# OTHER INFORMATION

**Registered Office**
Ferryport,
Alexandra Road,
Dublin 1.

**Website**
www.icg.ie

**Email**
info@icg.ie

**Stockbrokers**
NCB Stockbrokers Ltd
Dublin.

**Principal Bankers**
IIB Bank Ltd, Dublin
AIB Bank, Dublin

**Solicitors**
A&L Goodbody Dublin.

DLA, Liverpool.

**Auditors**
Deloitte & Touche,
Chartered Accountants
& Registered Auditors,
Earlsfort Terrace, Dublin 2.

**Registrars and Transfer Office**
Computershare Services
(Ireland) Limited
Heron House, Corrig Rd,
Sandyford Industrial
Estate, Dublin 18.

# FINANCIAL STATEMENTS

The Directors present their annual report together with the audited financial statements of the Group for the year ended 31 December 2002.

RESULTS, DIVIDEND, AND REVIEW OF BUSINESS DEVELOPMENTS
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. The Directors are recommending the payment of a final dividend of 12.825c per share, which taking into account the interim dividend of 6.84c per share makes a total of 19.665c for the year. A detailed review of these and other business developments is contained in the Chairman's Statement and the Operations and Financial Review.

Under the authority granted at the AGM of 29 May 2002 the company made on-market purchases of 2,162,239 of its own shares being 7.96% of the previously called up share capital of the company with a nominal value of €1.4m for a total consideration of €14.5m. These shares were subsequently cancelled.

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
John McGuckian and Eamonn Rothwell retire by rotation, and being eligible, offer themselves for re-election.

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 throughout the year.

THE BOARD OF DIRECTORS
DIRECTORS
The Board consists of three executive and four 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 pages 28 and 29. 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.





BOARD COMMITTEES
During the twelve months ended 31 December 2002 there were three Board committees with formal terms of reference.

THE AUDIT COMMITTEE
The Audit Committee comprises Thomas Toner, John McGuckian and Liam Booth, all non- executive directors.

Its duties are to consider the appointment of the external auditor, audit fee, and any questions of 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 reviews the half year and annual financial statements before their submission to the Board. The committee reviews the internal audit programme, ensures that the internal audit function is adequately resourced, and considers the major findings of investigations.

THE NOMINATION COMMITTEE
The Nomination Committee comprises three non-executive directors Thomas Toner, John McGuckian, Liam Booth and Eamonn Rothwell, executive director. Its duties are to identify and propose to the Board new appointments of executive or non-executive directors

THE REMUNERATION COMMITTEE
The Remuneration Committee comprises Thomas Toner, John McGuckian and Liam Booth, all non-executive directors. Its duties are to approve the remuneration levels and structures of the executive directors and senior management. It ensures that remuneration policy is 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 Board's report on directors' remuneration is set out on page 36.

COMMUNICATIONS WITH SHAREHOLDERS
The Group commits resources to shareholder communication commensurate with its size, and presentations are made to institutional shareholders after the preliminary results for the year. Results and other announcements are published on the company's web site at www.icg.ie.

Arrangements have been made for the level of proxy votes cast on each resolution, and the numbers for and against, to be announced at the meeting. The 2003 Annual General Meeting will be held at 12pm on 30 April 2003 in the Clarion Hotel, IFSC, Dublin.

## 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;

• 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 the 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 7 March 2003.

| | Number of Shares | % of Capital |
|---|---|---|
| FMR Corp. and its direct and indirect subsidiaries | 2,868,200 | 11.5% |
| Allied Irish Banks plc | 2,631,810 | 10.6% |
| Citigroup | 2,182,200 | 8.8% |
| KBC Asset Management | 1,524,420 | 6.1% |
| Zurich Financial Services Grp | 1,227,680 | 4.9% |
| Canada Life Financial Corp. | 919,827 | 3.7% |





## 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 2001 and 31 December 2002, all of which were beneficial, were as follows:

| | 2002 number | 2001 number |
|---|---|---|
| Thomas Toner | 186,759 | 159,759 |
| Eamonn Rothwell | 2,038,571 | 1,060,604 |
| Gearoid O'Dea | 155,877 | 105,554 |
| Tony Kelly | 34,988 | 19,243 |
| John McGuckian | 32,354 | 32,354 |
| Liam Booth | 30,690 | 20,690 |
| Alex Mullin | 146,509 | 146,509 |
| Thomas Corcoran | 4,236 | 4,236 |

There were no changes in directors' shareholdings between 31 December 2002 and the date of this report. Directors' and secretary's interest in share options are set out in the Report of the Remuneration Committee on page 38.

## 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 11 to the financial statements.

## HEALTH & SAFETY

It is Group policy to safeguard the well being of the Group's 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.

## 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

## SPECIAL BUSINESS

A separate document setting out the special business to be considered at the Annual General Meeting together with the Notice of Annual General Meeting will be mailed to shareholders with the Annual Report.

On behalf of the Board.

Eamonn Rothwell, Director
Gearoid O'Dea, Director
7 March 2003

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 33.

In framing remuneration policy the remuneration committee has given full consideration to Section B of the Best Practice Rules annexed to the listing rules. Throughout the period the Group had procedures in place which met with the Best Practice Provisions as set out in Section A of the Irish Stock Exchange requirements on directors' remuneration.

Annual bonuses 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 2002 are set out below:

| | Salary | Performance pay | Benefits and other | Pension | Fees | 12 Months ended 31 Dec 2002 | 12 Months ended 31 Oct 2001 | 2 Months ended 31 Dec 2001 |
|---|---|---|---|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Executive Directors | | | | | | | | |
| E. Rothwell | 207 | 402 | 29 | 12 | - | 650 | 383 | 40 |
| G. O'Dea | 167 | 87 | 17 | 8 | - | 279 | 200 | 28 |
| T. Kelly | 109 | 85 | 18 | - | - | 212 | - | - |
| Non-Executive Directors | | | | | | | | |
| T. Toner | - | - | - | - | 76 | 76 | 58 | 10 |
| J. McGuckian | - | - | - | - | 35 | 35 | 25 | 4 |
| L. Booth | - | - | - | - | 35 | 35 | 25 | 4 |
| A. Mullin* | - | - | - | - | 45 | 45 | 90 | 4 |
| | 483 | 574 | 64 | 20 | 191 | 1,332 | 781 | 90 |

* A. Mullin retired as executive director of the company in March 2001.

No director had an interest in any material contract to which the Company or any subsidiary was a party during the financial year.

There are no directors' service contracts.

No element of remuneration, other than basic salary, is pensionable. The pension benefits attributable to the executive directors at 31 December 2002 are as follows:

| | Eamonn Rothwell €'000 | Gearoid O'Dea €'000 | Alex Mullin €'000 | Total €'000 |
|---|---|---|---|---|
| Increase in accumulated accrued annual benefits excluding inflation in the period | 6 | 5 | 4 | 15 |
| Transfer value of the increase in accumulated accrued benefits (excluding inflation) at year end (calculated in accordance with Actuarial Guidance Note GN11) | 43 | 38 | 31 | 112 |
| Accumulated accrued annual benefits on leaving service at year end | 96 | 55 | 53 | 204 |





There are no long term incentive schemes in place other than the Group's share option scheme.

The Group introduced a share option scheme in 1988 to encourage identification with shareholders' longer term interests. Since that date, options have been granted to directors and employees of the Group. The terms of the scheme were amended, following approval by shareholders, on a number of occasions, most recently in 1994 when the following performance criteria were introduced in respect of options granted after that date:

1. Certain options ("Three Year Options") could be exercised between the 3rd and 10th anniversary of grant only if earnings per share growth exceeded the rate of inflation for the period
2. Certain other options ("Five Year Options") could be exercised between the fifth and tenth anniversary of grant provided earnings per share growth would place the Group in the top quartile of companies in the ISEQ.

At 31 December 2002 1.1million options remained outstanding at a range of option prices. No further options may be granted under this scheme after 2 March 1998.

A new share option plan was approved by shareholders in March 1998 which incorporated the following amendments to the performance criteria for options granted after that date:

1. Three Year Options may only be exercised if earnings per share growth is at least 2% p.a. above inflation for the period,
2. Five Year Options may be exercised 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% p.a. above inflation for the period.

At 31 December 2002 1.2million options had been granted under this plan.

The total number of options outstanding under the share option schemes at 31 December 2002 is 2.3million of which 962,500 are held by Directors.

| Options at 31 Dec 2001 (or date of appointment) | Options Granted | Options Exercised | Options at 31 Dec 2002 | Exercise Price | Market price on exercise (cent)/ Exercise Period | Exercise Conditions |
|---|---|---|---|---|---|---|
| Eamonn Rothwell | | | | | | |
| 115,900 | - | (115,900) | - | 142.2c | 735.0 | |
| 206,894 | - | (206,894) | - | 177.8c | 530.0 | |
| 155,170 | - | (155,170) | - | 154.9c | 530.0 | |
| 75,000 | - | - | 75,000 | 529.5c | Jan.2000-Jan.2007 | Note 1 |
| 75,000 | - | - | 75,000 | 529.5c | Jan.2002-Jan.2007 | Note 2 |
| 25,000 | - | - | 25,000 | 1075c | Jan.2003-Jan.2010 | Note 3 |
| 25,000 | - | - | 25,000 | 1075c | Jan.2005-Jan.2010 | Note 4 |
| | 100,000 | | 100,000 | 735c | Jan. 2005-Jan. 2012 | Note 3 |
| | 100,000 | | 100,000 | 735c | Jan. 2007-Jan. 2012 | Note 4 |
| | 50,000 | | 50,000 | 530c | Sep. 2005-Sep. 2012 | Note 3 |
| | 50,000 | | 50,000 | 530c | Sep. 2007-Sep. 2012 | Note 4 |
| 677,964 | 300,000 | (477,964) | 500,000 | | | |
| Gearoid O'Dea | | | | | | |
| 20,689 | - | (20,689) | - | 177.8c | 530.0 | |
| 31,034 | - | (31,034) | - | 154.9c | 530.0 | |
| 30,000 | - | - | 30,000 | 520.6c | May 1999-May 2004 | |
| 37,500 | - | - | 37,500 | 529.5c | Jan.2000-Jan.2007 | Note 1 |
| 37,500 | - | - | 37,500 | 529.5c | Jan.2002-Jan.2007 | Note 2 |
| 12,500 | - | - | 12,500 | 1075c | Jan.2003-Jan.2010 | Note 3 |
| 12,500 | - | - | 12,500 | 1075c | Jan.2005-Jan.2010 | Note 4 |
| | 50,000 | | 50,000 | 735c | Jan.2005-Jan.2012 | Note 3 |
| | 50,000 | | 50,000 | 735c | Jan.2007-Jan.2012 | Note 4 |
| | 15,000 | | 15,000 | 530c | Sep.2005-Sep.2012 | Note 3 |
| | 15,000 | | 15,000 | 530c | Sep.2007-Sep.2012 | Note 3 |
| 181,723 | 130,000 | (51,723) | 260,000 | | | |
| Tony Kelly | | | | | | |
| 10,345 | - | (10,345) | | 154.9c | 530 | |
| 10.000 | - | - | 10,000 | 520.6c | May 1999-May 2004 | |
| 2,500 | - | - | 2,500 | 603.1c | Jan.1999-Jan.2006 | Note 1 |
| 25,000 | - | - | 25,000 | 529.5c | Jan.2000-Jan.2007 | Note 1 |
| 25,000 | - | - | 25,000 | 529.5c | Jan.2002-Jan.2007 | Note 2 |
| 12,500 | - | - | 12,500 | 1075c | Jan.2003-Jan.2010 | Note 3 |
| 12,500 | - | - | 12,500 | 1075c | Jan.2005-Jan.2010 | Note 4 |
| | 25,000 | | 25,000 | 735c | Jan.2005-Jan.2012 | Note 3 |
| | 25,000 | | 25,000 | 735c | Jan.2007-Jan.2012 | Note 4 |
| | 12,500 | | 12,500 | 530c | Sep.2005-Sep.2012 | Note 3 |
| | 12,500 | | 12,500 | 530c | Sep.2007-Sep.2012 | Note 4 |
| 97,845 | 75,000 | (10,345) | 162,500 | | | |





| Options at 31 Dec 2001 (or date of appointment) | Options Granted | Options Exercised | Options at 31 Dec 2002 | Exercise Price | Market price on exercise (cent)/ Exercise Period | Exercise Conditions |
|---|---|---|---|---|---|---|
| Alex Mullin | | | | | | |
| 15,000 | - | - | 15,000 | 520.6c | May 1999-May 2004 | |
| 12,500 | - | - | 12,500 | 529.5c | Jan.2000-Jan.2007 | Note 1 |
| 12,500 | - | - | 12,500 | 529.5c | Jan.2002-Jan.2007 | Note 2 |
| 40,000 | - | - | 40,000 | | | |
| Thomas Corcoran | | | | | | |
| 10,000 | | - | 10,000 | 520.6c | May 1999-May 2004 | |
| 5,000 | | - | 5,000 | 529.5c | Jan.2000-Jan.2007 | Note 1 |
| 5,000 | | - | 5,000 | 529.5c | Jan.2002-Jan.2007 | Note 2 |
| 2,500 | | - | 2,500 | 1075c | Jan.2003-Jan.2010 | Note 3 |
| 2,500 | | - | 2,500 | 1075c | Jan.2005-Jan.2010 | Note 4 |
| 5,000 | | - | 5,000 | 660c | Jan.2004-Jan.2011 | Note 3 |
| 5,000 | | - | 5,000 | 660c | Jan.2006-Jan.2011 | Note 4 |
| | 5,000 | | 5,000 | 735c | Jan.2005-Jan.2012 | Note 3 |
| | 5,000 | | 5,000 | 735c | Jan.2007-Jan.2012 | Note 4 |
| 35,000 | 10,000 | | 45,000 | | | |

Note 1: These options are exercisable only if growth in the Group's EPS is higher than the increase in the Consumer Price Index.

Note 2: These options are exercisable only if the Group's EPS growth places it in the top quartile of ISEQ companies.

Note 3: These options are exercisable only if growth in the Groups EPS is at least 2% p.a. above the increase in the Consumer Price Index.

Note 4: 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 2002 was 712c and the range during the year was 520c to 885c.

## 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 the year. 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 accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2001, the European Communities (Companies: Group Accounts) Regulations 1992 and the Listing Rules of the Irish Stock Exchange and the London 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.

## REPORT OF THE AUDITORS

We have audited the financial statements of Irish Continental Group plc for the year ended 31 December 2002 which comprise the Statement of Accounting Policies, the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

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 for preparing the Annual Report, including as set out in the Statement of Director's Responsibilities, the preparation of financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Listing Rules of the Irish Stock Exchange, auditing standards as promulgated by the Auditing Practices Board in Ireland, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992. 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 Directors' report 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's balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information required 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 seven provisions of the Combined Code specified for our review by the Irish Stock Exchange and we report if it does not. We are not required to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, The Chairman's Statement, the Operations Review and the Financial Review. We consider the implications for our report to shareholders if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and generally accepted in Ireland. 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 circumstances of the Company and the Group, 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 also evaluated the overall adequacy of the presentation of information in the financial statements.

### OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Acts 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations 1992.

We have obtained all the information and explanations we consider necessary for the purposes 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 of the amount of its called-up share capital and, in our opinion, on that basis, there did not exist at 31 December 2002 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
& Registered Auditors
Deloitte & Touche House
Earlsfort Terrace Dublin 2
7 March, 2003

Deloitte & Touche

The financial statements have been prepared under the historical cost convention and in accordance with accounting standards generally accepted in Ireland and Irish statute, comprising the Companies Acts 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992 and the Listing Rules of the Irish Stock Exchange and the London Stock Exchange.

The significant accounting policies adopted by the Group are as follows:-

### (A) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the date of their disposal.

Goodwill comprises the excess of consideration paid to acquire new businesses over the fair value of the net assets acquired. Goodwill arising on the acquisition of businesses up to 31 October 1998 was eliminated through reserves in the year of acquisition. Such goodwill will be charged to profit and loss account on any subsequent disposal of the business to which it related. Goodwill arising since 1 November 1998 has been capitalised and is amortised on a straight-line basis over its estimated useful economic life, subject to impairment reviews where there is an uncertainty regarding future economic benefits.

### (B) TURNOVER

Turnover represents the invoiced value of services supplied to third parties, after discounts and value added tax.

### (C) STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost represents suppliers' invoiced cost determined on a first in, first out, basis.

### (D) FOREIGN EXCHANGE TRANSACTIONS

Company

Foreign currency transactions are recorded in the financial statements at rates of exchange ruling at the date of transactions or at contracted rates, where appropriate. Assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Other than foreign exchange funding costs capitalised during the construction of assets, gains and losses on exchange are dealt with in full through the profit and loss account.

Group

The profit and loss accounts of subsidiary companies which report in currencies other than Euros are translated into Euros and incorporated into the financial statements of the group using average rates, and the differences between average and closing rates are shown as a movement on reserves. The balance sheets are translated at the rate of exchange ruling at the balance sheet date.

The opening net investment in the subsidiary or related company is retranslated at the closing rate and the exchange differences so arising are shown as movements on reserves.

### (E) FINANCIAL RISK MANAGEMENT

Forward exchange contracts are used to hedge foreign exchange exposures. Gains and losses on forward exchange contracts are recognised in the year to which the underlying transactions relate.

Interest rate swaps are used to hedge the Group's exposure to interest rate movements. The amount payable or receivable on such swaps is accrued in the same way as interest arising on deposits or borrowings. Interest rate swaps are not revalued to fair value.

### (F) FIXED ASSETS

Ships

Ships are stated at cost or valuation and are depreciated at rates calculated to write off the cost or valuation less estimated residual value on a straight line basis over an expected useful life of 20 years from completion of construction. The residual value of ships in service more than 20 years from completion of construction is depreciated on a straight-line basis over the expected remaining life.

Plant and equipment

Plant and equipment is written off on a straight-line basis at rates varying between 8% and 25% per annum.





Motor Vehicles

Motor vehicles are written off on a straight-line basis at the rate of 25% per annum.

Property

The cost of leased premises is written off over the life of the lease on a straight-line basis at rates varying between 0.7% and 10% per annum.

### (G) FINANCIAL FIXED ASSETS

Financial fixed assets are shown at cost less amounts written off.

### (H) DEFERRED TAXATION

The Group adopted Financial Reporting Standard 19 'Deferred Tax' during the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at the balance sheet date that result in an obligation to pay more tax or a right to pay less tax in the future.

Timing differences are differences between profit as computed for taxation purposes and profit as stated in the financial statements that arise because certain items of income and expenditure in the financial statements are dealt with in different years for taxation purposes.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws enacted or substantially enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

On adoption of FRS19, the Group has changed its accounting policy in respect of deferred taxation and has restated prior period results accordingly (see note 19).

### (I) DRYDOCKING

Costs incurred on the overhaul of vessels are capitalised and depreciated over the period to the next overhaul.

### (J) PENSIONS

The Group operates contributory defined benefit pension schemes for virtually all full-time permanent employees. The schemes' funds are administered by trustees and are independent of the Group's finances. Other permanent employees are members of the Merchant Navy Officers Pension Fund, which is independently administered.

Contributions are paid to the funds in accordance with the advice of professionally qualified actuaries. The Group's contributions are charged to the profit and loss account on a systematic basis over the period benefiting from the services of the employees. Variations from regular cost are spread over the expected average remaining service lives of the members in the scheme.

The Group continues to account for pension costs in accordance with SSAP 24 'Accounting for Pension Costs'. The disclosures required under the transitional arrangements of FRS17 'Retirement Benefits' are shown in note 27.

### (K) LEASES

Assets held under finance leases are capitalised and included in tangible fixed assets at an amount representing the outright purchase price of such assets. Depreciation is provided at rates designed to write-off the cost, less any residual value, in equal annual amounts over the shorter of the estimated useful lives of the assets, or the period of the leases.

The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease in proportion to the balances outstanding. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

### (L) GRANTS

Capital grants received and receivable are credited to the capital grants account in the balance sheet and released to the profit and loss account based on the estimated useful lives of the assets to which the grants relate. Revenue grants are credited to the profit and loss account in the period in which the related expenditure is incurred.

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 December 2002

| | Notes | 2002<br>12 months<br>€m | 2001<br>14 months<br>(restated*)<br>€m |
|---|---|---|---|
| Turnover | 1 | 325.8 | 348.5 |
| Operating costs | | (290.9) | (323.6) |
| Operating profit before exceptional item and amortisation of goodwill | | 34.9 | 24.9 |
| Amortisation of goodwill | | (0.1) | (0.3) |
| Exceptional item: goodwill write down | 2 | (1.7) | (3.2) |
| Operating profit | 2 | 33.1 | 21.4 |
| Net interest payable | 4 | (9.0) | (12.4) |
| Profit on ordinary activities before taxation | | 24.1 | 9.0 |
| Taxation | 5 | (3.1) | (1.5) |
| Profit attributable to shareholders of Irish Continental Group plc | | 21.0 | 7.5 |
| Dividends | 7 | (5.1) | (4.6) |
| Profit retained for the period | | 15.9 | 2.9 |
| Basic earnings per share | 8 | 78.3c | 28.3c |
| Diluted earnings per share | 8 | 78.0c | 27.8c |
| Adjusted earnings per share | 8 | 85.0c | 41.5c |

*Restated following the implementation of FRS19, Deferred Taxation.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2002

| | Notes | 2002<br>12 months<br>€m | 2001<br>14 months<br>(restated)<br>€m |
|---|---|---|---|
| Profit attributable to shareholders of Irish Continental Group plc | | 21.0 | 7.5 |
| Exchange translation adjustment | | (9.1) | (5.3) |
| Total recognised gains related to the year | | 11.9 | 2.2 |
| Prior year adjustment | 19 | (4.0) | |
| Total recognised gains since the last annual report | | 7.9 | |

Eamonn Rothwell, Director
Gearoid O'Dea, Director



## CONSOLIDATED BALANCE SHEET at 31 December 2002

| | Notes | 2002<br>€m | 2001<br>(restated)<br>€m |
|---|---|---|---|
| Fixed Assets | | | |
| Tangible assets | 10 | 367.9 | 397.7 |
| Financial assets | 11 | - | 0.1 |
| | | 367.9 | 397.8 |
| Current assets | | | |
| Stocks | 12 | 0.8 | 0.7 |
| Debtors | 13 | 53.3 | 60.3 |
| Cash at bank and in hand | | 14.6 | 16.1 |
| | | 68.7 | 77.1 |
| Creditors | | | |
| (Amounts falling due within one year) | | | |
| Bank loans and overdrafts | 14 | 28.4 | 27.7 |
| Trade and other creditors | 16 | 65.8 | 66.9 |
| Proposed dividend | | 3.2 | 3.1 |
| Obligations under finance leases | 17 | 2.3 | 2.3 |
| Taxation and social welfare | 18 | 1.5 | 2.9 |
| | | 101.2 | 102.9 |
| Net current liabilities | | (32.5) | (25.8) |
| Total assets less current liabilities | | 335.4 | 372.0 |
| Creditors | | | |
| (Amounts falling due after more than one year) | | | |
| Bank loans | 14 | 130.1 | 165.2 |
| Obligations under finance leases | 17 | 11.2 | 7.9 |
| Provision for liabilities and charges | 19 | 8.2 | 6.3 |
| | | 149.5 | 179.4 |
| Capital and reserves | | | |
| Called up share capital | 20 | 16.3 | 17.3 |
| Share premium account | 21 | 38.3 | 37.7 |
| Capital reserves | 21 | 0.1 | 0.1 |
| Capital redemption reserve | 21 | 1.4 | - |
| Profit and loss account | 21 | 129.8 | 137.5 |
| Shareholders' funds (all equity) | 22 | 185.9 | 192.6 |
| | | 335.4 | 372.0 |

Eamonn Rothwell, Director
Gearoid O'Dea, Director

## COMPANY BALANCE SHEET at 31 December 2002

| | Notes | 2002 €m | 2001 €m |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 10 | 17.2 | 19.2 |
| Financial assets | 11 | 14.8 | 12.9 |
| | | 32.0 | 32.1 |
| **Current assets** | | | |
| Stocks | 12 | 0.3 | 0.2 |
| Debtors | 13 | 145.9 | 118.8 |
| Cash at bank and in hand | | 2.4 | 3.4 |
| | | 148.6 | 122.4 |
| **Creditors** | | | |
| (Amounts falling due within one year) | | | |
| Bank loans and overdrafts | 14 | 4.1 | 2.8 |
| Trade and other creditors | 16 | 101.2 | 82.6 |
| Proposed dividend | | 3.2 | 3.1 |
| Obligations under finance leases | 17 | 0.5 | 0.4 |
| Taxation and social welfare | 18 | - | 0.5 |
| | | 109.0 | 89.4 |
| Net current assets | | 39.6 | 33.0 |
| Total assets less current liabilities | | 71.6 | 65.1 |
| **Creditors** | | | |
| (Amounts falling due after more than one year) | | | |
| Bank loans | 14 | 2.8 | 5.6 |
| Obligations under finance leases | 17 | 0.4 | 0.8 |
| Provisions for liabilities and charges | 19 | - | - |
| | | 3.2 | 6.4 |
| **Capital and reserves** | | | |
| Called up share capital | 20 | 16.3 | 17.3 |
| Share premium account | 21 | 38.3 | 37.7 |
| Profit and loss account | 21 | 12.4 | 3.7 |
| Capital redemption reserve fund | 21 | 1.4 | - |
| Shareholders' funds (all equity) | | 68.4 | 58.7 |
| | | 71.6 | 65.1 |

Eamonn Rothwell, Director
Gearoid O'Dea, Director



## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2002

| | Notes | 2002 12 months €m | 2001 14 months €m |
|---|---|---|---|
| **Operating activities** | | | |
| Net cash inflow from operating activities | 23 | 68.5 | 46.6 |
| **Servicing of finance** | | | |
| Net interest paid | | (10.1) | (14.1) |
| Net cash outflow from servicing of finance | | (10.1) | (14.1) |
| **Taxation** | | | |
| Net corporation tax (paid) / refunded | | (0.9) | 0.7 |
| **Capital expenditure** | | | |
| Purchase of fixed assets | | (15.4) | (99.2) |
| Sale of fixed assets | | 0.2 | 1.5 |
| Net cash outflow from investing activities | | (15.2) | (97.7) |
| **Acquisitions** | | | |
| Purchase of subsidiary undertakings | | (3.8) | (0.1) |
| Net cash outflow from acquisitions | | (3.8) | (0.1) |
| Equity dividends paid | | (5.0) | (4.0) |
| Net cash inflow / (outflow) before financing | | 33.5 | (68.6) |
| **Financing** | | | |
| Issue of ordinary share capital | | 1.0 | 0.3 |
| Repurchase of ordinary share capital | | (14.5) | - |
| Drawdown of loans | | - | 61.0 |
| Inception of finance leases | | 5.9 | 0.4 |
| Repayment of amounts borrowed | | (26.2) | (32.2) |
| Capital element of finance lease payments | | (2.2) | (2.8) |
| Net cash (outflow) / inflow from financing | | (36.0) | 26.7 |
| Decrease in cash | 24 | (2.5) | (41.9) |

## 1. Segmental information

Analysis by class of business

| | Turnover | | Profit Before Tax | | Net Assets | |
|---|---|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | 12 months | 14 months | 12 months | 14 months | | |
| | €m | €m | €m | €m | €m | €m |
| Ferries and Travel | 204.5 | 216.4 | 31.2 | 22.8 | 303.5 | 345.9 |
| Container and Terminal | 122.0 | 132.8 | 3.7 | 2.1 | 31.4 | 33.3 |
| Intersegment turnover | (0.7) | (0.7) | - | - | - | - |
| | 325.8 | 348.5 | 34.9 | 24.9 | 334.9 | 379.2 |
| Goodwill | - | - | (1.8) | (3.5) | - | - |
| Net interest/debt | - | - | (9.0) | (12.4) | (157.4) | (186.6) |
| Construction in progress | - | - | - | - | 8.6 | - |
| | 325.8 | 348.5 | 24.1 | 9.0 | 186.1 | 192.6 |

Analysis by origin

| | 2002 | 2001 |
|---|---|---|
| | 12 months | 14 months |
| | €m | €m |
| Ireland | 134.7 | 123.6 |
| United Kingdom | 112.2 | 151.5 |
| Continental Europe | 78.9 | 73.4 |
| | 325.8 | 348.5 |

It is not practicable to analyse trading profit and net assets by geographical area. All turnover arises from continuing activities and excludes intra Group transactions and value added tax.

## 2. Operating profit

| | Notes | 2002 | 2001 |
|---|---|---|---|
| | | 12 months | 14 months |
| | | €m | €m |
| Turnover | | 325.8 | 348.5 |
| Cost of sales | | (245.7) | (272.5) |
| | | 80.1 | 76.0 |
| Operating costs: | | | |
| Exceptional item: write down of goodwill | 9 | 1.7 | 3.2 |
| Selling and marketing | | 15.1 | 16.5 |
| Administration | | 27.4 | 28.0 |
| Other operating expenses | | 2.8 | 6.9 |
| | | 47.0 | 54.6 |
| Operating profit | | 33.1 | 21.4 |





| Operating profit is stated after charging / (crediting): | | | |
|---|---|---|---|
| Auditor's remuneration | | | |
| for audit services | | 0.17 | 0.13 |
| for other services | | 0.06 | 0.02 |
| Rentals payable under operating leases and charters | | 23.9 | 33.4 |
| Depreciation of tangible fixed assets | | | |
| owned assets | | 27.3 | 26.7 |
| leased assets | | 1.4 | 2.2 |
| Loss on sale of assets | | 0.2 | 0.4 |
| Grant credit | | (0.4) | (0.3) |
| Amortisation of Goodwill | | | |
| charge for the year | 9 | 0.1 | 0.3 |
| exceptional write off | 9 | 1.7 | 3.2 |

The write off of goodwill in 2002 relates to an acquisition made by the container division during the year that has been merged with the existing business to the extent that the value of goodwill will not be capable of objective measurement in future years. The directors consider it appropriate to write goodwill off, particularly in the light of the competitive nature of the container freight market.

## 3. Staff numbers and costs

| | 2002 | 2001 |
|---|---|---|
| | 12 months | 14 months |
| The average number of employees during the year was as follows: | | |
| At sea | 918 | 896 |
| On shore | 628 | 628 |
| | 1,546 | 1,524 |
| At year end | 1,460 | 1,469 |

The aggregate payroll costs were as follows:

| | 2002 | 2001 |
|---|---|---|
| | 12 months | 14 months |
| | €m | €m |
| Wages and salaries | 52.2 | 55.6 |
| Social welfare charge | 2.6 | 2.8 |
| Other pensions credit | (1.2) | (5.2) |
| | 53.6 | 53.2 |

## 4. Net interest payable

| | 2002 | 2001 |
|---|---|---|
| | 12 months | 14 months |
| | €m | €m |
| On bank loans & overdrafts wholly repayable within five years | 5.2 | 2.0 |
| On bank loans repayable after more than five years | 5.2 | 12.4 |
| Finance charges payable under finance leases | 0.5 | 0.7 |
| Other financial income | (0.9) | (1.1) |
| Bank interest receivable | (1.0) | (1.6) |
| | 9.0 | 12.4 |

## 5. Taxation

(a) Charge in the year: Company and subsidiaries

| | 2002<br>12 months<br>€m | 2001<br>14 months<br>€m |
|---|---|---|
| Current tax charge: | | |
| Corporation tax on profits for the year: | | |
| Irish corporation tax | - | - |
| Overseas corporation tax at 35% | 0.5 | - |
| | | |
| Deferred tax charge: | | |
| Origination and reversal of timing differences | 2.6 | 1.5 |
| | 3.1 | 1.5 |

(b) Factors affecting the tax charge for the year

The tax charge for the year is lower than the standard rate of corporation tax in the Republic of Ireland that applied during the year. The differences are explained as follows:

| | 2002<br>12 months<br>€m | 2001<br>14 months<br>€m |
|---|---|---|
| Expected tax charge on profit on ordinary activities at the standard rate of tax for the year of 16% (2001: 20.6%) | 3.8 | 1.8 |
| Expenses not deductible for tax / exempt income | (1.3) | (1.6) |
| Capital allowances for the year in excess of depreciation | (3.4) | (5.2) |
| Other timing differences | 0.6 | (0.9) |
| Shipping profits relief | (0.6) | (0.3) |
| Higher rates of tax on overseas and other income | 0.3 | 0.1 |
| Unutilised tax losses carried forward | 1.1 | 6.4 |
| Adjustments in respect of previous years | - | (0.3) |
| Total current tax charge | 0.5 | - |

Unrelieved tax losses arising in the period, principally due to capital allowances, amounting to €19.9m (2001: €46.5m) are carried forward and are available to reduce the tax liability in respect of future profits.

(c) Factors that may affect future tax charges

Arising from the recent vessel replacement programme the Group expects to be able to continue to claim capital allowances in excess of depreciation and, together with the utilisation of losses forward, expects the current tax charge to remain at levels lower than the standard rate of tax for the forseeable future.

The Irish Government recently formulated an optional Tonnage Taxation system for ship owners and operators, which has received EU approval, and is expected to be enacted into legislation during 2003. Should the company elect to be taxed under the Tonnage Taxation system, the current tax arising on the Group's Irish shipping profits will continue at levels lower than the standard rate of tax for an indefinite period.





## 6. Profit attributable to the shareholders of Irish Continental Group, plc

Of the profit for the period of €21.0m (2001: €7.5m), a profit of €28.3m (2001: profit of €4.5m) has been dealt with in the financial statements of the Holding Company. As permitted by the European Communities (Companies: Group Accounts) Regulations 1992, a separate profit and loss account for the Holding Company has not been presented.

## 7. Dividends

| | 2002<br>12 months<br>€m | 2001<br>14 months<br>€m |
|---|---|---|
| Interim dividend of 6.84c per share (2001: 5.7c per share) | 1.9 | 1.5 |
| Proposed dividend of 12.825c per share (2001: 11.4c per share) | 3.2 | 3.1 |
| | 5.1 | 4.6 |

## 8. Earnings per share

The calculation of earnings per share is based on the weighted average number of shares in issue of 26.82m (2001: 26.51m) and profits attributable to shareholders of €21.0m (2001: €7.5m)

Diluted earnings per share is computed in accordance with FRS14 and is based on weighted average shares in issue, including options exercisable as of the date of this report, of 26.93m shares (2001: 27.0m). The weighted average shares used in the calculation of diluted earnings per share may be reconciled with the basic average shares as follows:

| | 2002 | 2001 |
|---|---|---|
| Total options in issue | 2,294,350 | 2,220,768 |
| Options not yet exercisable | (1,897,250) | (1,222,250) |
| Options exercisable | 397,100 | 998,518 |
| Average option price | 530c | 316c |
| Average fair value of share price during year | 733c | 619c |
| Number of shares which would have been issued at fair value | (287,265) | (509,216) |
| Dilutive options | 109,835 | 489,302 |
| Basic weighted average shares | 26,817,246 | 26,510,739 |
| Diluted weighted average shares | 26,927,081 | 27,000,041 |

Adjusted earnings per share is based on the weighted average number of shares in issue of 26.82 million (2001: 26.51 million) and profit attributable to shareholders, before goodwill and exceptional item, of €22.8 m (2001: €11.0m).

## 9. Intangible fixed assets

Group

| | Note | Goodwill €m |
|---|---|---|
| **Cost** | | |
| At 1 January 2002 | | 4.3 |
| Movements during the year | | 1.8 |
| At 31 December 2002 | | 6.1 |
| **Amortisation** | | |
| At 1 January 2002 | | 4.3 |
| Amortised during the year | 2 | 0.1 |
| Written off during the year | 2 | 1.7 |
| At 31 December 2002 | | 6.1 |
| Net book amount at 31 December 2001 | | - |
| Net book amount at 31 December 2002 | | - |

In accordance with Financial Reporting Standard Number 10 'Goodwill and Intangible Assets', goodwill arising on acquisitions which took place after November 1998 has been capitalised and is amortised to the profit and loss account over its estimated useful economic life. Prior to 1 November 1998, goodwill was eliminated against revenue reserves. The amount of goodwill eliminated, net of goodwill attributable to businesses disposed of, is €1.8m.





## 10. Tangible fixed assets

Group

| | Assets under construction €m | Ships €m | Plant and equipment €m | Vehicles €m | Property €m | Total €m |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| Cost | - | 444.1 | 42.1 | 2.1 | 23.8 | 512.1 |
| Valuation | - | 11.1 | - | - | - | 11.1 |
| At 1 January 2002 | - | 455.2 | 42.1 | 2.1 | 23.8 | 523.2 |
| Additions | 8.6 | 5.1 | 2.5 | 1.0 | 0.2 | 17.4 |
| Disposals | - | (15.5) | - | (0.7) | - | (16.2) |
| Exchange adjustment | - | (26.4) | (0.1) | - | (0.1) | (26.6) |
| At 31 December 2002 | 8.6 | 418.4 | 44.5 | 2.4 | 23.9 | 497.8 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2002 | - | 96.0 | 24.2 | 1.4 | 3.9 | 125.5 |
| Charge for year | - | 21.5 | 5.1 | 0.4 | 1.7 | 28.7 |
| Disposals | - | (15.3) | - | (0.5) | - | (15.8) |
| Exchange adjustment | - | (8.2) | (0.1) | (0.1) | (0.1) | (8.5) |
| At 31 December 2002 | - | 94.0 | 29.2 | 1.2 | 5.5 | 129.9 |
| **Net book amounts** | | | | | | |
| At 31 December 2001 | - | 359.3 | 17.9 | 0.7 | 19.8 | 397.7 |
| At 31 December 2002 | 8.6 | 324.4 | 15.3 | 1.2 | 18.4 | 367.9 |

The Group cost of tangible fixed assets includes an amount of €24.6m (2001: €16.0m) in respect of assets held under finance leases, with a net book value of €16.5m (2001: €9.6m).

Additions to Group fixed assets include interest of €nil (2001: €0.9m) capitalised during the construction of assets.

The vessel m.v. Egnatia II was valued independently in October 1986 on a current use open market basis. This vessel was disposed of during the year. All subsequent additions are stated at cost.

## 10. Tangible fixed assets - continued

Company

| | Assets under construction €m | Ships €m | Plant and equipment €m | Vehicles €m | Property €m | Total €m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2002 | - | 20.9 | 6.6 | 0.6 | 0.6 | 28.7 |
| Additions | - | 3.3 | 0.5 | 0.1 | - | 3.9 |
| Disposals | - | (0.1) | - | (0.2) | - | (0.3) |
| At 31 December 2002 | - | 24.1 | 7.1 | 0.5 | 0.6 | 32.3 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2002 | - | 3.7 | 5.3 | 0.3 | 0.2 | 9.5 |
| Charge for year | - | 4.7 | 1.0 | 0.1 | - | 5.8 |
| Disposals | - | (0.1) | - | (0.1) | - | (0.2) |
| At 31 December 2002 | - | 8.3 | 6.3 | 0.3 | 0.2 | 15.1 |
| **Net book amounts** | | | | | | |
| At 31 December 2001 | - | 17.2 | 1.3 | 0.3 | 0.4 | 19.2 |
| At 31 December 2002 | - | 15.8 | 0.8 | 0.2 | 0.4 | 17.2 |

## 11. Financial fixed assets

Group

| | €m |
|---|---|
| At 1 January 2002 | 0.1 |
| Movements during the year | (0.1) |
| At 31 December 2002 | - |

Company

| | Investment in subsidiary companies €m | Other Investments €m | Total €m |
|---|---|---|---|
| At 1 January 2002 | 12.8 | 0.1 | 12.9 |
| Movements during the year | 2.0 | (0.1) | 1.9 |
| At 31 December 2002 | 14.8 | - | 14.8 |

The movement on investment in subsidiary companies during the year arises from an additional capital investment in Tara Travel Limited.
The movement on other investments relates to the write down of a trade investment to realisable value.





Principal subsidiary companies:

| Company | Nature of business | Country of incorporation | Registered office | % Holding |
|---|---|---|---|---|
| Irish Ferries Limited | Ferry Operator | Ireland | Ferryport, Alexandra Rd., Dublin 1. | 100 |
| Irish Ferries (U.K.) Limited | Shipping and Forwarding Agents | United Kingdom | Corn Exchange Building, Fenwick Street, Liverpool. | 100 |
| Rosslare Ship Repairs Limited | Ship Repairs | Ireland | Rosslare Harbour, Co. Wexford. | 100 |
| Eucon (Shipping & Transport) Limited | Container Shipping Services | Ireland | Ferryport, Alexandra Rd., Dublin 1. | 100 |
| Eurofeeders Limited | Container Shipping Services | United Kingdom | Inter City House, 80 Oswald St., Glasgow. | 100 |
| Feederlink Shipping & Trading b.v. | Container Shipping Services | Netherlands | Seattleweg 15, 3195 ND Rotterdam, Netherlands. | 100 |
| Ironrose Limited | Ship Owner | Malta | 1 Col. Savona St., Sliema, Malta. | 100 |
| Zatarga Limited | Ship Owner | Isle of Man | Samuel Harris House, 5-11 St. George's St., Douglas, Isle of Man, IM1 1AJ | 100 |
| Irish Continental Line Limited | Ship Owner | Ireland | Ferryport Alexandra Rd., Dublin 1. | 100 |
| Tara Travel Limited | Travel Agency | United Kingdom | 240-242 Kilburn High Rd., Kilburn, London NW6 2BS | 100 |

All the companies listed above have a financial year end of 31 December.

## 12. Stocks

| | Group | | Company | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | €m | €m | €m | €m |
| Catering | 0.4 | 0.4 | 0.2 | 0.1 |
| Fuel and lubricating oil | 0.4 | 0.3 | 0.1 | 0.1 |
| | 0.8 | 0.7 | 0.3 | 0.2 |

## 13. Debtors

Amounts falling due within one year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | €m | €m | €m | €m |
| Trade debtors | 40.7 | 36.2 | 4.7 | 3.3 |
| Amounts owed by group companies | - | - | 140.4 | 114.4 |
| Other debtors | 5.5 | 9.4 | 0.8 | 1.1 |
| Prepayments and accrued income | 7.1 | 6.5 | - | - |
| Prepayment of pension contributions | - | 8.2 | - | - |
| | 53.3 | 60.3 | 145.9 | 118.8 |

## 14. Bank Loans

| | Group | | Company | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | €m | €m | €m | €m |
| Secured facilities | | | | |
| (repayable within one year) | | | | |
| overdraft | 2.2 | - | 1.3 | - |
| term loan | 26.2 | 27.7 | 2.8 | 2.8 |
| | 28.4 | 27.7 | 4.1 | 2.8 |
| (repayable after more than one year) | | | | |
| term loan | 130.1 | 165.2 | 2.8 | 5.6 |
| | 158.5 | 192.9 | 6.9 | 8.4 |

Term loans are repayable by instalments and fall due as follows:

| | | | | |
|---|---|---|---|---|
| Within one year | 26.2 | 27.7 | 2.8 | 2.8 |
| Between one and two years | 26.2 | 27.7 | 2.8 | 2.8 |
| Between two and three years | 23.4 | 27.7 | - | 2.8 |
| Between three and four years | 23.4 | 24.9 | - | - |
| Between four and five years | 23.4 | 24.9 | - | - |
| After five years | 33.7 | 60.0 | - | - |
| | 156.3 | 192.9 | 5.6 | 8.4 |

Bank loans are secured by Statutory Marine Mortgages on all Group vessels and by floating charges on the assets of Irish Continental Group plc and its subsidiaries. The bank loans are guaranteed by Irish Continental Group plc and its subsidiaries.



NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## 15. Financial instruments

(i) Fair values of financial assets and liabilities

The fair value of the Group's short term and long term financial assets and liabilities compared to the carrying values at 31 December 2002 are set out below:

| | 2002 | | 2001 | |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| | €m | €m | €m | €m |
| Cash | 14.6 | 14.6 | 16.1 | 16.1 |
| Variable rate debt: | | | | |
| Floating rate bank loans | (57.8) | (57.8) | (64.8) | (64.8) |
| | (57.8) | (57.8) | (64.8) | (64.8) |
| Fixed rate debt: | | | | |
| Fixed rate bank loans | (100.7) | (102.2) | (128.1) | (130.4) |
| Leases | (13.5) | (13.5) | (10.2) | (10.2) |
| | (114.2) | (115.7) | (138.3) | (140.6) |
| Foreign currency forward contracts | - | - | - | - |

(ii) Interest rate risk profile of financial assets and liabilities

The interest rate and currency profile of the Groups borrowings as at 31 December was as follows:

| | 2002 | | | |
|---|---|---|---|---|
| Currency | Euro | Sterling | US Dollars | Total |
| | €m | €m | €m | €m |
| Fixed rate debt | (62.6) | (32.9) | (18.7) | (114.2) |
| Variable rate debt | (27.9) | (20.0) | (9.9) | (57.8) |
| Gross debt | (90.5) | (52.9) | (28.6) | (172.0) |
| Cash deposits | 7.2 | 4.9 | 2.5 | 14.6 |
| Net debt | (83.3) | (48.0) | (26.1) | (157.4) |
| Weighted average fixed rate | 4.91% | 5.84% | 4.27% | 5.0% |
| Weighted average period of fixed interest (years) | 4.03 | 1.89 | 2.39 | 3.15 |

| | 2001 | | | |
|---|---|---|---|---|
| Currency | Euro | Sterling | US Dollars | Total |
| | €m | €m | €m | €m |
| Fixed rate debt | (73.5) | (28.8) | (36.0) | (138.3) |
| Variable rate debt | (24.2) | (36.7) | (3.9) | (64.8) |
| Gross debt | (97.7) | (65.5) | (39.9) | (203.1) |
| Cash deposits | 7.5 | 7.0 | 1.6 | 16.1 |
| Net debt | (90.2) | (58.5) | (38.3) | (187.0) |
| Weighted average fixed rate | 5.58% | 7.07% | 6.04% | 6.01% |
| Weighted average period of fixed interest (years) | 2.08 | 1.82 | 2.03 | 2.0 |

## 15. Financial instruments - continued

The variable rate debt comprises bank borrowings and loan notes bearing interest at rates fixed in advance expiring in less than 1 year from the balance sheet date by reference to inter bank interest rates (LIBOR, DIBOR, EURIBOR). Cash deposits are placed on money markets for various periods ranging from overnight to 3 months.

(iii) Currency exposure

The year end Euro exchange rates used for balance sheet purposes were as follows:

| | 2002 | 2001 |
|---|---|---|
| GBP | 0.6505 | 0.6085 |
| USD | 1.0487 | 0.8813 |

At 31 December 2002, the Group had entered into contracts to purchase US$2.0 million at an average exchange rate of €1 = US$1.007975. After taking these into account, the Group had no material currency exposure on its monetary assets and liabilities as at 31 December 2002.

(iv) Borrowing facilities

The Group has borrowing facilities available to it. The undrawn committed facilities at 31 December 2002 are subject to annual renewal and mature as follows:

| | 2002 | 2001 |
|---|---|---|
| | €m | €m |
| Within one year | 6.1 | 4.5 |
| Between one and two years | - | - |
| Between two and five years | - | - |
| Over five years | - | - |
| | 6.1 | 4.5 |

## 16. Trade and other creditors

Amounts falling due within one year:

| | Group | | Company | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | €m | €m | €m | €m |
| Trade creditors | 25.1 | 29.8 | 5.8 | 5.9 |
| Other creditors | 8.5 | 7.8 | 0.7 | 0.3 |
| Accruals and deferred income | 32.2 | 29.3 | 10.5 | 8.0 |
| Amounts owed to Group companies | - | - | 84.2 | 68.4 |
| | 65.8 | 66.9 | 101.2 | 82.6 |





## 17. Maturity of obligations under finance leases

| | Group | | Company | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | €m | €m | €m | €m |
| Repayable within one year | 2.9 | 2.5 | 0.5 | 0.6 |
| Repayable in 2-5 years | 11.5 | 8.4 | 0.5 | 0.8 |
| Repayable after 5 years | 0.7 | 0.5 | - | - |
| | 15.1 | 11.4 | 1.0 | 1.4 |
| Less future finance charges | (1.6) | (1.2) | (0.1) | (0.2) |
| | 13.5 | 10.2 | 0.9 | 1.2 |
| Included in creditors falling | | | | |
| due within one year | (2.3) | (2.3) | (0.5) | (0.4) |
| due after one year | 11.2 | 7.9 | 0.4 | 0.8 |

## 18. Taxation and social welfare

| | Group | | Company | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | €m | €m | €m | €m |
| Corporation tax | 0.9 | 1.0 | - | - |
| Payroll taxes | 0.1 | 1.0 | - | 0.3 |
| Pay related social insurance | 0.1 | 0.7 | - | 0.2 |
| Value added tax | 0.4 | 0.2 | - | - |
| | 1.5 | 2.9 | - | 0.5 |

## 19. Provision for liabilities and charges

| Group | Deferred Tax | Grants | Total |
|---|---|---|---|
| | €m | €m | €m |
| At 1 January 2002 as originally stated | - | 2.3 | 2.3 |
| Prior year adjustment | 4.0 | - | 4.0 |
| At 1 January 2002 restated | 4.0 | 2.3 | 6.3 |
| Charged to profit and loss account | 2.6 | (0.4) | 2.2 |
| Foreign exchange rate movements | (0.3) | - | (0.3) |
| At 31 December 2002 | 6.3 | 1.9 | 8.2 |

The deferred tax balance at 31 December 2002 is analysed as follows:

| | |
|---|---|
| Accelerated capital allowances | 23.3 |
| Pension provision/prepayment | (0.1) |
| Tax losses carried forward | (16.9) |
| | 6.3 |

Taxable losses have been incurred by certain subsidiaries that are available for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these losses as suitable taxable profits are not expected to arise within the next financial year.

The estimated value of the deferred tax asset not recognised is €8.2m (2001: €6.5m) in the Group and €4.0m (2001: €3.9m) in the Company. These amounts are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | €m | €m | €m | €m |
| Accelerated capital allowances | (0.4) | (0.2) | (0.5) | (0.1) |
| Other timing differences | 0.4 | 0.5 | 0.1 | 0.1 |
| ACT not immediately recoverable | 0.1 | 0.1 | 0.1 | 0.1 |
| Tax losses carried forward | 8.1 | 6.1 | 4.3 | 3.8 |
| Deferred tax asset not recognised | 8.2 | 6.5 | 4.0 | 3.9 |

## 19. Provision for liabilities and charges - continued

Prior year adjustment

The prior year adjustment reflects the adoption by the Group of FRS19 'Deferred Taxation' during the year. In accordance with FRS19 a full provision for deferred tax is recognised, without discounting, on all timing differences that have originated, but not reversed, at the balance sheet date. Comparative figures have been restated accordingly.

The prior year adjustment gives rise to a cumulative decrease in reserves of €4.0m.

The comparative figures for 2001 have been restated in accordance with the new policy, resulting in a deferred tax charge in the Profit and Loss account for the fourteen months ended 31 December 2001 of €1.5m and a cumulative decrease in net assets of €4.0m, as follows:

| | Deferred tax liability €m | Profit and loss account €m |
|---|---|---|
| As previously reported 31 December 2001 | - | 141.5 |
| Deferred tax restatement | 4.0 | (4.0) |
| At 31 December 2001 as restated | 4.0 | 137.5 |

## 20. Share Capital

| | Number million | 2002 €m | 2001 €m |
|---|---|---|---|
| Authorised: | | | |
| Ordinary Shares of €0.65 each | 45.00 | 29.3 | 29.3 |
| Allotted, called up and fully paid: | | | |
| At 1 January 2002 | 26.56 | 17.3 | 17.2 |
| Share issue | 0.61 | 0.4 | 0.1 |
| Share buyback | (2.16) | (1.4) | - |
| At 31 December 2002 | 25.01 | 16.3 | 17.3 |

During the year the Company issued shares under an employee share purchase scheme and the share option schemes which raised €1.0m net of expenses.

Under the authority granted at the AGM of 29 May 2002 the company made on-market purchases of its own shares being 8% of the previously called up share capital of the company with a nominal value of €1.4m for a total consideration of €14.5m. These shares were subsequently cancelled.

At 31 December 2002 there were 2,294,350 million unexercised share options. The exercise prices range from 520.6c to 1,150c. Of these, 397,100 are exercisable at the date of this report. The remaining 1,897,250 options are not yet exercisable as the exercise depends on future earnings per share performance or because the required holding period under the option schemes has not yet expired.



NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## 21. Reserves

| | Share premium €m | Capital redemption reserve €m | Reserve arising on consolidation €m | Profit and loss €m | Total €m |
|---|---|---|---|---|---|
| Group At 1 January 2002 | | | | | |
| - as originally stated | 37.7 | - | 0.1 | 141.5 | 179.3 |
| - prior year adjustment-deferred tax | - | - | - | (4.0) | (4.0) |
| At 1 January 2002 as restated | 37.7 | - | 0.1 | 137.5 | 175.3 |
| Share issue | 0.6 | - | - | - | 0.6 |
| Share buyback | - | 1.4 | - | (14.5) | (13.1) |
| Profit retained for the year | - | - | - | 15.9 | 15.9 |
| Exchange translation adjustment | - | - | - | (9.1) | (9.1) |
| At 31 December 2002 | 38.3 | 1.4 | 0.1 | 129.8 | 169.6 |
| Company At 1 January 2002 | | | | | |
| - as originally stated | 37.7 | - | - | 3.7 | 41.4 |
| - prior year adjustment-deferred tax | - | - | - | - | - |
| At 1 January 2002 as restated | 37.7 | - | - | 3.7 | 41.4 |
| Share issue | 0.6 | - | - | - | 0.6 |
| Share buyback | - | 1.4 | - | (14.5) | (13.1) |
| Profit retained for the year | - | - | - | 23.2 | 23.2 |
| As at 31 December 2002 | 38.3 | 1.4 | - | 12.4 | 52.1 |

## 22. Reconciliation of movement in shareholders' funds

| | 2002 €m | 2001 (restated) €m |
|---|---|---|
| Profit attributable to Group | 21.0 | 7.5 |
| Currency translation adjustments | (9.1) | (5.3) |
| Total recognised gains | 11.9 | 2.2 |
| Transactions with shareholders: | | |
| Dividends - paid | (1.9) | (1.5) |
| Dividends - proposed | (3.2) | (3.1) |
| Capital introduced - at par | 0.4 | 0.1 |
| Capital introduced - share premium | 0.6 | 0.2 |
| Capital repurchased - at par | (1.4) | - |
| Capital repurchased - premium paid on repurchase | (13.1) | - |
| Net decrease in Shareholders Funds | (6.7) | (2.1) |
| Shareholders Funds at beginning of year | 192.6 | 197.5 |
| Restatement for effect of prior year deferred tax adjustment | - | (2.8) |
| | 192.6 | 194.7 |
| Shareholder Funds at end of year | 185.9 | 192.6 |

## 23. Reconciliation of operating profit to the cash inflow from operating activities

| | 2002 €m | 2001 €m |
|---|---|---|
| Operating profit | 33.1 | 21.4 |
| Depreciation charges | 28.7 | 28.9 |
| Amortisation of goodwill | 0.1 | 0.3 |
| Write off of goodwill | 1.7 | 3.2 |
| Grant amortisation | (0.4) | (0.4) |
| Loss on sale of assets | 0.2 | 0.4 |
| Write off of investment | 0.1 | - |
| Decrease / (increase) in prepayment of pension contributions | 10.0 | (6.5) |
| Movement in working capital: | | |
| Increase in stocks | (0.1) | - |
| Increase in debtors | (1.0) | (3.9) |
| (Decrease) / increase in creditors | (3.9) | 3.2 |
| Net cash inflow from operating activities | 68.5 | 46.6 |

## 24. Reconciliation of net cash flow to movement in net debt

| | 2002 €m | 2001 €m |
|---|---|---|
| Decrease in cash | (0.3) | (42.3) |
| (Increase) / decrease in overdraft | (2.2) | 0.4 |
| Decrease / (increase) in debt | 22.5 | (26.4) |
| Change in net debt resulting from cash flows | 20.0 | (68.3) |
| Translation adjustment | 9.6 | 4.7 |
| Net movement | 29.6 | (63.6) |
| Opening net debt | (187.0) | (123.4) |
| Closing net debt | (157.4) | (187.0) |

## 25. Analysis of net debt

| | Cash €m | Overdrafts €m | Bank loans and loan notes €m | Leases €m | Total €m |
|---|---|---|---|---|---|
| At 1 January 2002 | | | | | |
| Current assets | 16.1 | - | - | - | 16.1 |
| Creditors due within one year | - | - | (27.7) | (2.3) | (30.0) |
| Creditors due after one year | - | - | (165.2) | (7.9) | (173.1) |
| Cash outflow from financing | (0.3) | (2.2) | 26.2 | (3.7) | 20.0 |
| Foreign exchange rate changes | (1.2) | - | 10.4 | 0.4 | 9.6 |
| At 31 December 2002 | 14.6 | (2.2) | (156.3) | (13.5) | (157.4) |
| Analysed as: | | | | | |
| Current assets | 14.6 | - | - | - | 14.6 |
| Creditors due within one year | - | (2.2) | (26.2) | (2.3) | (30.7) |
| Creditors due after one year | - | - | (130.1) | (11.2) | (141.3) |
| At 31 December 2002 | 14.6 | (2.2) | (156.3) | (13.5) | (157.4) |



NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## 26. Pensions

The Group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in (a) are those required by the standard. The implementation of FRS17 'Retirement benefits' has been deferred and is not now expected to become mandatory for the Group until year ending 31 December 2005. Prior to this, phased transitional disclosures are required by the standard and, to the extent not given in (a), they are set out below in (b).

### (a) SSAP 24 Disclosures

The Group operates contributory defined benefit pension schemes, which provide retirement and death benefits for virtually all full-time employees. These schemes are funded through separate trustee controlled funds. In addition to the pension schemes operated by the Group, certain employees are included in the Merchant Navy Officers Pension Fund.

The pensions credit and prepayment 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 1 October 2000 and 1 April 2002. The pension contributions paid in the year ended 31 December 2002 amounted to €0.9m (2001: €0.9m) while the credit to profit and loss account in respect of all schemes for the year ended 31 December 2002 amounted to €1.2m (2001: €5.2m.)

| | Group 2002 €m | Group 2001 €m |
|---|---|---|
| Amortisation of past service surpluses including interest on the balance sheet prepayment | 5.8 | 10.6 |
| Regular annual cost of providing current and future service benefits | (3.7) | (4.1) |
| Total added to prepayment of pension contributions | 2.1 | 6.5 |
| Cost of pension benefits in other group schemes | (0.9) | (1.3) |
| Total credit | 1.2 | 5.2 |

The most recent actuarial valuation shows that the schemes administered by the Group are adequately funded in respect of discontinuance liabilities at the relevant valuation dates. The actuarial valuation of the assets of these schemes represented more than 100% of the value of the accrued liabilities calculated by reference to completed service and projected future salaries. The aggregate market valuation of the assets of the funds administered by the Group at these actuarial valuation dates was €213.3m. The principal assumption adopted for these actuarial valuations was that the assumed long-term rate of investment return would exceed the rate of increase in pensionable salaries by between 1% and 2% per annum. The methods of funding used were the attained age method and the projected unit method.

## 26. Pensions - continued

(b) FRS 17 Retirement Benefits

The valuations employed for FRS 17 disclosure purposes have been based on the most recent funding valuations for each scheme (dates of which are noted above) adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2002 and to take account of financial conditions at this date. The valuations used for FRS 17 purposes have been completed using the projected unit method and assets for this purpose have been valued at market value.

The financial assumptions used to calculate the retirement benefit liabilities under FRS 17 were as follows:

| | Euro liabilities 31 Dec 2002 | Euro liabilities 31 Dec 2001 | Sterling liabilities 31 Dec 2002 | Sterling liabilities 31 Dec 2001 |
|---|---|---|---|---|
| Valuation method | projected unit | | projected unit | |
| Discount rate | 5.5% | 6.0% | 5.5% | 5.5% |
| Inflation rate | 2.25% | 2.0% | 2.5% | 2.5% |
| Rate of increase of pensions in payment | 2.25% | 2.0% | 2.5% | 2.5% |
| Rate of general salary increases | 4.25% | 4.0% | 4.5% | 4.5% |

The long term expected rates of return at 31 December 2002 and 31 December 2001 were as follows:

| | Euro Assets 31 Dec 2002 | Euro Assets 31 Dec 2001 | Sterling Assets 31 Dec 2002 | Sterling Assets 31 Dec 2001 |
|---|---|---|---|---|
| Equities | 7.9% | 7.8% | 7.5% | 7.3% |
| Bonds | 4.9% | 5.3% | 4.5% | 4.8% |
| Property | 6.4% | 6.8% | 6.0% | 6.3% |
| Other | 2.5% | 4.3% | 2.5% | 3.8% |

(i) Pension Scheme Assets and Liabilities

The market value of the assets in the pension schemes and the value of accrued liabilities at 31 December 2002 and 31 December 2001 were as follows:

| | 31 December 2002 | | 31 December 2001 | |
|---|---|---|---|---|
| | Schemes with liabilities in Euro €m | Schemes with liabilities in Sterling €m | Schemes with liabilities in Euro €m | Schemes with liabilities in Sterling €m |
| Equities | 97.7 | 4.3 | 129.1 | 4.8 |
| Bonds | 39.4 | 11.5 | 41.1 | 11.6 |
| Property | 19.1 | 0.2 | 17.8 | 0.5 |
| Other | 2.7 | 0.3 | 8.3 | 1.4 |
| | 158.9 | 16.3 | 196.3 | 18.3 |
| Present value of scheme liabilities | (157.2) | (12.1) | (130.9) | (12.5) |
| Excess in schemes | 1.7 | 4.2 | 65.4 | 5.8 |
| Deferred tax | (0.2) | (1.3) | (8.2) | (1.7) |
| Net pension asset | 1.5 | 2.9 | 57.2 | 4.1 |





## 26. Pensions - continued

(b) FRS 17 Retirement Benefits - continued

(ii) Amounts which would have been recognised in the Profit and Loss account and the Statement of Total Recognised Gains and Losses

If FRS17 had been fully adopted the following amounts would have been recognised in the Group Profit and Loss account in respect of defined benefit schemes:

| Charged to operating costs | €m |
|---|---|
| Current service cost | 3.3 |
| Past service cost | 0.5 |
| | 3.8 |
| (Charged)/Credited to other finance income | |
| Interest on scheme liabilities | 8.6 |
| Expected return on scheme assets | (14.6) |
| | (6.0) |

If FRS17 had been fully adopted the following amounts would have been recognised in the Group Statement of Total Recognised Gains and Losses (STRGL):

| | €m |
|---|---|
| Actual return less expected return on scheme assets | (44.9) |
| Experience gains and losses on scheme liabilities | (5.3) |
| Loss due to change in assumptions used to value liabilities | (17.4) |
| Actuarial loss recognised in Group STRGL | (67.6) |

(iii) Analysis of the movement in fund surplus during the period

| | €m |
|---|---|
| Net excess in pension schemes at beginning of period | 71.2 |
| Movements in year: | |
| Current service cost | (3.3) |
| Contributions paid | 0.4 |
| Past service cost | (0.5) |
| Other finance income | 6.0 |
| Currency movement | (0.3) |
| Actuarial loss | (67.6) |
| Net excess in pension schemes at end of period | 5.9 |

## 26. Pensions - continued

(b) FRS 17 Retirement Benefits - continued

(iv) Analysis of actuarial loss for the year ended 31 December 2002 is as follows:

| | €m |
|---|---|
| Actual return less expected return on schemes' assets | |
| - amount | (44.9) |
| - as a percentage of schemes assets | 25.6% |
| Experience loss on schemes' liabilities | |
| - amount | (5.3) |
| - as a percentage of schemes' liabilities | 3.1% |
| Loss due to change in assumptions used to value liabilities | |
| - amount | (17.4) |
| - as a percentage of schemes' liabilities | 10.3% |
| Total actuarial loss | |
| - amount: | (67.6) |
| - as a percentage of schemes' liabilities | 39.9% |

The agreed contribution rates until the next actuarial review are in the range from 0% to 6% of pensionable salaries. Employer contributions to the principal Group schemes have been suspended until the next actuarial review dates.

The information set out above relates to the schemes administered by the Group. In relation to the Merchant Navy Officers Pension Scheme, the Group is unable to identify its share of the underlying assets and liabilities of this scheme on a reasonable and consistent basis. The Group has therefore accounted for the scheme on a defined contribution basis in accordance with FRS 17. Based on the latest actuarial valuation advised by the scheme's trustees the Merchant Navy Officers Pension Scheme pension scheme is in deficit. The funding rate paid by the company, as advised by the scheme's actuaries, takes account of the scheme's deficit.

## 27. Contingent liabilities

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 also provided Letters of Financial Support for certain of its other subsidiaries.





## 28. Commitments

Capital expenditure contracted for at the balance sheet date not provided for in the financial statements was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2002 | 2001 | 2002 | 2001 |
| | €m | €m | €m | €m |
| At 31 December 2002 | 0.6 | - | - | - |

Commitments under operating leases and charters to make payments totalling €11.8m for the next year (2001: €12.3m) are as follows:

| | Group property €m | Group plant & ships €m | Company property €m |
|---|---|---|---|
| Expiring: | | | |
| Within one year | 0.2 | 10.2 | 0.1 |
| Between two and five years | 0.1 | 0.8 | - |
| More than five years | 0.4 | 0.1 | - |
| | 0.7 | 11.1 | 0.1 |

The rentals payable under leases in respect of land and buildings are subject to renegotiation at various intervals specified in the leases.

At the balance sheet date the Group and Company had entered into contracts to purchase foreign currencies at future dates totalling €2.0m (2001: €1.7m).

The Group has given commitments under a number of port operating agreements, due to expire between two and eight years, totalling €2.0m (2001: €2.0m).

The Group has entered into a leasing transaction early termination of which could, in certain circumstances, require the Group to compensate a counterparty for a benefit foregone to a current value of €14.1m (in present value terms). The Directors consider that no obligation has arisen at the balance sheet date nor is likely to arise as the likelihood of termination is remote.

## 29. Board approval

The Board of Directors approved the financial statements on 7 March 2003.