | **40.5** | **38.3** |
| **Earnings per share – expressed in € cent per share** | | | |
| From continuing operations: | | | |
| Basic | 12 | 164.7c | 160.9c |
| Diluted | 12 | 162.8c | 158.9c |

The financial statements were approved by the Board of Directors on 6 March 2009 and signed on its behalf by:

Eamonn Rothwell, *Director*

Gearoid O'Dea, *Director*

# CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
## for the year ended 31 December 2008

| | Notes | 2008 €m | 2007 €m |
|---|---|---|---|
| Fair value movement on cash flow hedges | 24 | (0.7) | 0.1 |
| Exchange differences on translation of foreign operations | 22 | (24.1) | (12.2) |
| Actuarial loss on retirement benefit obligations | 33a viii | (55.9) | (0.4) |
| Deferred Tax movements | 25 | 2.6 | (0.7) |
| Exchange difference on defined benefit schemes | 33a viii | 1.3 | 0.3 |
| Net amount directly recognised in equity | | (76.8) | (12.9) |
| Profit for the year | | 40.5 | 38.3 |
| **Total recognised income and expense for the year: all attributable to equity holders of the parent** | | **(36.3)** | **25.4** |

# CONSOLIDATED BALANCE SHEET
## as at 31 December 2008

| | Notes | 2008 €m | 2007 €m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 236.4 | 277.4 |
| Intangible assets | 14 | 1.8 | 2.2 |
| Long term receivable | 15 | 3.0 | 4.6 |
| Retirement benefit surplus | 33a iv | 2.7 | 32.5 |
| | | **243.9** | **316.7** |
| **Current assets** | | | |
| Inventories | 17 | 0.8 | 1.3 |
| Trade and other receivables | 18 | 38.1 | 46.6 |
| Derivative financial instruments | 24 | - | 0.6 |
| Cash and cash equivalents | 19 | 28.5 | 12.4 |
| | | 67.4 | 60.9 |
| Asset classified as held for sale | 20 | - | 9.0 |
| | | **67.4** | **69.9** |
| **Total assets** | | **311.3** | **386.6** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 21 | 16.6 | 16.5 |
| Share premium | 22 | 48.7 | 48.1 |
| Other reserves | 22 | (30.6) | (5.7) |
| Retained earnings | 22 | 117.5 | 153.4 |
| **Equity attributable to equity holders of the parent** | | **152.2** | **212.3** |
| **Non-current liabilities** | | | |
| Borrowings | 23 | 66.5 | 83.5 |
| Deferred tax liabilities | 25 | 3.2 | 6.2 |
| Provisions | 27 | 0.3 | 0.3 |
| Deferred grant | 28 | 1.2 | 1.3 |
| Retirement benefit obligation | 33a iv | 27.4 | 6.6 |
| | | **98.6** | **97.9** |
| **Current liabilities** | | | |
| Borrowings | 23 | 10.7 | 13.4 |
| Derivative financial instruments | 24 | 0.7 | - |
| Trade and other payables | 26 | 44.5 | 57.2 |
| Current tax liabilities | 26 | 4.2 | 5.3 |
| Provisions | 27 | 0.3 | 0.4 |
| Deferred grant | 28 | 0.1 | 0.1 |
| | | **60.5** | **76.4** |
| **Total liabilities** | | **159.1** | **174.3** |
| **Total equity and liabilities** | | **311.3** | **386.6** |

The financial statements were approved by the Board of Directors on 6 March 2009 and signed on its behalf by:

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

# COMPANY BALANCE SHEET
## as at 31 December 2008

| | Notes | 2008 €m | 2007 €m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | 1.0 | 1.3 |
| Intangible assets | 14 | 1.8 | 2.2 |
| Investments in subsidiaries | 16 | 11.0 | 11.0 |
| Retirement benefit surplus | 33b iv | - | 0.1 |
| | | **13.8** | **14.6** |
| **Current assets** | | | |
| Inventories | 17 | 0.4 | 0.5 |
| Trade and other receivables | 18 | 117.1 | 104.1 |
| Derivative financial instruments | 24 | - | 0.1 |
| Cash and cash equivalents | 19 | 7.9 | 1.2 |
| | | **125.4** | **105.9** |
| **Total assets** | | **139.2** | **120.5** |
| | | | |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 21 | 16.6 | 16.5 |
| Share premium | 22 | 48.7 | 48.1 |
| Other reserves | 22 | 2.9 | 2.9 |
| Retained earnings | 22 | (0.2) | (7.9) |
| **Equity attributable to equity holders** | | **68.0** | **59.6** |
| **Non-current liabilities** | | | |
| Retirement benefit obligation | 33b iv | 3.0 | 2.3 |
| | | **3.0** | **2.3** |
| **Current liabilities** | | | |
| Borrowings | 23 | - | 0.1 |
| Derivative financial instruments | 24 | 0.2 | - |
| Trade and other payables | 26 | 67.0 | 57.7 |
| Current tax liabilities | 26 | 1.0 | 0.8 |
| | | **68.2** | **58.6** |
| **Total Liabilities** | | **71.2** | **60.9** |
| **Total equity and liabilities** | | **139.2** | **120.5** |

The financial statements were approved by the Board of Directors on 6 March 2009 and signed on its behalf by:

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

# CONSOLIDATED CASHFLOW STATEMENT
## for the year ended 31 December 2008

| | Notes | 2008<br>€m | 2007<br>€m |
|---|---|---|---|
| **Net cash from operating activities** | 35 | **51.3** | **77.5** |
| | | | |
| **Cash flow from investing activities** | | | |
| Interest received | | 1.4 | 1.3 |
| Proceeds on disposal of property, plant and equipment | | 13.2 | 0.1 |
| Payment received on long term receivable | | 2.3 | - |
| Purchases of property, plant and equipment | | (7.5) | (58.0) |
| Purchases of intangible assets | | (0.9) | (0.4) |
| **Net cash from / (used in) investing activities** | | **8.5** | **(57.0)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Redemption of redeemable shares | | (24.5) | - |
| Repayments of borrowings | | (66.9) | (85.6) |
| Repayments of obligations under finance leases | | (2.2) | (2.9) |
| Proceeds on issue of ordinary share capital | | 0.7 | 8.1 |
| New bank loans raised | | 49.5 | 62.5 |
| Decrease in bank overdraft | | (0.1) | - |
| New finance leases raised | | - | 0.1 |
| **Net cash used in financing activities** | | **(43.5)** | **(17.8)** |
| | | | |
| Net increase in cash and cash equivalents | | 16.3 | 2.7 |
| | | | |
| **Cash and cash equivalents at the beginning of the year** | | **12.4** | **11.0** |
| Effect of foreign exchange rate changes | | (0.2) | (1.3) |
| | | | |
| **Cash and cash equivalents at the end of the year** | | | |
| Bank balances and cash | | **28.5** | **12.4** |

# COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE
## for the year ended 31 December 2008

| | Notes | 2008<br>€m | 2007<br>€m |
|---|---|---|---|
| Fair value movements on cash flow hedges | 24 | (0.2) | - |
| Actuarial (loss) / gain on retirement benefit obligations | 33b viii | (2.0) | 0.3 |
| Exchange difference on defined benefit pension schemes | 33b viii | 0.8 | 0.2 |
| Net amount directly recognised in equity | | (1.4) | 0.5 |
| Profit / (loss) for the year | | 33.3 | (17.3) |
| **Total recognised income and expense for the year: all attributable to equity holders** | | **31.9** | **(16.8)** |

# COMPANY CASHFLOW STATEMENT
## for the year ended 31 December 2008

| | Notes | 2008<br>€m | 2007<br>€m |
|---|---|---|---|
| **Net cash from operating activities** | 35 | **(8.9)** | **5.3** |
| | | | |
| **Cash flow from investing activities** | | | |
| Interest received | | 0.9 | 0.8 |
| Dividend received from subsidiary | | 40.0 | - |
| Purchases of property, plant and equipment | | (0.5) | (2.4) |
| Purchases of intangible assets | | (0.9) | (0.4) |
| | | | |
| **Net cash from / (used in) investing activities** | | **39.5** | **(2.0)** |
| | | | |
| **Cash flow from financing activities** | | | |
| Redemption of redeemable shares | | (24.5) | - |
| Repayments of borrowings | | - | (10.0) |
| Repayments of obligations under finance leases | | - | (0.2) |
| Proceeds on issue of ordinary share capital | | 0.7 | 8.1 |
| Decrease in bank overdraft | | (0.1) | - |
| | | | |
| **Net cash used in financing activities** | | **(23.9)** | **(2.1)** |
| | | | |
| Net increase in cash and cash equivalents | | 6.7 | 1.2 |
| | | | |
| **Cash and cash equivalents at the beginning of the year** | | **1.2** | **0.1** |
| Effect of foreign exchange rate changes | | - | (0.1) |
| | | | |
| **Cash and cash equivalents at the end of the year** | | | |
| Bank balances and cash | | **7.9** | **1.2** |

# NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2008

## 1. General information

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

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

## 2. Adoption of new and revised International Financial Reporting Standards

In the year the Group and Company have adopted three interpretations issued by the International Financial Reporting Interpretations Committee. These are, IFRIC 11 - IFRS 2, Group and Treasury Share Transactions, IFRIC 12 - Service Concession Arrangements and IFRIC 14 - IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of these interpretations has not led to any changes in the Group's or Company's accounting policies.

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:

- IAS 1 (Amendment) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009);
- IAS 16 (Amendment) Property, Plant and Equipment (effective for accounting periods beginning on or after 1 January 2009);
- IAS 19 (Amendment) Employee Benefits (effective for accounting periods beginning on or after 1 January 2009);
- IAS 20 (Amendment) Accounting for Government Grants and disclosure of Government assistance (effective for accounting periods beginning on or after 1 January 2009);
- IAS 23 (Amendment) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009);
- IAS 27 (Amendment) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2009);
- IAS 27 (Revised) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009);
- IAS 28 (Amendment) Investments in Associates (effective for accounting periods beginning on or after 1 January 2009);
- IAS 29 (Amendment) Financial Reporting in Hyperinflation Economies (effective for accounting periods beginning on or after 1 January 2009);
- IAS 31 (Amendment) Interest in Joint Ventures (effective for accounting periods beginning on or after 1 January 2009);
- IAS 32 (Amendment) Financial Instruments: Presentation (effective for accounting periods beginning on or after 1 January 2009);
- IAS 36 (Amendment) Impairment of Assets (effective for accounting periods beginning on or after 1 January 2009);
- IAS 38 (Amendment) Intangible Assets (effective for accounting periods beginning on or after 1 January 2009);
- IAS 39 (Amendment) Financial Instruments: Recognition and Measurement (effective for accounting period beginning on or after 1 July 2009);
- IAS 40 (Amendment) Investment in Property (effective for accounting periods beginning on or after 1 January 2009);
- IAS 41 (Amendment) Agriculture (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 2 (Amendment) Share Based Payment (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 3 (Revised) Business Combinations (effective for accounting periods beginning on or after 1 July 2009);
- IFRS 5 (Amendment) Non-Current Assets Held for Sale and Discontinued Operations (effective for accounting period beginning on or after 1 July 2009);
- IFRS 7 (Amendment) Financial Instruments: Disclosures (effective for accounting period beginning on or after 1 July 2008);
- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009);
- IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008);
- IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009);

## 2. Adoption of new and revised International Financial Reporting Standards - continued

- IFRIC 16 Hedges of a Net Investment in a Foreign operation (effective for accounting periods beginning on or after 1 October 2008);
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009) and
- IFRIC 18 Transfers of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009).

The directors are currently assessing the impact in relation to the adoption of these Standards and Interpretations for future periods of the Group, however, at this point they do not believe they will have a significant impact on the financial statements of the Group in future periods.

## 3. Revenue

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

| | 2008<br>€m | 2007<br>€m |
|---|---|---|
| **Continuing operations** | | |
| Ferries | 183.1 | 197.9 |
| Containers & Terminal | 161.1 | 158.4 |
| Intersegment | (1.3) | (0.5) |
| | 342.9 | 355.8 |

## 4. Business and geographical segments

**Business segments**

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

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

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

| 2008 | Ferries<br>€m | Container<br>& Terminal<br>€m | Total (all continuing<br>operations)<br>€m |
|---|---|---|---|
| **Revenue** | | | |
| External sales | 183.1 | 161.1 | 344.2 |
| Inter-segment sales | - | (1.3) | (1.3) |
| Total revenue from continuing operations | 183.1 | 159.8 | 342.9 |

Inter-segment sales are charged at prevailing market prices.

# 4. Business and geographical segments - continued

| 2008 | Ferries €m | Container & Terminal €m | Total (all continuing operations) €m |
|---|---|---|---|
| **Result** | | | |
| Operating profit from continuing operations | 34.9 | 6.9 | 41.8 |
| Investment income | | | 19.6 |
| Finance costs | | | (18.4) |
| Profit before tax | | | 43.0 |
| Income tax expense | | | (2.5) |
| Profit for the year from continuing operations | | | 40.5 |
| | | | |
| **Other Information** | | | |
| Capital additions | 4.0 | 4.4 | 8.4 |
| Depreciation and amortisation | 21.2 | 3.0 | 24.2 |
| | | | |
| **Balance sheet** | | | |
| ***Assets*** | | | |
| Segment assets | 219.9 | 59.9 | 279.8 |
| Cash and cash equivalents | | | 28.5 |
| Unallocated assets | | | 3.0 |
| Consolidated total assets | | | 311.3 |
| ***Liabilities*** | | | |
| Segment liabilities | 57.7 | 20.3 | 78.0 |
| Debt | | | 77.2 |
| Unallocated liabilities | | | 3.9 |
| Consolidated total liabilities | | | 159.1 |

## 4. Business and geographical segments - continued

| 2007 | Ferries €m | Container & Terminal €m | Total (all continuing operations) €m |
|---|---|---|---|
| **Revenue** | | | |
| External sales | 197.9 | 158.4 | 356.3 |
| Inter-segment sales | - | (0.5) | (0.5) |
| Total revenue from continuing operations | 197.9 | 157.9 | 355.8 |
| | | | |
| Inter-segment sales are charged at prevailing market prices. | | | |
| | | | |
| **Result** | | | |
| Operating profit from continuing operations | 40.9 | 9.2 | 50.1 |
| Non trading charge | | | (10.1) |
| Investment income | | | 20.6 |
| Finance costs | | | (19.9) |
| Profit before tax | | | 40.7 |
| Income tax expense | | | (2.4) |
| Profit for the year from continuing operations | | | 38.3 |
| | | | |
| **Other Information** | | | |
| Capital additions | 49.7 | 8.7 | 58.4 |
| Depreciation and amortisation | 27.1 | 3.0 | 30.1 |
| | | | |
| **Balance sheet** | | | |
| ***Assets*** | | | |
| Segment assets | 301.1 | 68.5 | 369.6 |
| Cash and cash equivalents | | | 12.4 |
| Unallocated assets | | | 4.6 |
| Consolidated total assets | | | 386.6 |
| ***Liabilities*** | | | |
| Segment liabilities | 43.9 | 23.2 | 67.1 |
| Debt | | | 96.9 |
| Unallocated liabilities | | | 10.3 |
| Consolidated total liabilities | | | 174.3 |

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

## 4. Business and geographical segments - continued

| | 2008 €m | 2007 €m |
|---|---|---|
| Ireland | 145.4 | 150.5 |
| United Kingdom | 74.1 | 75.7 |
| Continental Europe | 123.4 | 129.6 |
| | 342.9 | 355.8 |

## 5. Employee benefits expense

| | 2008 | 2007 |
|---|---|---|
| The average number of employees during the year was as follows: | | |
| Ferries | 286 | 304 |
| Container & Terminal | 179 | 176 |
| | 465 | 480 |
| The number of employees at year end was | 438 | 474 |

| | €m | €m |
|---|---|---|
| Aggregate costs of employee benefits were as follows: | | |
| Wages and salaries | 24.4 | 27.3 |
| Social welfare charge | 2.5 | 2.2 |
| Retirement benefit costs (note 33a vii) | 2.4 | 2.8 |
| Share options expense | 0.6 | 0.5 |
| | 29.9 | 32.8 |

## 6. Non trading charge

| | 2008 €m | 2007 €m |
|---|---|---|
| Takeover costs | - | (10.1) |

During the prior year the Company received offers for the entire issued and to be issued share capital of the Company from Aella plc and Moonduster Limited. Arising from the offers, the Company engaged professional advisors and, by entering into expense reimbursement agreements, agreed to reimburse the offerors' expenses in certain circumstances. Amounts claimed by Moonduster Limited are not included in the above figure.

## 7. Investment revenue

| | 2008 €m | 2007 €m |
|---|---|---|
| Interest on bank deposits | 0.8 | 0.7 |
| Expected return on defined benefit pension scheme assets (note 33a vii) | 18.2 | 19.3 |
| Net lease benefit recognised in the period (note 15) | 0.6 | 0.6 |
| | 19.6 | 20.6 |

## 8. Finance costs

| | 2008 €m | 2007 €m |
|---|---|---|
| Interest on bank overdrafts and loans | 4.5 | 6.0 |
| Income on interest rate and currency swaps | (0.6) | - |
| Interest on obligations under finance leases | 0.2 | 0.3 |
| Interest on defined benefit pension scheme liabilities (note 33a vii) | 14.3 | 13.4 |
| Interest on other balances | - | 0.2 |
| | 18.4 | 19.9 |

## 9. Income tax expense

| | 2008 €m | 2007 €m |
|---|---|---|
| Current tax | 2.0 | 2.1 |
| Deferred tax (note 25) | 0.5 | 0.3 |
| Income tax expense for the year | 2.5 | 2.4 |

The Company and its Irish tax resident subsidiaries have elected to be taxed under the Irish tonnage tax method. Under the tonnage tax method, taxable profit on eligible activities is calculated on a specified notional profit per day related to the tonnage of the ships utilised. Domestic income tax is calculated at 12.5% of the estimated assessable profit for the year for all activities which do not fall to be taxed under the tonnage tax system. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions and range between 25.5% and 28% (2007: 25.5% and 30%).

## 9. Income tax expense - continued

The total charge for the year can be reconciled to the accounting profit as follows:

| | 2008 €m | 2007 €m |
|---|---|---|
| Profit before tax from continuing operations | 43.0 | 40.7 |
| | | |
| Tax at the domestic income tax rate of 12.5% | 5.4 | 5.1 |
| | | |
| Losses not recorded as deferred tax asset | 1.5 | - |
| Net utilisation of tax losses | (0.2) | (0.4) |
| Unrealised foreign exchange gain | (4.4) | (1.8) |
| Difference in effective tax rates | 0.6 | 1.3 |
| Effect of tonnage relief | (0.8) | (2.6) |
| Other items | 0.4 | 0.8 |
| Income tax expense recognised in Consolidated Income Statement | 2.5 | 2.4 |

## 10. Profit for the year

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

| | 2008 €m | 2007 €m |
|---|---|---|
| Profit on disposal of property, plant and equipment | 4.0 | 0.1 |
| Foreign exchange losses | 0.1 | 0.3 |
| | | |
| Amortisation of intangible assets (note 14) | 1.3 | 1.0 |
| Depreciation of property, plant and equipment (note 13) | 23.0 | 29.2 |
| | 24.3 | 30.2 |
| Amortisation of deferred grant (note 28) | (0.1) | (0.1) |
| Net depreciation and amortisation expense | 24.2 | 30.1 |
| | | |
| Auditors' remuneration: | | |
| for audit services | 0.3 | 0.3 |
| for audit related services | - | 0.2 |
| for tax compliance services | 0.1 | 0.1 |

Disclosure of directors emoluments as required by section 191 Companies Act, 1963 is given in the Report of the Remuneration Committee.

In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit for the financial year determined in accordance with IFRS was €33.3 million.

## 11. Redemption of redeemable shares

| | 2008 €m | 2007 €m |
|---|---|---|
| Redemption of one redeemable share for 100c | 24.5 | - |

During the year the Board resolved to redeem one redeemable share per ICG unit (note 21) for a cash premium of 100 cent. No dividends were declared in the year.

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

| | 2008 Cent | 2007 Cent |
|---|---|---|
| Basic earnings per share | 164.7 | 160.9 |
| Diluted earnings per share | 162.8 | 158.9 |
| Adjusted basic earnings per share | 148.9 | 178.6 |
| Adjusted diluted earnings per share | 147.1 | 176.3 |

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:

| | 2008 €m | 2007 €m |
|---|---|---|
| **Earnings** | | |
| Earnings for the purposes of basic earnings per share - Profit for the year attributable to equity holders of the parent | 40.5 | 38.3 |
| Earnings for the purposes of diluted earnings per share | 40.5 | 38.3 |
| Earnings for the purposes of basic earnings per share - Profit for the year attributable to equity holders of the parent | 40.5 | 38.3 |
| Effect of non trading charge | - | 10.1 |
| Effect of expected return on defined benefit pension scheme assets | (18.2) | (19.3) |
| Effect of interest on defined benefit pension scheme liabilities | 14.3 | 13.4 |
| Earnings for the purposes of adjusted earnings per share | 36.6 | 42.5 |
| **Number of shares** | **'000** | **'000** |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 24,586 | 23,794 |
| Effect of dilutive potential ordinary shares: Share options | 294 | 307 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 24,880 | 24,101 |

## 12. Earnings per share – all from continuing operations - continued

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 21). The earnings used in both the adjusted basic and diluted earnings per share have been adjusted to take into account the non trading charge together with the net figure for the expected return on defined benefit pension scheme assets and the interest on defined pension scheme liabilities (note 33a). Management consider the adjusted earnings per share calculation to be a better indication of the continuing underlying performance of the Group.

## 13. Property, plant and equipment - Group

| | Assets under construction €m | Passenger ships €m | Plant and equipment €m | Vehicles €m | Land and buildings €m | Total €m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2007 | 0.7 | 380.4 | 62.5 | 2.5 | 24.5 | 470.6 |
| Additions | 0.5 | 48.8 | 8.1 | 0.6 | - | 58.0 |
| Reclassification | (0.7) | - | 0.7 | - | - | - |
| Classified as held for sale | - | (22.8) | - | - | - | (22.8) |
| Exchange differences | - | (23.2) | (0.1) | - | - | (23.3) |
| Disposals | - | (5.2) | (4.3) | (0.3) | - | (9.8) |
| At 1 January 2008 | 0.5 | 378.0 | 66.9 | 2.8 | 24.5 | 472.7 |
| Additions | 2.0 | 2.3 | 2.8 | 0.4 | - | 7.5 |
| Reclassification | (2.5) | - | 2.5 | - | - | - |
| Exchange differences | - | (40.1) | (0.3) | - | (0.1) | (40.5) |
| Disposals | - | - | (1.9) | (0.6) | (0.5) | (3.0) |
| At 31 December 2008 | **-** | **340.2** | **70.0** | **2.6** | **23.9** | **436.7** |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2007 | - | 149.5 | 41.4 | 1.3 | 7.4 | 199.6 |
| Depreciation charge for the year | - | 25.0 | 3.5 | 0.4 | 0.3 | 29.2 |
| Classified as held for sale | - | (13.8) | - | - | - | (13.8) |
| Exchange differences | - | (9.8) | (0.1) | - | - | (9.9) |
| Eliminated on disposals | - | (5.2) | (4.3) | (0.3) | - | (9.8) |
| At 1 January 2008 | - | 145.7 | 40.5 | 1.4 | 7.7 | 195.3 |
| Depreciation charge for the year | - | 19.1 | 3.1 | 0.4 | 0.4 | 23.0 |
| Exchange differences | - | (14.9) | (0.2) | - | (0.1) | (15.2) |
| Eliminated on disposals | - | - | (1.8) | (0.5) | (0.5) | (2.8) |
| At 31 December 2008 | **-** | **149.9** | **41.6** | **1.3** | **7.5** | **200.3** |
| **Carrying amount** | | | | | | |
| At 31 December 2007 | 0.5 | 232.3 | 26.4 | 1.4 | 16.8 | 277.4 |
| At 31 December 2008 | **-** | **190.3** | **28.4** | **1.3** | **16.4** | **236.4** |

## 13. Property, plant and equipment - continued

The carrying amount of the Group's plant and equipment and vehicles includes an amount of €5.1 million (2007: €14.2 million) in respect of assets held under finance leases.

The Group has given a guarantee to a third party which is secured on vessels having a carrying value of €61.8 million (2007: €84.7 million). See note 37.

| Company | Plant and equipment €m | Vehicles €m | Land and buildings €m | Total €m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2007 | 8.6 | 0.7 | 0.6 | 9.9 |
| Additions | 2.4 | - | - | 2.4 |
| Disposals | (5.2) | (0.1) | - | (5.3) |
| At 1 January 2008 | 5.8 | 0.6 | 0.6 | 7.0 |
| Additions | 0.5 | - | - | 0.5 |
| Disposals | (0.8) | (0.2) | (0.5) | (1.5) |
| At 31 December 2008 | **5.5** | **0.4** | **0.1** | **6.0** |
| **Accumulated depreciation** | | | | |
| At 1 January 2007 | 7.1 | 0.4 | 0.6 | 8.1 |
| Depreciation charge for the year | 2.8 | 0.1 | - | 2.9 |
| Eliminated on disposals | (5.2) | (0.1) | - | (5.3) |
| At 1 January 2008 | 4.7 | 0.4 | 0.6 | 5.7 |
| Depreciation charge for the year | 0.7 | 0.1 | - | 0.8 |
| Eliminated on disposals | (0.8) | (0.2) | (0.5) | (1.5) |
| At 31 December 2008 | **4.6** | **0.3** | **0.1** | **5.0** |
| **Carrying amount** | | | | |
| At 31 December 2007 | 1.1 | 0.2 | - | 1.3 |
| At 31 December 2008 | **0.9** | **0.1** | **-** | **1.0** |

The carrying amount of the Company's plant and equipment includes an amount of €0.1 million (2007: €0.5 million) in respect of assets held under finance leases. In accordance with IAS 16 Property, Plant and Equipment of the Group and Company have 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 based the valuation on the current scrap value of the ships per light displacement ton. Residual values are reviewed annually and updated if required.

## 13. 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 €0.1 million decrease / increase on depreciation in the Income Statement and a €0.1 million increase / decrease on the net book value of property, plant and equipment in the Balance Sheet. In relation to the remaining estimated economic life of the ships, a one year increase / decrease in this would have a €1.7 million decrease / €2.3 million increase in depreciation in the Income Statement and a €1.7 million increase / €2.3 million decrease on the net book value of property, plant and equipment in the Balance Sheet.

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

## 14. Intangible assets

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| **Cost** | | | | |
| At beginning of year | 7.0 | 6.6 | 6.6 | 6.2 |
| Additions | 0.9 | 0.4 | 0.9 | 0.4 |
| | | | | |
| At end of year | **7.9** | **7.0** | **7.5** | **6.6** |
| | | | | |
| **Amortisation** | | | | |
| At beginning of year | 4.8 | 3.8 | 4.4 | 3.4 |
| Charge for the year | 1.3 | 1.0 | 1.3 | 1.0 |
| | | | | |
| At end of year | **6.1** | **4.8** | **5.7** | **4.4** |
| | | | | |
| **Carrying amount** | | | | |
| At end of year | **1.8** | **2.2** | **1.8** | **2.2** |
| | | | | |
| At beginning of year | 2.2 | 2.8 | 2.2 | 2.8 |

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

## 15. Long term receivable

| Group | 2008 €m | 2007 €m |
|---|---|---|
| Opening balance | 4.6 | 4.5 |
| Amounts received | (2.3) | - |
| Net lease benefit recognised in the period (note 7) | 0.6 | 0.6 |
| Exchange movement | 0.1 | (0.5) |
| | 3.0 | 4.6 |

The long term receivable represents the amortised amount of the net benefit due to the Group arising from a leasing transaction in respect of two of the Group's vessels. The amounts due will be repaid on or before the lease expiry date in 2018.

## 16. Investment in Subsidiaries

| | 2008 €m | 2007 €m |
|---|---|---|
| Investment in subsidiaries at beginning and end of year | 11.0 | 11.0 |

The Company's principal subsidiaries at 31 December 2008 are as follows:

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

## 16. Investment in Subsidiaries - continued

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

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

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

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

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

The registered office for Belfast Container Terminal Limited is L'Estrange & Brett Solicitors, Arnott House, 12/16 Bridge Street, Belfast BT1 1LS, Northern Ireland.

## 17. Inventories

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Fuel and lubricating oil | 0.7 | 1.1 | 0.3 | 0.4 |
| Catering and other stocks | 0.1 | 0.2 | 0.1 | 0.1 |
| | 0.8 | 1.3 | 0.4 | 0.5 |

## 18. Trade and other receivables

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Trade receivables | 32.7 | 39.8 | 1.0 | 0.5 |
| Impairment for doubtful debts | (1.9) | (1.5) | - | - |
| | 30.8 | 38.3 | 1.0 | 0.5 |
| | | | | |
| Prepayments | 3.6 | 4.8 | - | - |
| Amounts due from subsidiary companies | - | - | 114.7 | 103.0 |
| Other receivables | 3.7 | 3.5 | 1.4 | 0.6 |
| | 38.1 | 46.6 | 117.1 | 104.1 |

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The Group and Company reviews 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 extends credit to certain trade customers after conducting a credit risk assessment. The average credit terms applied range from seven days to sixty days. Year end trade receivable represents 35 days sales at 31 December 2008 (2007: 41 days).

## 18. Trade and other receivables - continued

The Group's trade receivables are analysed as follows:

| | 2008 €m | 2007 €m |
|---|---|---|
| Within terms | 28.2 | 35.6 |
| Outside terms - within 3 months | 3.1 | 3.1 |
| - after 3 months | 1.4 | 1.1 |
| | 32.7 | 39.8 |

**Credit risk**

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

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

**Movement in the impairment for doubtful debts**

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Balance at beginning of the year | 1.5 | 1.7 | - | - |
| Amounts written off during the year | (0.1) | (0.1) | - | - |
| Increase / (decrease) in provision in the year | 0.5 | (0.1) | - | - |
| Balance at end of year | 1.9 | 1.5 | - | - |

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

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

## 19. Cash and cash equivalents

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

All bank balances were represented by monies held by banks with a credit rating of A or higher from Standard & Poor's, Aa2 or higher from Moodys and A+ or higher from Fitch. The Directors consider the credit risk of these counterparties to be compatible with the Group's credit policy.

90% of the Group's and Company's cash and cash equivalents are held with banks which are covered by the Irish Government Bank Guarantee Scheme, which provides a State guarantee on the total amount of deposits held with relevant banks within the scheme. The remainder are partially covered by schemes of other Governments.

## 20. Assets classified as held for sale

| Group | 2008 €m | 2007 €m |
|---|---|---|
| Ship held for sale | - | 9.0 |

On 30 November 2007 the MV Oscar Wilde commenced service on the Ireland France route, in place of the MV Normandy which became surplus to the Group's operational requirements and was offered for sale. No impairment loss arose on reclassification of the MV Normandy as held for sale or as at 31 December 2007. The MV Normandy was sold in March 2008 to Equinox Offshore Accommodation Limited. A profit of €3.8 million was recorded on the sale of the MV Normandy.

## 21. Share capital

| Group and Company | Number | 2008 €m | 2007 €m |
|---|---|---|---|
| **Authorised** | | | |
| Ordinary shares of par value €0.65 each | 45,000,000 | 29.3 | 29.3 |
| Redeemable shares of par value €0.0001 each | 450,000,000 | - | - |
| | | 29.3 | 29.3 |

| Allotted, called up and fully paid | 2008 | | 2007 | |
|---|---|---|---|---|
| | Number | €m | Number | €m |
| **Ordinary shares** | | | | |
| At beginning of year | 25,433,708 | 16.5 | 24,406,208 | 15.9 |
| Share issue | 82,500 | 0.1 | 1,027,500 | 0.6 |
| At end of year | 25,516,208 | 16.6 | 25,433,708 | 16.5 |
| **Redeemable shares** | | | | |
| At beginning of year | 76,301,124 | - | 73,218,624 | - |
| Share issue | 165,000 | - | 3,082,500 | - |
| Redemption of redeemable shares – transfer to Capital Redemption Reserve | (25,433,708) | - | - | - |
| At end of year | 51,032,416 | - | 76,301,124 | - |

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 0.01 cent per share on a winding up of the Company. Redeemable shares do not entitle the holder to attend, speak or vote at the Annual General Meeting.

The Company has one class of share unit, comprising one ordinary share and ten redeemable shares, or such number of redeemable shares as remains after any redemption of such shares. At 31 December 2008 the number of such redeemable shares is two (2007: three). The share unit carries no right to fixed income.

Included in the share capital above are 899,500 (2007: 899,500) ICG share units which are held as treasury shares. In prior years, retained earnings have been reduced by €10.0 million in relation to these treasury shares.

## 22. Analysis of Equity

Group 2008

| | 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 2008** | **16.5** | **48.1** | **2.2** | **1.0** | **0.6** | **(9.5)** | **153.4** | **212.3** |
| **Total recognised income and expense for the year** | **-** | **-** | **-** | **-** | **(0.7)** | **(24.1)** | **(11.5)** | **(36.3)** |
| Transfer to Income Statement - Net settlement on cash flow hedges | - | - | - | - | (0.6) | - | - | (0.6) |
| Share issue | 0.1 | - | - | - | - | - | - | 0.1 |
| Exercise of share options - shares issued at premium | - | 0.6 | - | - | - | - | - | 0.6 |
| Employee share options expense | - | - | - | 0.6 | - | - | - | 0.6 |
| Redemption of redeemable share capital | - | - | - | - | - | - | (24.5) | (24.5) |
| Transfer to retained earnings on exercise of share options | - | - | - | (0.1) | - | - | 0.1 | - |
| | **0.1** | **0.6** | **-** | **0.5** | **(1.3)** | **(24.1)** | **(35.9)** | **(60.1)** |
| **Balance at 31 December 2008** | **16.6** | **48.7** | **2.2** | **1.5** | **(0.7)** | **(33.6)** | **117.5** | **152.2** |

| **Analysed as follows:** | |
|---|---|
| Share capital | 16.6 |
| Share premium | 48.7 |
| Other reserves | (30.6) |
| Retained earnings | 117.5 |
| | **152.2** |

## 22. Analysis of Equity – continued

Group 2007

| | 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 2007** | 15.9 | 40.6 | 2.2 | 0.5 | 0.5 | 2.7 | 115.9 | 178.3 |
| **Total recognised income and expense for the year** | - | - | - | - | 0.1 | (12.2) | 37.5 | 25.4 |
| Share issue | 0.6 | - | - | - | - | - | - | 0.6 |
| Exercise of share options - shares issued at premium | - | 7.5 | - | - | - | - | - | 7.5 |
| Employee share options expense | - | - | - | 0.5 | - | - | - | 0.5 |
| | 0.6 | 7.5 | - | 0.5 | 0.1 | (12.2) | 37.5 | 34.0 |
| **Balance at 31 December 2007** | 16.5 | 48.1 | 2.2 | 1.0 | 0.6 | (9.5) | 153.4 | 212.3 |

| | |
|---|---|
| **Analysed as follows:** | |
| Share capital | 16.5 |
| Share premium | 48.1 |
| Other reserves | (5.7) |
| Retained earnings | 153.4 |
| | 212.3 |

## 22. Analysis of Equity – continued

| Company 2008 | Share Capital €m | Share Premium €m | Capital Reserve €m | Share Options Reserve €m | Hedging Reserve €m | Retained Earnings €m | Total €m |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2008** | **16.5** | **48.1** | **2.1** | **0.7** | **0.1** | **(7.9)** | **59.6** |
| **Total recognised income and expense for the year** | **-** | **-** | **-** | **-** | **(0.2)** | **32.1** | **31.9** |
| Transfer to Income Statement - Net settlement on cash flow hedges | - | - | - | - | (0.1) | - | (0.1) |
| Share issue | 0.1 | - | - | - | - | - | 0.1 |
| Exercise of share options - shares issued at premium | - | 0.6 | - | - | - | - | 0.6 |
| Employee share options expense | - | - | - | 0.4 | - | - | 0.4 |
| Redemption of redeemable share capital | - | - | - | - | - | (24.5) | (24.5) |
| Transfer to retained earnings on exercise of share options | - | - | - | (0.1) | - | 0.1 | - |
| | **0.1** | **0.6** | **-** | **0.3** | **(0.3)** | **7.7** | **8.4** |
| **Balance at 31 December 2008** | **16.6** | **48.7** | **2.1** | **1.0** | **(0.2)** | **(0.2)** | **68.0** |

| **Analysed as follows:** | |
|---|---|
| Share capital | 16.6 |
| Share premium | 48.7 |
| Other reserves | 2.9 |
| Retained earnings | (0.2) |
| | **68.0** |

## 22. Analysis of Equity – continued

| Company 2007 | Share Capital €m | Share Premium €m | Capital Reserve €m | Share Options Reserve €m | Hedging Reserve €m | Retained Earnings €m | Total €m |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2007** | **15.9** | **40.6** | **2.1** | **0.3** | **0.1** | **8.9** | **67.9** |
| **Total recognised income and expense for the year** | **-** | **-** | **-** | **-** | **-** | **(16.8)** | **(16.8)** |
| Share issue | 0.6 | - | - | - | - | - | 0.6 |
| Exercise of share options - shares issued at premium | - | 7.5 | - | - | - | - | 7.5 |
| Employee share options expense | - | - | - | 0.4 | - | - | 0.4 |
| | **0.6** | **7.5** | **-** | **0.4** | **-** | **(16.8)** | **(8.3)** |
| **Balance at 31 December 2007** | **16.5** | **48.1** | **2.1** | **0.7** | **0.1** | **(7.9)** | **59.6** |
| **Analysed as follows:** | | | | | | | |
| Share capital | | | | | | | 16.5 |
| Share premium | | | | | | | 48.1 |
| Other reserves | | | | | | | 2.9 |
| Retained earnings | | | | | | | (7.9) |
| | | | | | | | **59.6** |

### 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 2008 the reserve balance stands at €0.1 million. The balance is unchanged from 1 January 2007 and 1 January 2008.

The Capital Redemption reserve represents the nominal value of share capital repurchased. At 31 December 2008 the reserve balance stands at €2.1 million. The balance is unchanged from 1 January 2007 and 1 January 2008.

***Share options reserve***

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

***Hedging reserve***

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

***Translation reserve***

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

## 23. Borrowings

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Bank overdrafts | - | 0.1 | - | 0.1 |
| Bank loans | 74.3 | 91.7 | - | - |
| Finance lease liabilities | 2.9 | 5.1 | - | - |
| | 77.2 | 96.9 | - | 0.1 |
| | | | | |
| The borrowings are repayable as follows: | | | | |
| On demand or within one year | 10.7 | 13.4 | - | 0.1 |
| In the second year | 65.7 | 10.7 | - | - |
| In the third year | 0.4 | 72.0 | - | - |
| In the fourth year | 0.3 | 0.4 | - | - |
| Fifth year and after | 0.1 | 0.4 | - | - |
| | 77.2 | 96.9 | - | 0.1 |
| | | | | |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (10.7) | (13.4) | - | (0.1) |
| | | | | |
| Amount due for settlement after 12 months | 66.5 | 83.5 | - | - |

All of the Company's borrowings are denominated in euro. Obligations under finance leases are secured by the lessor on the assets being financed. Bank borrowings are unsecured.

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

| | Euro €m | Sterling €m | US Dollar €m | Total €m |
|---|---|---|---|---|
| **2008** | | | | |
| Bank loans | 62.4 | - | 11.9 | 74.3 |
| Finance leases | 2.9 | - | - | 2.9 |
| | 65.3 | - | 11.9 | 77.2 |

## 23. Borrowings – continued

| | Euro €m | Sterling €m | US Dollar €m | Total €m |
|---|---|---|---|---|
| **2007** | | | | |
| Bank overdrafts | 0.1 | - | - | 0.1 |
| Bank loans | 72.8 | 7.7 | 11.2 | 91.7 |
| Finance leases | 5.1 | - | - | 5.1 |
| | 78.0 | 7.7 | 11.2 | 96.9 |

| **Group finance leases** | Minimum lease payments 2008 €m | Minimum lease payments 2007 €m | Present value of minimum lease payments 2008 €m | Present value of minimum lease payments 2007 €m |
|---|---|---|---|---|
| Amounts payable under finance leases: | | | | |
| Within one year | 1.6 | 2.4 | 1.5 | 2.2 |
| In the second to fifth years inclusive | 1.5 | 3.0 | 1.4 | 2.8 |
| After five years | - | 0.1 | - | 0.1 |
| | 3.1 | 5.5 | 2.9 | 5.1 |
| Less: future finance charges | (0.2) | (0.4) | - | - |
| Present value of lease obligations | 2.9 | 5.1 | 2.9 | 5.1 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (1.5) | (2.2) | (1.5) | (2.2) |
| Amount due for settlement after 12 months | 1.4 | 2.9 | 1.4 | 2.9 |

It is the Group's and Company's policy to lease certain of its plant and equipment under finance leases. Lease terms vary from 3 to 7 years for the Group and all leases for the Company are for 3 years. For the year ended 31 December 2008, the average effective borrowing rate was 4.2% (2007: 4.1%) in the Group and 2.0% (2007: 3.4%) 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.

Company lease obligations at 31 December 2008 of €48,000 and 31 December 2007 €31,000 are denominated in euro.

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

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

## 23. Borrowings – continued

| Financing facilities | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Unsecured bank overdraft and guarantee facility - reviewed annually and payable at call: | | | | |
| amount used | 0.4 | 0.6 | - | 0.5 |
| amount unused | 5.6 | 6.0 | 5.6 | 6.0 |
| | 6.0 | 6.6 | 5.6 | 6.5 |
| Unsecured bank loan facilities with various maturity dates through to 2010: | | | | |
| amount used | 74.3 | 84.0 | - | - |
| amount unused | 40.6 | 34.3 | 40.6 | 34.3 |
| | 114.9 | 118.3 | 40.6 | 34.3 |
| Secured bank loan facilities with various maturity dates through to 2008: | | | | |
| amount used | - | 7.7 | - | - |
| amount unused | - | - | - | - |
| | - | 7.7 | - | - |

The weighted average interest rates paid were as follows:

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Bank overdrafts | 5.9% | 5.6% | 5.9% | 5.6% |
| Bank loans | 5.2% | 5.1% | - | 4.7% |

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

Bank overdrafts are repayable on demand and are unsecured. The average effective interest rate on bank overdrafts is calculated by reference to the lenders prime rate and approximated 5.9% (2007: 5.6%) for the Group and Company in the year.

The bank loans have been drawn under a Multicurrency and Revolving Facilities agreement dated 4 October 2005. At 31 December 2008 none of the amounts drawn were secured by statutory marine mortgages on two of the Group's vessels (2007: €7.7 million). The balance of the drawings in the Group were unsecured.

In the opinion of the Directors the Group and Company are in compliance with the covenants contained in its banking agreements.

Interest on all debt is calculated by reference to inter bank interest rates (EURIBOR and LIBOR). At 31 December 2008 the Group had two principal drawings under the Group loan facility:

(a) Amortising Debt of €14.9 million repayable in two annual instalments and

(b) Revolving Debt of €59.4 million repayable by 4 October 2010.

At 31 December 2008 the Company had no drawings (2007: €nil) under the revolving facility.

## 24. Derivative financial instruments

| | Group €m | Company €m |
|---|---|---|
| Balance at 1 January 2007 | 0.5 | 0.1 |
| Fair value movements | 0.1 | - |
| | | |
| Balance at 1 January 2008 | 0.6 | 0.1 |
| Net settlements | (0.6) | (0.1) |
| Fair value movements | (0.7) | (0.2) |
| Balance at 31 December 2008 | (0.7) | (0.2) |

**Interest rate swaps**

The Group and Company uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowing by swapping a proportion of those borrowings from floating rates to fixed rates. Contracts with nominal values of €30.0 million have fixed interest payments at an average rate of 3.9% for periods up until 2009 and have floating interest receipts calculated by reference to EURIBOR at each interest fixing date.

The fair value of swaps entered into at 31 December 2008 is an estimated liability of €0.4 million (2007: asset of €0.6 million) for the Group and €nil (2007: asset of €0.1 million) for the Company. These amounts are based on quoted market prices for equivalent instruments at the balance sheet date. All of these interest rate swaps are designated and effective as cashflow hedges and the fair value thereof has been deferred in equity. Cashflows under these contracts are expected to arise over the life of the contract, all of which expire within 12 months from the balance sheet date.

Receipts totalling €0.6 million (2007: €nil) have been offset against Group interest payments made in the period.

**Currency derivatives**

The Group and Company utilises currency derivatives to hedge future cash flows in the management of its exchange rate exposures. At 31 December 2008 the notional amount of outstanding forward foreign exchange contracts was €2.5 million (2007: €nil) in the Group and €1.9 million (2007: €nil) in the Company. The estimated fair value of these was a liability of €0.3 million (2007: €nil) and €0.2 million (2007: €nil) for the Company. These amounts are based on quoted market prices for equivalent instruments at the balance sheet date. All of these are designated and effective as cashflow hedges and the fair value thereof has been deferred in equity. Cashflows under these contracts are expected to arise over the life of the contract, all of which expire within 11 months from the balance sheet date.

# 24. Derivative financial instruments – continued

### Interest rate risk profile of financial assets and liabilities

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

| 2008 | Average effective interest rate | Less than 1 year | 1-2 years | 2-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| **Fixed rate instruments** | | **€m** | **€m** | **€m** | **€m** | **€m** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Bank loans | | - | - | - | - | - |
| Effect of interest rate swaps | 4.4% | 30.0 | - | - | - | 30.0 |
| | | | | | | |
| Total | | 30.0 | - | - | - | 30.0 |
| Finance leases | 4.2% | 1.5 | 0.6 | 0.8 | - | 2.9 |
| **Total fixed rate liabilities** | | **31.5** | **0.6** | **0.8** | **-** | **32.9** |
| | | | | | | |
| **Floating rate instruments** | | | | | | |
| | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 1.6% | (28.5) | - | - | - | (28.5) |
| | | | | | | |
| **Total floating rate assets** | | **(28.5)** | **-** | **-** | **-** | **(28.5)** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Bank loans | 4.2% | 74.3 | - | - | - | 74.3 |
| Effect of interest rate swaps | 0.2% | (30.0) | - | - | - | (30.0) |
| Total | | 44.3 | - | - | - | 44.3 |
| | | | | | | |
| **Total Floating rate liabilities** | | **15.8** | **-** | **-** | **-** | **15.8** |
| **Total Net Position** | | **47.3** | **0.6** | **0.8** | **-** | **48.7** |

## 24. Derivative financial instruments – continued

| 2007 | Average effective interest rate | Less than 1 year | 1-2 years | 2-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| **Fixed rate instruments** | | **€m** | **€m** | **€m** | **€m** | **€m** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Bank loans | | - | - | - | - | - |
| Effect of interest rate swaps | 4.0% | 10.5 | 30.0 | - | - | 40.5 |
| | | | | | | |
| Total | | 10.5 | 30.0 | - | - | 40.5 |
| Finance leases | 4.1% | 2.2 | 1.5 | 1.3 | 0.1 | 5.1 |
| **Total fixed rate liabilities** | | **12.7** | **31.5** | **1.3** | **0.1** | **45.6** |
| | | | | | | |
| **Floating rate instruments** | | | | | | |
| | | | | | | |
| **Assets** | | | | | | |
| Cash and cash equivalents | 1.2% | (12.4) | - | - | - | (12.4) |
| | | | | | | |
| **Total floating rate assets** | | **(12.4)** | **-** | **-** | **-** | **(12.4)** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Overdrafts | 5.1% | 0.1 | - | - | - | 0.1 |
| Bank loans | 6.0% | 91.7 | - | - | - | 91.7 |
| Effect of interest rate swaps | 0.0% | (40.5) | - | - | - | (40.5) |
| Total | | 51.3 | - | - | - | 51.3 |
| | | | | | | |
| **Total Floating rate liabilities** | | **38.9** | **-** | **-** | **-** | **38.9** |
| **Total Net Position** | | **51.6** | **31.5** | **1.3** | **0.1** | **84.5** |

## 25. Deferred tax liabilities

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

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

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. The Group estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations, and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations require the use of estimates.

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

| Group 2008 | Accelerated tax depreciation €m | Tax losses €m | Retirement benefit obligation €m | Total €m |
|---|---|---|---|---|
| At beginning of year | 5.6 | (1.3) | 1.9 | 6.2 |
| (Credit) / charge to the Income Statement for the year | (0.9) | 0.4 | 1.0 | 0.5 |
| Credit to the Statement of Recognised Income and Expenses | - | (0.7) | (1.9) | (2.6) |
| Exchange differences | (0.8) | 0.2 | (0.3) | (0.9) |
| At end of year | 3.9 | (1.4) | 0.7 | 3.2 |

| Group 2007 | Accelerated tax depreciation €m | Tax losses €m | Retirement benefit obligation €m | Total €m |
|---|---|---|---|---|
| At beginning of year | 6.1 | (1.7) | 1.2 | 5.6 |
| (Credit) / charge to the Income Statement for the year | (0.1) | 0.3 | 0.1 | 0.3 |
| Charge to the Statement of Recognised Income and Expenses | - | - | 0.7 | 0.7 |
| Exchange differences | (0.4) | 0.1 | (0.1) | (0.4) |
| At end of year | 5.6 | (1.3) | 1.9 | 6.2 |

### Company

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

| | Accelerated tax depreciation €m | Tax losses €m | 2008 Total €m | 2007 Total €m |
|---|---|---|---|---|
| At beginning of year | 0.1 | (0.1) | - | - |
| Credit to Income Statement for the year | - | - | - | - |
| At end of year | 0.1 | (0.1) | - | - |

## 25. Deferred tax liabilities – continued

### Unrecognised deferred tax assets – Group and Company

The estimated value of the deferred tax asset not recognised is €1.1 million (2007: €0.9 million) in the Group and €0.2 million (2007: €0.2 million) in the Company. Deferred tax assets are not recognised as it is not probable that taxable profits will be available against which deductible temporary differences can be utilised. These amounts are analysed as follows:

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Other timing differences | 0.1 | - | - | - |
| Advance Corporation Tax not immediately recoverable | 0.1 | 0.1 | 0.1 | 0.1 |
| Tax losses carried forward | 0.9 | 0.8 | 0.1 | 0.1 |
| Deferred tax asset not recognised | 1.1 | 0.9 | 0.2 | 0.2 |

## 26. Trade and other payables

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Trade payables and accruals | 44.5 | 57.2 | 5.0 | 10.6 |
| Amounts due to subsidiary companies | - | - | 62.0 | 47.1 |
| | 44.5 | 57.2 | 67.0 | 57.7 |
| | | | | |
| - payable within one year | 44.5 | 57.2 | 67.0 | 57.7 |
| - payable after one year | - | - | - | - |
| | 44.5 | 57.2 | 67.0 | 57.7 |

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

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

The average credit period outstanding was 55 days at 31 December 2008 (2007: 63 days). Certain suppliers reserve the right to charge interest on balances past their due date.

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

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

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Corporation tax | 0.7 | 2.6 | 0.2 | - |
| Payroll taxes | 1.2 | 1.3 | 0.5 | 0.1 |
| Pay related social insurance | 0.5 | 0.4 | 0.1 | 0.6 |
| Value added tax | 1.8 | 1.0 | 0.2 | 0.1 |
| | 4.2 | 5.3 | 1.0 | 0.8 |

## 27. Provisions

| Group | 2008 Total €m | 2007 Total €m |
|---|---|---|
| **Claims provision** | | |
| At beginning of year | 0.7 | 2.1 |
| Utilisation of provision | (0.1) | (1.4) |
| At end of year | 0.6 | 0.7 |
| | | |
| Dealt with in Balance Sheet: | | |
| Current liabilities | 0.3 | 0.4 |
| Non-current liabilities | 0.3 | 0.3 |
| | 0.6 | 0.7 |

The claims provision comprises the insurance excess payable by the Group in a number of potential compensation claims, arising in the normal course of business. It is estimated that 50% of these claims will be settled within one year.

| Company | 2008 €m | 2007 €m |
|---|---|---|
| **Claims provision** | | |
| At beginning of year | - | 0.1 |
| Utilisation of provision | - | (0.1) |
| At end of year | - | - |

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

## 28. Deferred grant

| Group | 2008 €m | 2007 €m |
|---|---|---|
| At beginning of year | 1.4 | 1.5 |
| Amortisation | (0.1) | (0.1) |
| At end of year | 1.3 | 1.4 |
| | | |
| Dealt with in Balance Sheet: | | |
| Current liabilities | 0.1 | 0.1 |
| Non-current liabilities | 1.2 | 1.3 |
| | 1.3 | 1.4 |

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

## 29. Commitments

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Commitments under port operating agreements - approved and contracted for | 2.4 | 3.1 | - | - |
| Commitments for the acquisition of property, plant and equipment - approved and contracted for | 1.9 | 2.3 | - | - |

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

## 30. Operating lease agreements

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Minimum lease payments under operating leases recognised as an expense in the year | 32.3 | 38.1 | - | - |

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

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Within one year | 8.6 | 8.3 | 0.1 | 0.1 |
| In the second to fifth years inclusive | 2.7 | 10.4 | - | - |
| After five years | 43.9 | 44.6 | - | - |
| | 55.2 | 63.3 | 0.1 | 0.1 |

*Group*

Operating lease payments represent rentals payable by the Group for certain of its properties, for the charter of container ships and for the hire of containers and other equipment. The outstanding term of the operating leases of the Group at 31 December 2008 ranges from 3 months to 114 years. Property rentals are fixed for periods ranging from two to five years. All other rentals are fixed for the term of the contract.

*Company*

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

## 31. Operating lease income

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

| | 2008 €m | 2007 €m |
|---|---|---|
| Within one year | 7.1 | 7.6 |
| In the second to fifth years inclusive | 4.8 | 12.7 |
| After five years | - | - |
| | 11.9 | 20.3 |

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

## 32. Share-based payments

The Group and Company operate equity settled share option schemes. Certain employees of the Group and Company have been issued with share options under the Group's and Company's share option plan. All options issued under a previous option scheme, adopted in 1988, had been exercised or had lapsed by 31 December 2007.

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

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

The number of shares over which options may be granted may not exceed 10% of the shares of the Company in issue.
Options are forfeited when the grantee ceases employment with the Group or Company.

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

| | 2008 Number of share options | 2008 Weighted average exercise price € | 2007 Number of share options | 2007 Weighted average exercise price € |
|---|---|---|---|---|
| Outstanding at 1 January | 1,522,500 | 13.43 | 1,992,000 | 8.44 |
| Granted during the year | - | - | 565,000 | 21.32 |
| Forfeited during the year | (5,000) | 10.00 | (7,000) | 7.89 |
| Exercised during the year | (82,500) | 7.77 | (1,027,500) | 8.15 |
| Expired during the year | - | - | - | - |
| | | | | |
| Outstanding at 31 December | 1,435,000 | 13.77 | 1,522,500 | 13.43 |
| Exercisable at 31 December | 491,250 | 7.62 | 455,000 | 7.03 |
| | | | | |
| Weighted average share price at date of exercise of options | | 20.51 | | 23.61 |
| Weighted average remaining contractual life of options outstanding at year end | | 6.7 years | | 7.6 years |

The options outstanding at 31 December 2008 can be exercised at prices ranging from €5.30 to €21.32.

## 32. Share-based payments – continued

*Options issued after 7 November 2002*

Equity settled share-based payments for share options granted after 7 November 2002 are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. Fair value is measured using the Binomial option pricing model. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. Since 7 November 2002 options have been granted on 13 April 2005, 18 September 2006 and on 19 December 2007. The estimated fair values of the options are €4.01, €4.43 and €9.22 respectively per share under option. The inputs into the model in the respective years of grant were as follows:

| Year of grant | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| Weighted average share price | - | €21.32 | €10.67 | €10.00 |
| Weighted average exercise price | - | €21.32 | €10.67 | €10.00 |
| Expected volatility | - | 35% | 35% | 36% |
| Expected life | - | 10 years | 10 years | 10 years |
| Risk free rate | - | 4.26% | 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 10 years. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest, and adjusted for the effect of non market-based vesting conditions. In 2008 the Group recognised total expenses of €0.6 million (2007: €0.5 million) and the Company €0.4 million (2007: €0.4 million), relating to equity share-based payment transactions. Of the total expenses of €0.6 million in the Group, €0.3 million related to Directors of the Group (2007: €0.3 million). The balance on the share option reserve in the Group Balance Sheet at 31 December 2008 is €1.5 million (2007: €1.0 million) as per note 22. The balance on the share option reserve in the Company Balance Sheet at 31 December 2008 is €1.0 million (2007: €0.7 million) as per note 22.

## 33. Retirement benefit schemes

### (a) Group Retirement benefit schemes

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

The pension contributions paid in the year ended 31 December 2008 amounted to €2.5 million (2007: €3.0 million) while the current service cost charged to the Income Statement, amounted to €2.4 million (2007: €2.8 million). At 31 December 2008 there were 754 pensioners in receipt of pension payments from the Group scheme (2007: 746).

The pensions charge and payments in respect of the schemes are in accordance with the advice of professionally qualified actuaries. The latest actuarial valuation reports for these schemes, which are not available for public inspection, are dated between 31 March 2006 and 31 December 2008. 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 2008 and to take account of financial conditions at this date. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method and assets have been valued at bid value.

*(ii) Merchant Navy Officers Pension Fund (MNOPF)*
In addition to the pension schemes operated by the Group, certain employees are members of the Merchant Navy Officers Pension Fund, an industry wide multi-employer scheme. The latest actuarial valuation of the Scheme, which is available for public inspection, is dated 31 March 2006. The valuation employed for disclosure purposes has been based on that valuation adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2008 and to take account of financial conditions at this date.

The share of the overall deficit in the MNOPF apportioned to the Group is €7.4 million at 31 December 2008 (2007: €6.6 million). During the year the Group made payments of €1.1 million (2007: €1.9 million) to the trustees. As at 31 December 2008 the Group is scheduled to pay a further €5.2 million (2007: €7.8 million) in cash contributions relating to the past deficit, in equal annual instalments up to 2014.

## 33. Retirement benefit schemes – continued

*(iii) Principal assumptions*
The principal assumptions used for the purpose of the actuarial valuations were as follows:

| | Euro Liabilities | | Sterling Liabilities | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Discount rate | **5.90%** | 5.60% | **6.25%** | 5.60% |
| Inflation rate | **2.00%** | 2.50% | **2.75%** | 3.00% |
| Rate of increase of pensions in payment | **1.80% - 2.00%** | 2.10% - 2.50% | **2.75%** | 2.90% |
| Rate of general salary increases | **3.50% - 4.00%** | 4.00%- 4.50% | **4.25%** | 4.50% |

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

| | Euro Assets | | Sterling Assets | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Equities | **7.50%** | 7.50% | **7.40%** | 7.40% |
| Bonds | **4.30%** | 4.70% | **4.00%** | 4.40% |
| Property | **6.50%** | 6.50% | **6.40%** | 6.40% |
| Other | **3.50%** | 3.50% | **3.50%** | 4.00% |

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

| | Male 2008 | Female 2008 | Male 2007 | Female 2007 |
|---|---|---|---|---|
| Current retirees | 23.4 years | 26.2 years | 23.4 years | 26.2 years |
| Future retirees | 24.4 years | 27.3 years | 24.4 years | 27.3 years |

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

**Sensitivity of pension liability judgemental assumptions**

The Group's total obligation in respect of defined benefit schemes is calculated by independent, qualified actuaries, updated at least annually and totals €220.1 million at 31 December 2008 (2007: €258.1 million). At 31 December 2008 the Group also has scheme assets totalling €195.4 million (2007: €284.0 million), giving a net pension deficit of €24.7 million (2007: asset of €25.9 million). The size of the obligation is sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used. The size of the scheme asset is also sensitive to asset return levels and the level of contributions from the Group.

| Assumption | Change in assumption | Impact on liabilities |
|---|---|---|
| Discount rate | Increase by 0.5% | Decrease by 7.9% |
| Rate of inflation | Increase by 0.5% | Increase by 6.5% |
| Rate of salary growth | Increase by 0.5% | Increase by 1.2% |
| Rate of mortality | Members assumed to live 1 year longer | Increase by 3.0% |

# 33. Retirement benefit schemes – continued

*(iv) Retirement benefit assets and liabilities*
The amount recognised in the balance sheet in respect of the Group's defined benefit schemes, including an apportionment in respect of the MNOPF is as follows:

| | Scheme with Liabilities in Euro | | Scheme with Liabilities in Sterling | |
|---|---|---|---|---|
| | 2008 €m | 2007 €m | 2008 €m | 2007 €m |
| Equities | 79.9 | 145.6 | 17.2 | 29.8 |
| Bonds | 55.4 | 51.2 | 20.6 | 24.6 |
| Property | 13.1 | 19.3 | 2.2 | 3.4 |
| Other | 6.9 | 8.1 | 0.1 | 2.0 |
| Market value of scheme assets | 155.3 | 224.2 | 40.1 | 59.8 |
| Present value of scheme liabilities | (175.2) | (196.7) | (44.9) | (61.4) |
| (Deficit) / surplus in schemes | (19.9) | 27.5 | (4.8) | (1.6) |

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

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

| | 2008 €m | 2007 €m |
|---|---|---|
| Non current assets – retirement benefit surplus | 2.7 | 32.5 |
| Non current liabilities – retirement benefit deficit | (27.4) | (6.6) |
| | | |
| Net (deficit) / surplus in pension schemes | (24.7) | 25.9 |

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

*(v) Movements in retirement benefit assets*
Movements in the present value of fair value of scheme assets in the current year were as follows:

| 2008 | Scheme in Sterling €m | Scheme in Euro €m | Total €m |
|---|---|---|---|
| At beginning of year | 59.8 | 224.2 | 284.0 |
| Expected return on scheme assets | 3.6 | 14.6 | 18.2 |
| Actuarial losses | (12.1) | (78.1) | (90.2) |
| Exchange difference | (11.8) | - | (11.8) |
| Employer contributions | 1.2 | 1.3 | 2.5 |
| Contributions from scheme members | - | 0.7 | 0.7 |
| Benefits paid | (0.6) | (7.4) | (8.0) |
| At end of year | 40.1 | 155.3 | 195.4 |

## 33. Retirement benefit schemes – continued

| 2007 | Scheme in Sterling €m | Scheme in Euro €m | Total €m |
|---|---|---|---|
| At beginning of year | 60.2 | 236.9 | 297.1 |
| Expected return on scheme assets | 3.7 | 15.6 | 19.3 |
| Actuarial losses | - | (22.9) | (22.9) |
| Exchange difference | (5.6) | - | (5.6) |
| Employer contributions | 2.0 | 1.0 | 3.0 |
| Contributions from scheme members | - | 0.7 | 0.7 |
| Benefits paid | (0.5) | (7.1) | (7.6) |
| At end of year | 59.8 | 224.2 | 284.0 |

*(vi) Movement in retirement benefit liabilities*
Movements in the present value of defined benefit obligations in the year were as follows:

| 2008 | Scheme in Sterling €m | Scheme in Euro €m | Total €m |
|---|---|---|---|
| At beginning of year | 61.4 | 196.7 | 258.1 |
| Service cost | 0.3 | 2.1 | 2.4 |
| Interest cost | 3.4 | 10.9 | 14.3 |
| Contributions from scheme members | - | 0.7 | 0.7 |
| Actuarial gains | (6.5) | (27.8) | (34.3) |
| Exchange difference | (13.1) | - | (13.1) |
| Benefits paid | (0.6) | (7.4) | (8.0) |
| At end of year | 44.9 | 175.2 | 220.1 |

| 2007 | Scheme in Sterling €m | Scheme in Euro €m | Total €m |
|---|---|---|---|
| At beginning of year | 67.3 | 210.0 | 277.3 |
| Service cost | 0.3 | 2.5 | 2.8 |
| Interest cost | 3.5 | 9.9 | 13.4 |
| Contributions from scheme members | - | 0.7 | 0.7 |
| Actuarial gains | (3.2) | (19.3) | (22.5) |
| Exchange difference | (5.9) | - | (5.9) |
| Benefits paid | (0.6) | (7.1) | (7.7) |
| At end of year | 61.4 | 196.7 | 258.1 |

# 33. Retirement benefit schemes – continued

*(vii) Amounts recognised in consolidated income statement*
Amounts recognised in the Consolidated Income Statement in respect of the defined benefit scheme are as follows:

| | 2008 €m | 2007 €m |
|---|---|---|
| **Charged to Employee benefits expense** | | |
| Current service cost | 2.4 | 2.8 |
| Past service cost | - | - |
| | 2.4 | 2.8 |
| **Other (credits) / charges to Income statement** | | |
| Expected return on scheme assets (note 7) | (18.2) | (19.3) |
| Interest on scheme liabilities (note 8) | 14.3 | 13.4 |
| | (3.9) | (5.9) |

**Credit / charge to the Income Statement**

The expected return on scheme assets has been recorded under Investment revenue (note 7) and the interest on scheme liabilities has been recorded in the Income Statement under Finance costs (note 8).

The estimated amounts of contributions expected to be paid to the schemes during 2009 is €3.4 million.

*(viii) Amounts recognised in the consolidated statement of recognised income and expense*
Amounts recognised in the Consolidated Statement of Recognised Income and Expense (SORIE) in respect of the defined benefit scheme are as follows:

*Experience adjustments:*

| | 2008 €m | 2007 €m |
|---|---|---|
| Actual return less expected return on scheme assets | (90.2) | (22.9) |
| Experience gain / (loss) on scheme liabilities | 6.2 | (3.5) |
| Gain due to change in assumptions used to value liabilities | 28.1 | 26.0 |
| Actuarial loss recognised in Consolidated SORIE | (55.9) | (0.4) |

*Exchange movement:*

| | 2008 €m | 2007 €m |
|---|---|---|
| Exchange difference on scheme assets | (11.8) | (5.6) |
| Exchange difference on scheme liabilities | 13.1 | 5.9 |
| Exchange difference recognised in the Consolidated SORIE | 1.3 | 0.3 |

## 33. Retirement benefit schemes – continued

*(ix) Experience adjustments*
The five-year history of experience adjustments is as follows:

| | 2008 €m | 2007 €m | 2006 €m | 2005 €m | 2004 €m |
|---|---|---|---|---|---|
| Present value of defined benefit obligations | (220.1) | (258.1) | (277.3) | (232.5) | (207.8) |
| Fair value of scheme assets | 195.4 | 284.0 | 297.1 | 239.9 | 205.8 |
| Net (deficit) / surplus in pension scheme | (24.7) | 25.9 | 19.8 | 7.4 | (2.0) |
| Experience adjustments on scheme liabilities | (34.3) | (22.5) | (2.8) | 21.5 | 22.0 |
| Experience adjustments on scheme assets | (90.2) | (22.9) | 9.3 | 25.5 | 7.7 |

As transmitted by the transitional provisions of the 'Amendment to International Accounting Standard (IAS) 19 Employee Benefits' issued in December 2004, the disclosures above are determined prospectively from the year ended 31 December 2004.

**(b) Company Retirement benefit schemes**

*(i) Company sponsored / Group affiliated schemes*

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

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

The latest actuarial valuation report for the ICG Executive Pension Scheme, which is not available for public inspection, is dated 1 July 2007. The valuation employed for disclosure purposes has been based on the most recent funding valuations for the scheme adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2008 and to take account of financial conditions at this date. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method and assets have been valued at bid value.

*(ii) Merchant Navy Officers Pension Fund (MNOPF)*

In addition to the pension schemes operated by the Company, certain employees are members of the Merchant Navy Officers Pension Fund, an industry wide multi-employer scheme. The latest actuarial valuation of the Scheme, which is available for public inspection, is dated 31 March 2006. The valuation employed for disclosure purpose has been based on that valuation adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2008 and to take account of financial conditions at this date.

The share of the overall deficit in the MNOPF apportioned to the Company is €2.6 million at 31 December 2008 (2007: €2.3 million). During the year the Company made payments of €0.4 million (2007: €0.7 million) to the trustees. As at 31 December 2008 the Company is scheduled to pay a further €1.8 million (2007: €2.7 million) in cash contributions relating to the past deficit in equal annual instalments up to 2014.

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

## 33. Retirement benefit schemes – continued

*(iv) Retirement benefit assets and liabilities*
The amount recognised in the balance sheet in respect of the Company's defined benefit schemes, including an apportionment in respect of the MNOPF are as follows:

| | Scheme with Liabilities in Euro | | Scheme with Liabilities in Sterling | |
|---|---|---|---|---|
| | 2008 €m | 2007 €m | 2008 €m | 2007 €m |
| Equities | 1.1 | 1.6 | 4.4 | 7.5 |
| Bonds | 0.3 | 0.2 | 3.8 | 4.1 |
| Property | 0.1 | 0.2 | 0.7 | 1.1 |
| Other | 0.1 | 0.1 | - | 0.6 |
| Market value of scheme assets | 1.6 | 2.1 | 8.9 | 13.3 |
| Present value of scheme liabilities | (2.0) | (2.0) | (11.5) | (15.6) |
| (Deficit) / surplus in schemes | (0.4) | 0.1 | (2.6) | (2.3) |

The two defined retirement benefit pension schemes accounted for by the Company are in a net deficit position in the current year. The split between the amounts shown in each category is as follows:

| | 2008 €m | 2007 €m |
|---|---|---|
| Non current assets – retirement benefit surplus | - | 0.1 |
| Non current liabilities – retirement benefit deficit | (3.0) | (2.3) |
| Net deficit in pension schemes | (3.0) | (2.2) |

The Company's total obligation in respect of the defined benefit scheme is calculated by independent, qualified actuaries, updated at least annually and totals €13.5 million at 31 December 2008 (2007: €17.6 million). At 31 December 2008 the Company also has scheme assets totalling €10.5 million, (2007: €15.4 million) giving a net pension liability of €3.0 million (2007: liability of €2.2 million). The size of the obligation is sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used. The size of the scheme asset is also sensitive to asset return levels and the level of contributions from the Company.

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

*(v) Movement in retirement benefit assets*
Movements in the present value of fair value of scheme assets in the current year were as follows:

| 2008 | Schemes in Sterling €m | Schemes in Euro €m | Total €m |
|---|---|---|---|
| At beginning of year | 13.3 | 2.1 | 15.4 |
| Expected return on scheme assets | 0.8 | 0.1 | 0.9 |
| Actuarial losses | (3.0) | (0.8) | (3.8) |
| Exchange difference | (2.6) | - | (2.6) |
| Employer contributions | 0.4 | 0.2 | 0.6 |
| At end of year | 8.9 | 1.6 | 10.5 |

## 33. Retirement benefit schemes – continued

| 2007 | Schemes in Sterling €m | Schemes in Euro €m | Total €m |
|---|---|---|---|
| At beginning of year | 13.4 | 1.8 | 15.2 |
| Expected return on scheme assets | 0.9 | 0.1 | 1.0 |
| Actuarial losses | (0.4) | - | (0.4) |
| Exchange difference | (1.4) | - | (1.4) |
| Employer contributions | 0.8 | 0.2 | 1.0 |
| At end of year | 13.3 | 2.1 | 15.4 |

*(vi) Movement in retirement benefit liabilities*
Movements in the present value of defined benefit obligations in the year were as follows:

| 2008 | Schemes in Sterling €m | Schemes in Euro €m | Total €m |
|---|---|---|---|
| At beginning of year | 15.6 | 2.0 | 17.6 |
| Service cost | - | 0.1 | 0.1 |
| Interest cost | 0.9 | 0.1 | 1.0 |
| Actuarial gains | (1.6) | (0.2) | (1.8) |
| Exchange difference | (3.4) | - | (3.4) |
| At end of year | 11.5 | 2.0 | 13.5 |

| 2007 | Schemes in Sterling €m | Schemes in Euro €m | Total €m |
|---|---|---|---|
| At beginning of year | 16.9 | 1.9 | 18.8 |
| Service cost | - | 0.1 | 0.1 |
| Interest cost | 0.9 | 0.1 | 1.0 |
| Actuarial gains | (0.6) | (0.1) | (0.7) |
| Exchange difference | (1.6) | - | (1.6) |
| At end of year | 15.6 | 2.0 | 17.6 |

# 33. Retirement benefit schemes – continued

*(vii) Amounts recognised in the Company income statement*
Amounts recognised in the Company Income Statement in respect of the defined benefit scheme are as follows:

| | 2008 €m | 2007 €m |
|---|---|---|
| **Charged to Employee benefits expense** | | |
| Current service cost | 0.1 | 0.1 |
| | | |
| **Other (credits) / charges to Income statement** | | |
| Expected return on scheme assets | (0.9) | (1.0) |
| Interest on scheme liabilities | 1.0 | 1.0 |
| | 0.1 | - |

*(viii) Amounts recognised in the Company statement of recognised income and expense*
Amounts recognised in the Company Statement of Recognised Income and Expense (SORIE) in respect of the defined benefit scheme are as follows:

*Experience adjustments:*

| | 2008 €m | 2007 €m |
|---|---|---|
| Actual return less expected return on scheme assets | (3.8) | (0.4) |
| Experience loss on scheme liabilities | (0.2) | (0.2) |
| Gain due to change in assumptions used to value liabilities | 2.0 | 0.9 |
| Actuarial (loss) / gain recognised in Company SORIE | (2.0) | 0.3 |

*Exchange movement:*

| | 2008 €m | 2007 €m |
|---|---|---|
| Exchange difference on scheme assets | (2.6) | (1.4) |
| Exchange difference on scheme liabilities | 3.4 | 1.6 |
| Exchange difference recognised in the Company SORIE | 0.8 | 0.2 |

## 33. Retirement benefit schemes – continued

*(ix) Experience adjustments*
The five-year history of experience adjustments is as follows:

| | 2008 €m | 2007 €m | 2006 €m | 2005 €m | 2004 €m |
|---|---|---|---|---|---|
| Present value of defined benefit obligations | (13.5) | (17.6) | (18.8) | (1.9) | (1.6) |
| Fair value of scheme assets | 10.5 | 15.4 | 15.2 | 1.3 | 1.0 |
| Net deficit in pension scheme | (3.0) | (2.2) | (3.6) | (0.6) | (0.6) |
| Experience adjustments on scheme liabilities | (1.8) | (0.7) | 2.3 | 0.2 | 0.4 |
| Experience adjustments on scheme assets | (3.8) | (0.4) | 0.4 | 0.2 | 0.1 |

## 34. Related party transactions

**Group**

During the year, Group entities provided administration and accounting services to Irish Ferries Limited Pension Scheme and Irish Ferries UK Pension Scheme, related parties that are not members of the Group. No charge was made for these services in the current year (2007: €0.1 million). Amounts owed by the pension schemes to the Group at 31 December 2008 totalled €nil (2007: €0.1 million).

**Company**

The Company chartered a vessel from a subsidiary Company at market rates during the year. It also advanced and received funds to and from certain companies, together with providing a letter of guarantee to a subsidiary Company as outlined in note 37. Net funds advanced from subsidiaries during the year amounted to €3.2 million (2007: advanced from subsidiaries €11.5 million).

During the year the Company received dividends of €40.0 million (2007: €nil) from subsidiary companies.

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

| | 2008 €m | 2007 €m |
|---|---|---|
| Amounts due from subsidiary companies (note 18) | 114.7 | 103.0 |
| Amounts due to subsidiary companies (note 26) | (62.0) | (47.1) |
| | 52.7 | 55.9 |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

# 34. Related party transactions – continued

*Compensation of key management personnel*

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

| | Group 2008 €m | Group 2007 €m | Company 2008 €m | Company 2007 €m |
|---|---|---|---|---|
| Short-term benefits | 4.9 | 5.0 | 2.4 | 3.0 |
| Post-employment benefits | 0.5 | 0.5 | 0.3 | 0.3 |
| Share based payments | 0.5 | 0.4 | 0.4 | 0.3 |
| | 5.9 | 5.9 | 3.1 | 3.6 |

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

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

*Expense Reimbursement and Implementation Agreement*

On 8 March 2007, Aella plc, a Company controlled by three executive directors and secretary of the Company (Eamonn Rothwell, Gearoid O'Dea, Tony Kelly and Thomas Corcoran) and a senior executive, John Reilly, made an offer for the entire issued and to be issued share capital of Irish Continental Group plc via a Scheme of Arrangement under Section 201 of the Companies Act. The acquisition was recommended by the Independent Board which had been constituted on 8 February 2007 when the initial approach was made.

The Company entered into an Implementation Agreement and an Expense Reimbursement Agreement with Aella plc which provided that in certain circumstances the expenses incurred by Aella plc in connection with these offers would be reimbursed by the Company up to €4.7 million, subject to the terms of the agreement. These costs were accrued in the accounts for the year ended 31 December 2007 and were paid in the current year.

## 35. Net cash from operating activities

| Group | 2008 €m | 2007 €m |
|---|---|---|
| **Operating activities** | | |
| Profit for the year | 40.5 | 38.3 |
| | | |
| Adjustments for: | | |
| Finance costs (net) | (1.2) | (0.7) |
| Income tax expense | 2.5 | 2.4 |
| Retirement benefit obligations - service cost | 2.4 | 2.8 |
| Retirement benefit obligations - payments | (2.5) | (3.0) |
| Depreciation of property, plant and equipment | 23.0 | 29.2 |
| Amortisation of intangible assets | 1.3 | 1.0 |
| Amortisation of deferred income | (0.1) | (0.1) |
| Share-based payment expense | 0.6 | 0.5 |
| Gain on disposal of property, plant and equipment | (4.0) | (0.1) |
| Decrease in restructuring provision | - | (1.3) |
| Decrease in other provisions | (0.1) | (0.2) |
| | | |
| **Operating cash flows before movements in working capital** | **62.4** | **68.8** |
| | | |
| Decrease / (increase) in inventories | 0.5 | (0.7) |
| Decrease in receivables | 8.5 | 6.8 |
| (Decrease) / increase in payables | (12.1) | 10.1 |
| | | |
| **Cash generated from operations** | **59.3** | **85.0** |
| | | |
| Income taxes paid | (3.9) | (1.0) |
| Interest paid | (4.1) | (6.5) |
| | | |
| **Net cash from operating activities** | **51.3** | **77.5** |

## 35. Net cash from operating activities – continued

| Company | 2008 €m | 2007 €m |
|---|---|---|
| **Operating activities** | | |
| Profit / (loss) for the year | 33.3 | (17.3) |
| | | |
| Adjustments for: | | |
| Finance costs (net) | - | 0.3 |
| Retirement benefit obligations - service cost | 0.1 | 0.1 |
| Retirement benefit obligations - payments | (0.6) | (1.0) |
| Dividend income | (40.0) | - |
| Depreciation of property, plant and equipment | 0.8 | 2.9 |
| Amortisation of intangible assets | 1.3 | 1.0 |
| Share-based payment expense | 0.4 | 0.4 |
| Decrease in provisions | - | (0.1) |
| | | |
| **Operating cash flows before movements in working capital** | **(4.7)** | **(13.7)** |
| | | |
| Decrease / (increase) in inventories | 0.1 | (0.3) |
| (Increase) / decrease in receivables | (12.9) | 13.6 |
| Increase in payables | 9.5 | 6.8 |
| | | |
| **Cash generated from operations** | **(8.0)** | **6.4** |
| | | |
| Interest paid | (0.9) | (1.1) |
| | | |
| **Net cash from operating activities** | **(8.9)** | **5.3** |

## 36. Non-cash transactions

Additions to property, plant and equipment during the year amounting to €nil (2007: €0.1 million) in the Group and €nil (2007: €nil) in the Company were financed by new finance leases.

# 37. 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 €0.4 million. The Group regards these financial guarantee contracts as insurance contracts and accordingly the accounting treatment applied is that applicable to insurance contracts. No claims have been notified to the Group in respect of these contracts, therefore no provision has been made in respect of amounts payable.

The Group has entered into leasing transactions in respect of two of the Group's vessels the early termination of which could, in certain circumstances, require the Group to compensate a counterparty for a benefit foregone to a current value of €16.0 million in present value terms (2007: €15.5 million). These leases are for a twenty year term and expire in 2018. The directors consider that no obligation had arisen at the balance sheet date nor is likely to arise as the likelihood of termination is remote. The Group has fair valued this financial guarantee contract at €nil at 31 December 2008 (2007: €nil) based on projected cashflows. Arising from the lease transaction, a net benefit accrues to the Group which is being recognised over the term of the lease. The amount included under other financial income in respect of this net benefit for 2008 was €0.6 million (2007: €0.6 million).

On 14 June 2007 Irish Continental Group plc (Group and Company) entered a Reimbursement Agreement with the Moonduster Consortium (Moonduster) that, in particular circumstances specified in the agreement, certain expenses incurred by Moonduster associated with their proposed bid for the Company would be reimbursed by the Company. By letter dated 10 October 2007 Moonduster claimed reimbursement of expenses totalling €6.47 million. Having considered the matter with its legal advisors, the Company concluded that on a proper construction of the Reimbursement Agreement the obligation to reimburse Moonduster did not arise in the circumstances and therefore the Company rejected the claim and no provision for payment of such claim has been made in these financial statements.

The Group and Company is a participating employer in the Merchant Navy Officer Pension Fund (MNOPF), a multi-employer defined benefit pension scheme. The MNOPF is in deficit. Under the rules of the fund all employers are liable for the deficit. The deficit included in these accounts for the Group and Company represents an apportionment of the overall scheme deficit based on notification received from the trustees which is currently 1.6%. Should other participating employers default on their obligations, the Group and Company will be required to absorb a larger share of the scheme deficit calculated in the same manner as the current apportionment.

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

Pursuant to the provision of Section 17 of the Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of certain of its subsidiaries and, as a result, such subsidiaries have been exempted from the provisions of Section 7 of the Companies (Amendment) Act, 1986. The Company has fair valued this guarantee at €nil at 31 December 2008 (2007: €nil) based on projected cashflows.

The Company has provided Letters of Financial Support for certain of its other subsidiaries. The Company has fair valued this financial guarantee contract at €nil at 31 December 2008 (2007: €nil) based on projected cashflows.

The Company has provided a guarantee in respect of certain leasing obligations arising in a subsidiary Company amounting to a current value of €16.0 million in present value terms (2007: €15.5 million). The directors consider that no obligation had arisen at the balance sheet date nor is likely to arise. The Company has fair valued this financial guarantee contract at €nil at 31 December 2008 (2007: €nil) based on projected cashflows.

## 38. Financial instruments

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 and conventional financial instruments are used to manage these underlying risks. In addition to the disclosures below please refer to the Financial Review on page 15 for further disclosures.

The accounting policies for financial instruments have been applied to the line items below:

| Assets as per balance sheet | 2008 €m | 2007 €m |
|---|---|---|
| Derivative financial instruments | - | 0.6 |
| Trade and other receivables | 38.1 | 46.6 |
| Cash and cash equivalents | 28.5 | 12.4 |
| **Total** | **66.6** | **59.6** |

| Liabilities as per balance sheet | 2008 €m | 2007 €m |
|---|---|---|
| Borrowings | 77.2 | 96.9 |
| Derivative financial instruments | 0.7 | - |
| Trade and other payables | 44.5 | 57.2 |
| **Total** | **122.4** | **154.1** |

### Currency risk

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.

### Interest rate risk

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

### Liquidity risk

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

- maintains cash balances and liquid investments with highly-rated counterparties
- limits maturity of cash balances
- 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.

## 38. Financial instruments – continued

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

| | 2008 €m | 2007 €m |
|---|---|---|
| Cash and cash equivalents | 28.5 | 12.4 |
| Committed undrawn facilities | 46.2 | 40.3 |
| Liquidity reserve | 74.7 | 52.7 |
| Current liabilities – borrowings due within one year | (10.7) | (13.4) |
| Net position | 64.0 | 39.3 |

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

**Liquidity analysis**

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

| 2008<br>Liquidity Table | Weighted average period until maturity | No fixed term | Less than 1 year | 1-2 years | 2-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| | Years | | €m | €m | €m | €m | €m |
| **Liabilities** | | | | | | | |
| Trade and other payables | | - | 44.5 | - | - | - | 44.5 |
| Bank loans | 1.7 | - | 9.2 | 65.1 | - | - | 74.3 |
| Finance leases | 1.3 | - | 1.5 | 0.6 | 0.8 | - | 2.9 |
| Derivative liabilities | 0.5 | - | 0.7 | - | - | - | 0.7 |
| **Total Liabilities** | | **-** | **55.9** | **65.7** | **0.8** | **-** | **122.4** |

## 38. Financial instruments – continued

| 2007<br>Liquidity Table | Weighted average period until maturity | No fixed term | Less than 1 year | 1-2 years | 2-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| | Years | | €m | €m | €m | €m | €m |
| **Liabilities** | | | | | | | |
| Trade and other payables | | - | 57.2 | - | - | - | 57.2 |
| Bank loans | 2.5 | - | 11.1 | 9.2 | 71.4 | - | 91.7 |
| Overdraft | 0.5 | - | 0.1 | - | - | - | 0.1 |
| | | | | | | | |
| Finance leases | 1.4 | - | 2.2 | 1.5 | 1.3 | 0.1 | 5.1 |
| | | | | | | | |
| **Total Liabilities** | | | **70.6** | **10.7** | **72.7** | **0.1** | **154.1** |

### Hedging instruments

For the year ended 31 December 2008, all cash flow hedges were effective and losses of €0.7 million (2007: €0.1 million gain) have been recognised in equity as the changes in fair value.

### Credit risk

The Group monitors its credit exposure to its counterparties via their credit ratings (where applicable) and through its policy, thereby limiting its exposure to any one party to ensure that they are within approved limits and that there are no significant concentrations of credit risk. The counterparties to the financial instruments transacted by the Group are major financial institutions. Group's current policy is to enter into such transactions with counterparties whom have a long term credit rating with Standard & Poor's of A or better. The notional amounts of financial instruments used in interest rate and foreign exchange management do not represent the credit risk arising through the use of these instruments. The immediate credit risk of these instruments is generally estimated by the fair value of contracts with a positive value. The maximum exposure to credit risk for receivables and other financial assets is represented by the carrying amount.

### Capital risk 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.

In managing its capital structure, the primary focus of the Group is the ratio of consolidated net debt as a multiple of EBITDA (before non trading charges). Maximum levels for this ratio are set under board approved policy. At 31 December 2008, net debt of €48.7 million was 0.74 times 2008 EBITDA of €66.0 million compared to net debt of €84.5 million in 2007, which was 1.05 times EBITDA of €80.2 million.

### Market risk sensitivity analysis

The Group has prepared calculations to measure the estimated change to the Consolidated Income Statement and Equity of either an instantaneous increase or decrease of 100 basis points (1%) in market interest rates or a 10% strengthening or weakening in euro against all other currencies, from the rates applicable at 31 December 2008, 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 sensitivity analysis is based on the following assumptions:

*Interest rate risks* – The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments.
- Changes in market interest rates affect the fair value of derivative financial instruments designated as hedging instruments and all interest rate hedges are expected to be highly effective.
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end.

## 38. Financial instruments – continued

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

Under these assumptions, a 1% increase or decrease in market interest rates for all currencies in which the Group had borrowings and derivative financial instruments at 31 December 2008 would increase or decrease profit before tax and equity by approximately €0.4 million (2007: €0.5 million).

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

Under the assumptions, with a 10% strengthening or weakening of euro against all exchange rates, profit before tax would have increased by €4.5 million (2007: €0.8 million) or decreased by €5.6 million (2007: €1.0 million), respectively, and equity (before tax effects) would have decreased by €4.0 million (2007: €7.4 million) or increased by €4.8 million (2007: €9.0 million), respectively.

*Other price risks* – As at 31 December 2008 and 31 December 2007, the Group had no exposure under financial instruments other than those discussed above.

**Foreign currency risk management**

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

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

| 2008 | Euro €m | Sterling €m | US Dollar €m | Total €m |
|---|---|---|---|---|
| Long term receivable | - | - | 3.0 | 3.0 |
| Trade and other receivables | 33.3 | 6.4 | 0.3 | 40.0 |
| Cash and cash equivalent | 21.9 | 5.4 | 1.2 | 28.5 |
| **Total assets** | **55.2** | **11.8** | **4.5** | **71.5** |
| Trade and other payables | 25.0 | 17.3 | 2.2 | 44.5 |
| Bank loans | 62.4 | - | 11.9 | 74.3 |
| Finance leases | 2.9 | - | - | 2.9 |
| **Total liabilities** | **90.3** | **17.3** | **14.1** | **121.7** |
| **Net liabilities** | **35.1** | **5.5** | **9.6** | **50.2** |

## 38. Financial instruments – continued

| 2007 | Euro €m | Sterling €m | US Dollar €m | Total €m |
|---|---|---|---|---|
| Long term receivable | - | - | 4.6 | 4.6 |
| Trade and other receivables | 38.1 | 8.9 | 1.1 | 48.1 |
| Cash and cash equivalent | 8.4 | 2.9 | 1.1 | 12.4 |
| **Total assets** | **46.5** | **11.8** | **6.8** | **65.1** |
| Trade and other payables | 29.2 | 22.8 | 5.2 | 57.2 |
| Bank loans and overdrafts | 72.9 | 7.7 | 11.2 | 91.8 |
| Finance leases | 5.1 | - | - | 5.1 |
| **Total liabilities** | **107.2** | **30.5** | **16.4** | **154.1** |
| **Net liabilities** | **60.7** | **18.7** | **9.6** | **89.0** |

## 39. Events after the balance sheet date

There have been no significant events, outside the ordinary course of business, affecting the Group since 31 December 2008.

## 40. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 6 March 2009.

# INVESTOR INFORMATION

## ICG UNITS

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

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

At 6 March 2009 an ICG unit consisted of one Ordinary share and two Redeemable shares.

## PAYMENTS TO SHAREHOLDERS

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

Shareholders are offered the option of having any distributions paid in euro or in pounds 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 23%) 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 2008 | 25.91 | 13.10 | 18.00 |
| Year ended 31 December 2007 | 26.46 | 14.45 | 22.05 |

## SHARE LISTINGS

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

ICG's ISIN code is IE0033336516.

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

## INVESTOR RELATIONS

Please address investor enquiries to:

Irish Continental Group plc
Ferryport
Alexandra Road
Dublin 1

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

# INVESTOR INFORMATION - CONTINUED

## REGISTRAR

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

Shareholders should contact the Registrar in order to:

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

The registrar also offers a share dealing service to shareholders.

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

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

## FINANCIAL CALENDAR 2009

| | |
|---|---|
| Announcement of preliminary Statement of Results to 31 December 2008 | 9 March 2009 |
| Annual General Meeting | To be advised |

## TRAVEL DISCOUNTS FOR SHAREHOLDERS

Registered shareholders of 100 or more ICG shares can avail of a discount when travelling with Irish Ferries. The availability of the discount, the conditions applicable and the level of discount are subject to review and are varied from time to time. The principal features of the scheme at 6 March 2009 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);
- 5% discount on Irish Ferries inclusive package holidays (incorporating travel with Irish Ferries).

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

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

## OTHER INFORMATION

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

# INDEX

## Irish Continental Group

Irish Continental Group plc, P.O. Box 19, Ferryport,
Alexandra Road, Dublin 1, Ireland.
Tel +353 1 607 5628 Fax +353 1 855 2268
email info@icg.ie www.icg.ie

## Irish Ferries

Ferryport, Alexandra Road, Dublin 1, Ireland.
Tel +353 1 855 2222 Fax +353 1 855 2272
email info@irishferries.com www.irishferries.com

## Eucon

Seattleweg 17, 3195 ND Rotterdam, Netherlands.
Tel +31 10 428 3700 Fax +31 10 429 0607
email info@eucon.nl www.eucon.nl

## FEEDERLINK

**Feederlink Shipping & Trading B.V.**

Seattleweg 15, 3195 ND Rotterdam, Netherlands.
Tel +31 10 491 2666 Fax +31 10 429 5205
email info@feederlink.com www.feederlink.com

## DfT Dublin Ferryport Terminals

Container Terminal Breakwater Road
Dublin 1, Ireland. email info@dft.ie
Tel +353 1 855 2222 Fax +353 1 607 5623

## BCT Belfast Container Terminal

Herdman Channel Road, Belfast Harbour North,
BT3 9AP Belfast, Northern Ireland.
Tel +44 289 (0)755843 Fax +44 (0)489 0755 843
email Info@BCTerminal.com

## *EuroFeeders Ltd.*

Suite 14A, Unit 4 Orwell House, Ferry Lane
Felixstowe, Suffolk, IP11 3QR, United Kingdom.
Tel +44 1394 673030 Fax +44 1394 676702
email info@eurofeeders.com
www.eurofeeders.com

Irish Continental Group