



IRISH CONTINENTAL GROUP

Statement of Results for the year ended 31 December 2009

FINANCIAL HIGHLIGHTS	2009	2008	%
Revenue	€260.5m	€342.9m	-24.0
EBITDA	€50.7m	€66.0m	-23.2
Operating Profit	€26.5m	€41.8m	-36.6
EPS Basic	102.4c	164.7c	-37.8
EPS Diluted	101.5c	162.8c	-37.7
EPS Adjusted	107.7c	148.9c	-27.7
EPS Adjusted Diluted	106.7c	147.1c	-27.5
Dividend/Redemption	100c	100c	
Net Debt	€21.7m	€48.7m	-55.4
Net Pension Deficit	€27.2m	€24.7m	+10.1

Carryings

	2009	2008	%
	000	000	
Passengers	1,427	1,467	-2.7
Cars	376	377	-0.3
RoRo Freight	196	241	-18.7
Container Freight (teu.)	397	534	-25.7
Port Lifts	165	215	-23.3

Comment

In a comment, Chairman, John B. McGuckian stated,

“2009 provided the most challenging trading conditions seen in Ireland for many decades. World trade suffered as a global recession took hold while Ireland experienced a reduction in economic activity significantly greater than many of our trading partners. This clearly had an impact on our passenger business but more significantly on our freight business which is inextricably linked to levels of internationally traded goods in North West Europe. In the circumstances, Irish Continental Group produced a solid financial and operational performance in 2009, generating EBITDA of over €50 million.

The economic environment in 2010 remains challenging. This will have an impact on the levels of both tourism and trade. 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 and with the operational leverage in the business a resumption of trade growth will be of significant benefit”.

Irish Continental Group (ICG) is a leading Irish based maritime transport group. ICG carries passengers and cars, Roll On Roll Off freight and container Lift On Lift Off freight, on routes between Ireland, the United Kingdom and Continental Europe.

STATEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

2009 provided the most challenging trading conditions seen in Ireland for many decades. World trade suffered as a global recession took hold while Ireland experienced a reduction in economic activity significantly greater than many of our trading partners. This clearly had an impact on our passenger business but more significantly on our freight business which is inextricably linked to levels of internationally traded goods in North West Europe.

The year was characterised by a very weak first six months as the effects of the credit crisis and weakening world trade took effect. The second half of 2009 showed some amelioration in trends with the year on year reduction in RoRo freight volume falling to -15% versus -22% in the first half, and, container freight volume decreasing to 19% year on year compared with a reduction of -32% in the first half. Passenger and cars carried in the second half rose 2% and 5% respectively compared with declines of 9% and 6% in the first half.

In the circumstances, Irish Continental Group produced a solid financial and operational performance in 2009. Revenue fell by 24% to €260.5 million as trade flows reduced and consumers' propensity to travel weakened. However, a 24.2% reduction in operating costs, before depreciation, to €209.8 million resulted in EBITDA of €50.7 million compared with €66.0 million in 2008. The comparative figure in 2008 included a once off profit of €3.8 million on the sale of a vessel making an underlying reduction in EBITDA of 18.5%.

Operating profit for the year was €26.5 million (compared with €41.8 million in 2008), and profit before tax was €24.9 million (€43.0 million in 2008). Basic EPS was 102.4 cent compared with 164.7 cent in 2008, while adjusted EPS, which excludes the net interest return on pension scheme assets and liabilities, was 107.7 cent compared with 148.9 cent the previous year.

Having invested substantially over the previous 15 years, in quality assets and cost reduction programmes, investment in 2009 was limited to capital expenditure of just €4.8 million, well below the Group's depreciation charge of €24.2 million. As a result, it was possible to return €24.6 million to shareholders by way of a redemption in May 2009, and make additional payments to the Group's pension funds of €3.2 million, while also reducing net debt from €48.7 million at the start of the year to €21.7 million by year end. This is the lowest level of net debt in the Group since 1993 and is testimony to the strong cash flow characteristics of the Group.

The Board is proposing a final dividend of 100 cent per share in respect of the year. This compares with a redemption of redeemable shares of 100 cent paid in 2009 in respect of 2008 (No interim dividend was paid).

OPERATING REVIEW

FERRIES DIVISION

The Ferries division employs six owned multipurpose ferries on routes to and from the Republic of Ireland and on charter. Over 4,000 sailings annually are operated carrying passengers, passenger cars and roll on roll off freight ("Ro Ro").

Turnover in the division was 18.6% lower than the previous year at €149.0 million while earnings before interest and tax were €18.1 million compared with €34.9 million in 2008. The 2008 figure includes €3.8 million profit on sale of a vessel. The reduction in profit was mainly due to a substantially weaker freight market, together with weaker sterling which impacted on the euro equivalent passenger yields achieved in the British market, partially offset by lower fuel costs and the benefits of our cost reduction programme. Revenue in the first half of the year fell 21.9% to €65.5 million but in the seasonally more important second half the decline was less, at 15.8%, to €83.5 million.

After a weak first half during which passenger and car numbers declined by 9% and 6% respectively the full year outturn was better. Irish Ferries' passenger numbers carried were 1.43 million (2008:1.47 million) while our car numbers were broadly unchanged at 376,000 (2008: 377,000). As the year progressed, we noted a gradual improvement in the level of business as sea travel recovered share from air, assisted by reductions in airline capacity into and out of Ireland. The second half of the year is more important given the seasonal bias to the passenger business and there was a return to growth in volumes in the second half with passenger numbers up 2% on the same period in 2008 (compared with the 9% decline in the first half). Cars carried grew by 5% in the latter six months of the year compared with a decline of 6% in the period from January to June. The total number of sailings operated over the year was broadly unchanged at 4,236 (2008: 4,234).

It is estimated that the roll on roll off freight market fell by 14% in 2009 following a fall of 4% in the previous year, 2008 being the first year in over twenty years that the Republic of Ireland Ro Ro freight market did not exhibit growth. This reflected the sharp downturn in economic activity in Ireland as well as the broader international slowdown. Over 99.8% of all Ireland's trade is carried by sea, an increasing part of which is unitised (i.e. roll on roll off and lift on lift off containers).

Irish Ferries RoRo carryings for the year were down by 18.7% to 196,000 freight vehicles. During the year, we faced additional competing freight capacity on both the Holyhead route and indirectly on the Liverpool route (which we do not directly serve but which overlaps to a certain degree with the Holyhead route). This resulted in our decline in volume exceeding the overall market decline. There was also an increase in competitive capacity on the route to Continental Europe.

There was some reduction in the rate of decline in the second half of the year where Irish Ferries freight volumes were down 15% on the same period in 2008, compared with a decline of 22% in the first six months. There were signs at year end that some industry consolidation might be expected on the longer routes which would, if it were to take place, have a beneficial impact on capacity utilisation across the industry.

Both the MV Pride of Bilbao and MV Kaitaki remained on bareboat charter to P&O during the period. During the year, P&O exercised its option to extend the charter of the Kaitaki from July 2010 to July 2013. Shortly after the year end, P&O announced that it would not be renewing the charter of the Pride of Bilbao at the end of its current charter in October 2010. We are engaging in a review of the best options for this vessel for 2011 and beyond. The charter revenue in the current year has fallen due to the weakening of average sterling and dollar foreign exchange rates against the euro.

CONTAINER AND TERMINAL DIVISION

The division includes our intermodal freight services which offer both door-to-door and feeder services. Within the division we operate up to 11 container vessels ranging in size from 400 – 1,000 teu capacity (teu = twenty foot equivalent unit, the standard measure in the container industry), employing 3,400 owned containers and our strategically located container terminals in Dublin and in Belfast.

The sharp downturn in world trade in 2009 had an adverse impact on carryings in the division and as a result, in 2009, turnover in the division fell by 30% to €112.8 million. The decline in revenue in the first half of the year was 34% to €54.3 million (2008: €82.2 million), but, in the second half this had reduced to 26%. However, with the benefit of a flexible operating cost model, we reduced operating costs by 32.3%, from €154.2 million to €104.4 million and as result operating profit in the division was up 21.7% at €8.4 million. Overall container volumes shipped fell by 26% to 397,000 teu (2008: 534,000 teu). The rate of decline slowed in the second half of the year when volumes were down 19% year on year compared with 32% in the first half year.

Containers handled at our terminals fell 23% to 165,000 lifts (2008: 215,000 lifts). Again, the rate of decline in the second half year -16% was significantly less than in the first half -30%. 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 the terminal to handle the next generation of vessels calling at Dublin Port. The project will be completed in the first half 2010. The outlook for the division is dependent on world trade and also exports and imports to and from Ireland. An increase in input costs, e.g. ship charter costs and fuel costs is likely to occur if a recovery in trade is sustained.

FINANCIAL REVIEW

RESULTS

Turnover for the year amounted to €260.5 million (2008: €342.9 million) while operating profit amounted to €26.5 million (2008: €41.8 million). Group wide fuel costs were substantially lower in the year at €31.5 million (2008: €51.3 million).

The net interest charge was €0.3 million (2008: €2.7 million) before a net interest charge from defined benefit pension schemes of €1.3 million (2008: credit of €3.9 million). Because of the volatility of the net interest charge/credit from the pension scheme, it is excluded from the calculation of adjusted earnings per share (see below).

TAXATION

The tax charge reduced to a credit of €0.3 million compared with a charge of €2.5 million in 2008. The taxation charge is a composite of Irish and Netherlands tonnage tax (which is an EU approved special tax rate for qualifying shipping activities) and Irish, UK and Netherlands corporation tax. The reduction in the tax charge occurred during the year due to the fact that a greater proportion of the Group's profit came under the tonnage tax regime.

EARNINGS PER SHARE

Adjusted EPS (i.e. before non trading charges and the net pension interest charge) amounted to 107.7 cent (2008: 148.9 cent). Basic EPS was 102.4 cent (2008: 164.7 cent).

DIVIDEND / 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 €24.6 million in relation to the 2008 year end figures. The Board is proposing a final dividend of 100 cent per share (no interim dividend had been declared). Subject to shareholders approval at the Annual General Meeting, dividends will be paid on 16 June 2010 to shareholders on the register at close of business on 14 May 2010. Irish Dividend Withholding Tax will be deducted where appropriate.

CASH FLOW AND INVESTMENT AND FINANCE

EBITDA for the year was €50.7 million (2008: €66.0 million). There was a net inflow of working capital of €7.7 million, due mainly to a decrease in trade receivables of €9.9 million arising from the lower level of freight revenue during the year. We made payments to the Group's pension funds in excess of current service cost of €5.7 million and with other cash inflows of €0.7 million this resulted in cash generated from operations of €53.4 million (2008: €59.3 million).

Net interest paid was €0.3 million (2008: €2.7 million) while taxation paid was €0.1 million (2008: €3.9 million).

Capital expenditure was €4.8 million (2008: €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.

In December 2009 we voluntarily terminated a lease transaction involving two of the Group's vessels. This lease which had been entered into in 1998 had been intended to run for 20 years but in the context of the current credit environment it was decided to terminate the lease with the consent of the other parties. This resulted in an inflow of €4.3 million which had been carried as a long term receivable.

Arising from all of the cash flows set out above and a redemption of redeemable share of €24.6 million, net debt at year end was €21.7 million (2008: €48.7 million). This is the lowest of net debt in the Group since 1993.

Net debt comprised borrowings of €37.2 million and lease debt of €1.5 million offset by cash balances of €17.0 million.

The Group's current committed bank facilities amounted to €111.7 million of which total amounts drawn at 31 December 2009 amounted to €37.7 million. The principal facility of €105.7 million of which total amounts drawn at 31 December 2009 amounted to €37.2 million, is due to expire on 4 October 2010. The Group has held discussions with its existing lenders and the Directors expect that based on these discussions replacement facilities to meet the Group's requirements will be secured on acceptable terms. The Group had finance lease liabilities of €1.5 million at 31 December 2009 (2008: €2.9 million).

PENSIONS

The Group has four, separately funded, company sponsored defined benefit pension schemes covering employees in Ireland, the UK and the Netherlands. The Group also participates in the UK based industry-wide scheme, the Merchant Navy Officers Pension Fund (MNO PF) in which employers share joint and several liability. Aggregate pension assets in the four company sponsored schemes at year end were €191.9 million (2008: €169.9 million), while combined pension liabilities were €207.6 million (2008: €187.2 million). Of the Group's four schemes, one was in surplus at year end (€2.4 million versus €2.7 million in 2008), while three were in deficit (a combined deficit of €18.1 million, compared with deficit of €20.0 million in 2008). In addition, the Group's estimated share of the deficit in the industry wide scheme, the MNO PF, is €11.5 million (2008: €7.4 million) represented by an allocated share of assets of €31.5 million and liabilities of €43.0 million.

The Group is in discussions with the Trustees of the company sponsored schemes which are in deficit with the objective of agreeing a recovery plan to be agreed with the Pensions Board. This will involve an increase in payments to the fund over and above the current service cost. In relation to the MNO PF, the Group is making deficit payments over a nine year period from 2005 to 2014.

OUTLOOK

The economic environment in 2010 remains challenging. This will have an impact on the levels of both tourism and trade. In the year to date, 20 March 2010, cars carried on the Irish Sea were unchanged compared with 2009. (Our French service did not resume after drydock until 6 March 2010.) RoRo freight volumes are down 18% on the same period in 2009 due to the effect of additional competing freight capacity introduced in mid March of 2009. We estimate the market as a whole to be down about 5% year to date. From the end of March we will be reporting against more representative comparative figures. There has been a resumption in growth of our LoLo container freight volumes, with volumes year to date up 6%.

In the passenger market, the competitive threat from air carriers continues although some reductions in capacity are emerging. The imperative for Irish Ferries is to provide an equally competitive alternative to air, through continuing strict cost control and capacity management. In the freight market, recovery will depend on a resumption in growth in world trade as well as a return to economic growth in Ireland. In the RoRo freight market there has been an increase in shipping capacity generally over the past number of years in a period where demand has fallen. This is unsustainable and industry consolidation which has commenced internationally may result in a more beneficial capacity environment in the medium term.

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 and with the operational leverage in the business a resumption of trade growth will be of significant benefit.

John B. McGuckian,
Chairman,
22 March 2010

Enquiries:

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As previously announced on the 18 March, the Company will make a presentation of the results to investors at the offices of NCB Stockbrokers at 3 George's Dock, IFSC, Dublin 1, at 08.00 a.m. on 23 March 2010. In addition, a dial-in facility will be available for overseas investors. Attendance at the presentation will be strictly limited to investors who register in advance to attend. To register to attend the presentation, either in person or via the dial-in facility, investors should contact Triona O'Reilly at +353 1 607 5628. A copy of the presentation material will also be posted on the Company's web-site, www.icg.ie

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 2009 and as regards the Group financial statements Article 4 of the IAS Regulations, and the Listing Rules of the Irish Stock Exchange. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors of ICG plc acknowledge these responsibilities and accordingly have prepared this consolidated Annual Report for the year ended 31 December 2009 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 2009 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 2009 and the position of the Group and the undertakings included in the consolidation taken as a whole at the year end; and
- the Report of the Directors provides a description of the principal risks and uncertainties which may impact on future performance of the Group and the undertakings included in the consolidation taken as a whole.

**Consolidated Income Statement
for the year ended 31 December 2009**

	Notes	2009	2008
		€m	€m
Continuing operations			
Revenue		260.5	342.9
Depreciation and amortisation		(24.2)	(24.2)
Employee benefits expense		(25.3)	(29.9)
Other operating expenses		(184.5)	(247.0)
Operating profit		26.5	41.8
Investment revenue		13.4	19.6
Finance costs		(15.0)	(18.4)
Profit before tax		24.9	43.0
Income tax credit / (expense)	3	0.3	(2.5)
Profit for the year: all attributable to equity holders of the parent		<u>25.2</u>	<u>40.5</u>
Earnings per share – expressed in € cent per share			
From continuing operations:			
Basic	4	102.4c	164.7c
Diluted	4	101.5c	162.8c

**Consolidated Statement of Comprehensive Income
for the year ended 31 December 2009**

	2009	2008
	€m	€m
Profit for the year	<u>25.2</u>	<u>40.5</u>
Cash flow hedges:		
Fair value losses arising during the year	(0.2)	(0.7)
Transfer to Consolidated Income Statement – net settlement of cash flow hedged	0.9	(0.6)
Exchange differences on translation of foreign operations	5.6	(24.1)
Actuarial loss on retirement benefit obligations	(6.0)	(55.9)
Deferred Tax movements	(0.3)	2.6
Exchange difference on defined benefit schemes	<u>(0.9)</u>	<u>1.3</u>
Other comprehensive expense for the year	<u>(0.9)</u>	<u>(77.4)</u>
Total comprehensive income and expense for the year: all attributable to equity holders of the parent	<u>24.3</u>	<u>(36.9)</u>

**Consolidated Statement of Financial Position
as at 31 December 2009**

	Notes	2009	2008
		€m	€m
Assets			
Non-current assets			
Property, plant and equipment		223.2	236.4
Intangible assets		1.1	1.8
Long term receivable		-	3.0
Retirement benefit surplus	7	2.4	2.7
		226.7	243.9
Current assets			
Inventories		2.0	0.8
Trade and other receivables		28.2	38.1
Cash and cash equivalents	5	17.0	28.5
		47.2	67.4
Total assets		273.9	311.3
Equity and liabilities			
Equity			
Share capital		16.6	16.6
Share premium		48.7	48.7
Other reserves		(23.9)	(30.6)
Retained earnings		110.9	117.5
Equity attributable to equity holders of the parent		152.3	152.2
Non-current liabilities			
Borrowings	5	0.9	66.5
Deferred tax liabilities		3.4	3.2
Provisions		0.5	0.3
Deferred grant		1.1	1.2
Retirement benefit obligation	7	29.6	27.4
		35.5	98.6
Current liabilities			
Borrowings	5	37.8	10.7
Derivative financial instruments		-	0.7
Trade and other payables		44.1	44.5
Current tax liabilities		3.6	4.2
Provisions		0.5	0.3
Deferred grant		0.1	0.1
		86.1	60.5
Total liabilities		121.6	159.1
Total equity and liabilities		273.9	311.3

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

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

Other Reserves comprise the following:

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

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2008**

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	€m	€m	€m	€m	€m
Balance at 1 January 2008	16.5	48.1	(5.7)	153.4	212.3
Profit for the year	-	-	-	40.5	40.5
Other comprehensive income	-	-	(25.4)	(52.0)	(77.4)
Total comprehensive income for the year	-	-	(25.4)	(11.5)	(36.9)
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	(24.9)	(35.9)	(60.1)
Balance at 31 December 2008	16.6	48.7	(30.6)	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

Other Reserves comprise the following:

	Capital Reserve	Share Options Reserve	Hedging Reserve	Translation Reserve	Total
	€m	€m	€m	€m	€m
Balance at 1 January 2008	2.2	1.0	0.6	(9.5)	(5.7)
Other comprehensive income	-	-	(1.3)	(24.1)	(25.4)
Total comprehensive income for the year	-	-	(1.3)	(24.1)	(25.4)
Employee share options expense	-	0.6	-	-	0.6
Transfer to retained earnings on exercise of share options	-	(0.1)	-	-	(0.1)
	-	0.5	(1.3)	(24.1)	(24.9)
Balance at 31 December 2008	2.2	1.5	(0.7)	(33.6)	(30.6)

**Consolidated Statement of Cash Flows
for the year ended 31 December 2009**

		2009	2008
	Notes	€m	€m
Net cash from operating activities	6	51.3	51.3
Cash flow from investing activities			
Interest received		0.4	1.4
Proceeds on disposal of property, plant and equipment		0.1	13.2
Payment received on long term receivable		4.3	2.3
Purchases of property, plant and equipment		(4.6)	(7.5)
Purchases of intangible assets		(0.2)	(0.9)
Net cash from investing activities		-	8.5
Cash flow from financing activities			
Redemption of redeemable shares		(24.6)	(24.5)
Repayments of borrowings		(64.7)	(66.9)
Repayments of obligations under finance leases		(1.4)	(2.2)
Proceeds on issue of ordinary share capital		-	0.7
New bank loans raised		28.0	49.5
Decrease in bank overdraft		-	(0.1)
Net cash used in financing activities		(62.7)	(43.5)
Net (decrease) / increase in cash and cash equivalents		(11.4)	16.3
Cash and cash equivalents at the beginning of the year		28.5	12.4
Effect of foreign exchange rate changes		(0.1)	(0.2)
Cash and cash equivalents at the end of the year			
Bank balances and cash		17.0	28.5

Notes to the consolidated financial statements for the year ended 31 December 2009

1. Accounting policies

A number of new IFRS and interpretations of the International Financial Reporting Interpretations Committee became effective for, and have been applied in preparing, the Group's 2009 financial statements. The main changes are described below. Other than these changes, the financial statements have been prepared on a basis consistent with the prior year published financial statements.

The amendment to IAS 1: Presentation of Financial Statements introduced a number of terminology changes including revised titles for the financial statements.

IFRS 8: Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. As a result of this adoption there is no change in the identification of the Group's reportable segments.

IFRIC 13: Customer Loyalty Programmes has resulted in a change to the Group's accounting policy for its customer loyalty programmes. Due to the fact that the adjustment was not material, no prior year adjustment was necessary.

2. Segmental information

The Group has adopted IFRS 8: Operating Segments with effect from 1 January 2009. The Business Segments reported have not changed as a result of the adoption of this standard.

	Turnover		Profit Before Tax		Net Assets (equity attributable to equity holders)	
					2009	2008
Analysis by class of business	2009	2008	2009	2008	2009	2008
	€m	€m	€m	€m	€m	€m
Ferries and Travel	149.0	183.1	18.1	34.9	147.3	162.2
Container and Terminal	112.8	161.1	8.4	6.9	30.7	39.6
Intersegment Turnover	(1.3)	(1.3)				
	260.5	342.9	26.5	41.8	178.0	201.8
Net interest / debt			(1.6)	1.2	(21.7)	(48.7)
Other liabilities					(4.0)	(0.9)
	260.5	342.9	24.9	43.0	152.3	152.2
Analysis by origin	2009	2008				
	€m	€m				
Ireland	113.2	145.4				
United Kingdom	60.7	74.1				
Netherlands	55.9	76.1				
Belgium	15.5	26.5				
France	10.0	11.0				
Other	5.2	9.8				
	260.5	342.9				

3. Income tax (credit) / expense

	2009	2008
	€m	€m
Current tax	(0.1)	2.0
Deferred tax	(0.2)	0.5
Income tax (credit) / expense for the year	(0.3)	2.5

The Company and its Irish tax resident subsidiaries have elected to be taxed under the Irish tonnage tax method. The Group's Dutch subsidiary elected to be taxed under the Dutch tonnage tax system, effective from 1 January 2009. Under the tonnage tax method, taxable profit on eligible activities is calculated on a specified notional profit per day related to the tonnage of the ships utilised. Domestic income tax is calculated at 12.5% of the estimated assessable profit for the year for all activities which do not fall to be taxed under the tonnage tax system. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions and range between 25.5% and 28% (2008: 25.5% and 28%).

The total (credit) / charge for the year can be reconciled to the accounting profit as follows:

	2009	2008
	€m	€m
Profit before tax from continuing operations	24.9	43.0
Tax at the domestic income tax rate of 12.5%	3.1	5.4
Losses not recorded as deferred tax asset	-	1.5
Net utilisation of tax losses	(0.9)	(0.2)
Unrealised foreign exchange loss / (gain)	0.8	(4.4)
Difference in effective tax rates	0.4	0.6
Effect of tonnage relief	(3.2)	(0.8)
Other items	(0.5)	0.4
Income tax expense recognised in Consolidated Income Statement	(0.3)	2.5

4. Earnings per share – all from continuing operations

	2009	2008
	cent	cent
Basic earnings per share	102.4	164.7
Diluted earnings per share	101.5	162.8
Adjusted basic earnings per share	107.7	148.9
Adjusted diluted earnings per share	106.7	147.1

4. Earnings per share – all from continuing operations - continued

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

	2009	2008
Earnings	€m	€m
Earnings for the purposes of basic earnings per share -		
Profit for the year attributable to equity holders of the parent	25.2	40.5
Earnings for the purposes of diluted earnings per share	25.2	40.5
Earnings for the purposes of basic earnings per share -		
Profit for the year attributable to equity holders of the parent	25.2	40.5
Effect of expected return on defined benefit pension scheme assets	(11.7)	(18.2)
Effect of interest on defined benefit pension scheme liabilities	13.0	14.3
Earnings for the purposes of adjusted earnings per share	26.5	36.6

	2009	2008
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	24,617	24,586
Effect of dilutive potential ordinary shares: Share options	222	294
Weighted average number of ordinary shares for the purposes of diluted adjusted earnings per share	24,839	24,880

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

The earnings used in both the adjusted basic and diluted earnings per share have been adjusted to take into account the net figure for the expected return on defined benefit pension scheme assets and the interest on defined pension scheme liabilities.

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

5. Net debt

	Cash	Loans	Leases	Total
	€m	€m	€m	€m
At 1 January 2009				
Current assets	28.5	-	-	28.5
Creditors due within one year	-	(9.2)	(1.5)	(10.7)
Creditors due after one year	-	(65.1)	(1.4)	(66.5)
	28.5	(74.3)	(2.9)	(48.7)
Cash flow	(11.4)	-	-	(11.4)
Foreign exchange rate changes	(0.1)	0.4	-	0.3
Drawdown	-	(28.0)	-	(28.0)
Repayment	-	64.7	1.4	66.1
	(11.5)	37.1	1.4	27.0
At 31 December 2009				
Current assets	17.0	-	-	17.0
Creditors due within one year	-	(37.2)	(0.6)	(37.8)
Creditors due after one year	-	-	(0.9)	(0.9)
	17.0	(37.2)	(1.5)	(21.7)

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

6. Net cash from operating activities

	2009	2008
	€m	€m
Operating activities		
Profit for the year	25.2	40.5
Adjustments for:		
Finance costs (net)	1.6	(1.2)
Income tax (credit) / expense	(0.3)	2.5
Retirement benefit obligations - service cost	1.5	2.4
Retirement benefit obligations - payments	(7.2)	(2.5)
Depreciation of property, plant and equipment	23.4	23.0
Amortisation of intangible assets	0.9	1.3
Amortisation of deferred income	(0.1)	(0.1)
Share-based payment expense	0.4	0.6
Gain on disposal of property, plant and equipment	(0.1)	(4.0)
Increase / (decrease) in other provisions	0.4	(0.1)
Operating cash flows before movements in working capital	45.7	62.4
(Increase) / decrease in inventories	(1.2)	0.5
Decrease in receivables	9.9	8.5
Decrease in payables	(1.0)	(12.1)
Cash generated from operations	53.4	59.3
Income taxes paid	(0.1)	(3.9)
Interest paid	(2.0)	(4.1)
Net cash from operating activities	51.3	51.3

7. Retirement benefit schemes

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

	EURO LIABILITIES		STERLING LIABILITIES	
	2009	2008	2009	2008
Discount rate	5.60%	5.90%	5.70%	6.25%
Inflation rate	2.00%	2.00%	3.50%	2.75%
Rate of increase of pensions in payment	1.80% - 2.00%	1.80% - 2.00%	3.25%	2.75%
Rate of general salary increases	3.00% - 3.50%	3.50% - 4.00%	4.50%	4.25%

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

	EURO ASSETS		STERLING ASSETS	
	2009	2008	2009	2008
Equities	7.50%	7.50%	7.50%	7.40%
Bonds	4.50%	4.30%	4.10%	4.00%
Property	6.50%	6.50%	6.50%	6.40%
Other	2.50%	3.50%	4.00%	3.50%

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

	2009		2008	
	Male	Female	Male	Female
Current retirees	23.8 years	26.6 years	23.4 years	26.2 years
Future retirees	27.2 years	30.3 years	24.4 years	27.3 years

The amount recognised in the balance sheet in respect of the Group's defined benefit schemes, is as follows:

	SCHEMES WITH LIABILITIES IN EURO		SCHEMES WITH LIABILITIES IN STERLING	
	2009	2008	2009	2008
	€m	€m	€m	€m
Equities	93.9	79.9	23.2	17.2
Bonds	58.6	55.4	23.2	20.6
Property	11.0	13.1	1.7	2.2
Other	11.0	6.9	0.8	0.1
Market value of scheme assets	174.5	155.3	48.9	40.1
Present value of scheme liabilities	(192.5)	(175.2)	(58.1)	(44.9)
Deficit in schemes	(18.0)	(19.9)	(9.2)	(4.8)

7. Retirement benefit schemes - continued

	2009	2008
	€m	€m
Opening (deficit) / surplus	(24.7)	25.9
Current service cost	(1.5)	(2.4)
Employer contributions paid	7.2	2.5
Other finance (expense) / income	(1.3)	3.9
Actuarial loss	(6.0)	(55.9)
Other	(0.9)	1.3
Net deficit	(27.2)	(24.7)
Schemes in surplus	2.4	2.7
Schemes in deficit	(29.6)	(27.4)
Net deficit	(27.2)	(24.7)

8. Related party transactions

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

During the year ended 31 December 2009 there were no material transactions or balances between Irish Continental Group plc and its key management personnel or members of their close family, other than in respect of remuneration.

9. General information

The financial information in this preliminary announcement does not constitute full statutory financial statements, a copy of which is required to be annexed to the annual return to the Companies Registration Office. A copy of the financial statements in respect of the financial year ended 31 December 2009 will be annexed to the annual return for 2010. The auditors have made a report, without any qualification on their audit, of the consolidated financial statements in respect of the financial year ended 31 December 2009 and the Directors approved the consolidated financial statements in respect of the financial year ended 31 December 2009 on 22 March 2010. A copy of the consolidated financial statements in respect of the year ended 31 December 2008 has been annexed to the annual return for 2009 to the Companies Registration Office.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have also been prepared in accordance with IFRS as adopted by the European Union and therefore the Group's financial statements comply with Article 4 of the IAS Regulations. The consolidated financial statements have also been prepared in accordance with the Companies Acts 1963 to 2009, and the Listing Rules of the Irish and London Stock Exchanges.

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

10. Subsequent events

A fire occurred in the generator room of the MV Oscar Wilde while departing from drydock in early February 2010 which resulted in the vessel missing 30 days service and 25 scheduled sailings. As the incident occurred in low season, the financial effect is not material.

The Board is proposing a final dividend of 100 cent per share in respect of the results for the year ended 31 December 2009.

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2009.

11. Board Approval

This preliminary announcement was approved by the Board of Directors of Irish Continental Group plc on 22 March 2010.

12. Annual Report and Annual General Meeting

The Group's Annual Report will be published in April 2010 and the Annual General Meeting will be held in The Clarion Hotel, North Wall Quay, Dublin 1 on Wednesday 9 June 2010 at 11.00 am.