

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 2003.

RESULTS, REVIEW OF BUSINESS DEVELOPMENTS AND REDEMPTION OF REDEEMABLE SHARES

Details of the results for the year are set out in the profit and loss account on page 44 and in the related notes forming part of the financial statements. A detailed review of business developments is contained in the Chairman's Statement and the Operations and Financial Reviews.

Following approval from shareholders at the 2003 AGM, ICG issued ten bonus redeemable shares, credited as fully paid up, per ordinary share in issue. An ICG Unit consists of one Ordinary Share and ten Redeemable Shares (or such lesser number thereof following any redemption of the Redeemable Shares). The redeemable shares are redeemable solely at the discretion of the directors.

The Board has decided to redeem one Redeemable Share per ICG unit for a cash consideration of 15c per Redeemable Share. Accordingly no final dividend will be paid. In October 2003 the Board redeemed one Redeemable share per ICG unit for a consideration of 7.5c per Redeemable Share. This represents a total payment to shareholders of 22.5c, an increase of 14% on the total dividend of 19.665c paid in respect of last year.

Under the authority granted at the AGM of 30 April 2003 the company made on-market purchases of 1,232,049 of its own ICG share units being 5% of the previously called up share capital of the company with a nominal value of €0.7m for a total consideration of €9.8m.

1,025,049 of these units, representing 4% of the previously issued share capital, were cancelled. The total consideration paid for these units was €7.8m. The nominal value of these units was €0.6m.

207,000 of these units, representing 1% of the previously issued share capital, continue to be held by the company as treasury shares. The total consideration paid for these units was €2.0m. The nominal value of these units was €0.1m.

RESEARCH & DEVELOPMENT

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

BOARD OF DIRECTORS

Alex Mullin retires by rotation, and being eligible, offers himself for re-election. Peter Crowley, who was co-opted to the Board in September 2003, retires in accordance with the Articles of Association and, being eligible, also offers himself for re-election. Thomas Toner and Liam Booth will retire on 30 April 2004.

CORPORATE GOVERNANCE

The Group applies the principles and provisions of The Combined Code: Principles of Good Governance and Code of Best Practice (the "Combined Code") as adopted by the Irish Stock Exchange and the London Stock Exchange. The Board believes that it has complied fully with the Combined Code, which was effective for the period, throughout the year.

The Board has taken measures to implement the revised Combined Code, which is effective for the financial year commencing 1 January 2004.

THE BOARD OF DIRECTORS DIRECTORS

The Board consists of three executive and five non-executive Directors, and the roles of Chairman and Managing Director are separate. The Board has appointed John McGuckian as the senior independent Director. Brief biographies of the Directors and secretary are set out on page 30. Each director brings independent judgement to bear on issues of strategy, risk and performance. Each Director is subject to re-election every 3 years.

BOARD PROCEDURES

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

REPORT OF THE DIRECTORS

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 twelve months ended 31 December 2003 there were three Board committees with formal terms of reference.

THE AUDIT COMMITTEE

The Audit Committee comprises John McGuckian (committee chairman), Peter Crowley and Liam Booth, all non-executive directors.

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

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

THE NOMINATION COMMITTEE

The Nomination Committee comprises the non-executive directors Thomas Toner (committee chairman), John McGuckian, Liam Booth, Peter Crowley and Eamonn Rothwell, executive director.

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 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 Thomas Toner, John McGuckian, Liam Booth, and Peter Crowley, all non-executive directors. Its 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 that could interfere with the exercise of their independent judgement.

DIRECTORS' REMUNERATION

The report of the Remuneration Committee is set out on page 36.

COMMUNICATIONS WITH SHAREHOLDERS

The Board promotes good communications with shareholders and the Group commits resources to shareholder communication commensurate with its size. Other than during close periods, the Group Managing Director and the Group Finance Director have a regular dialogue with institutional shareholders throughout the year. We encourage communications with private shareholders and welcome their participation at shareholder meetings.

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

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

Arrangements have been made for the 2003 annual report and AGM notice to be sent to shareholders 20 working days before the meeting and for the level of proxy votes cast on each resolution, and the numbers for and against, to be announced at the meeting. The 2004 Annual General Meeting will be held at 12pm on 30 April 2004 in the Clarion IFSC Hotel, Dublin 1.

Further investor relations information is available on page 68 of this report.

REPORT OF THE DIRECTORS

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

- an organisation 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 Group Risk Management function (incorporating Internal Audit); and
- 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.

PROPER BOOKS OF ACCOUNT

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

GOING CONCERN

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

SUBSTANTIAL SHAREHOLDINGS

The Company has been notified of the following substantial interests in the Share Capital of the Company at 5 March 2004.

	Number of Units	% of Capital
Allied Irish Banks plc	2,422,312	10.1%
Schroder Investment Management Limited	2,172,188	9.1%
KBC Asset Management	1,524,420	6.4%
Liberty Square Asset Management	1,520,000	6.4%
Zurich Financial Services Grp	859,954	3.6%
Gartmore Investment Limited	740,896	3.1%

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 2003 and 31 December 2002, or date of appointment if later, all of which were beneficial, were as follows:

	2003 number	2002* number
Thomas Toner	186,759	186,759
Eamonn Rothwell	2,038,571	2,038,571
Gearoid O'Dea	174,877	155,877
Tony Kelly	37,088	34,988
John McGuckian	32,354	32,354
Liam Booth	30,690	30,690
Alex Mullin	146,509	146,509
Peter Crowley	7,500	2,500
Thomas Corcoran	9,736	4,236

*or date of appointment

There were no changes in directors' shareholdings between 31 December 2003 and the date of this report.

REPORT OF THE DIRECTORS

CLOSE COMPANY PROVISIONS

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

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

In accordance with section 158 of the Companies Act, 1963 a list of the principal companies in which the Company is beneficially entitled to more than 20% in nominal value of the shares carrying voting rights is set out in Note 12 to the financial statements.

HEALTH & SAFETY

It is Group policy to safeguard the well being of its employees through adherence to health and safety standards and marine regulatory requirements. The Group has prepared safety statements under the terms of the Safety Health and Welfare at Work Act 1989, which have been made available to employees.

Further information regarding the Group's Health and Safety policy is set on in the Corporate Social Responsibility Statement on page 22.

AUDITORS

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

ANNUAL GENERAL MEETING

Your attention is drawn to the notice of meeting on pages 70 to 71 which sets out the special business to be considered at the annual general meeting.

Shareholders are being asked to renew;

Resolution 4: Power to allot shares

Until the next annual general meeting, the Directors' power to allot relevant securities under section 20 of the Companies (Amendment) Act 1983 up to an amount not exceeding the authorised but unissued share capital of the Company for the time being. The Directors do not have any current intention to exercise this power except for issues of shares under the Company's share option scheme. Resolution 4 is proposed as an ordinary resolution;

Resolution 5: Disapplication of statutory pre-emption provisions

Until the next annual general meeting or, if earlier, 30 July 2005, the authority to disapply the strict statutory pre-emption provision in the event of a rights issue, an issue of shares pursuant to the Company's share option scheme or any other issue for cash up to an aggregate nominal value of 5% of the issued share capital. The Directors do not have any current intention to exercise this power. Resolution 5 is proposed as a special resolution;

Resolution 6: Authorisation of market purchases of the Company's shares and re-issue of treasury shares

Until the next annual general meeting, or, if earlier, 30 October 2005, the powers to give the Company or any of its subsidiaries, the authority to purchase up to 10% of the Company's shares on the market and permitting their reissue in accordance with the restrictions contained within the resolution. The Directors have previously exercised this power and may do so in the future but only where they consider it to be in the best interests of shareholders generally. Resolution 6 is proposed as a special resolution.

On behalf of the Board.

Eamonn Rothwell, Director
Gearoid O'Dea, Director
5 March 2004

Registered office:
Ferryport, Alexandra Road, Dublin 1.