Irish Continental Group

2017

Annual Report and Financial Statements

Irish Continental Group (ICG) is the leading Irish based maritime transport group. We carry passengers and cars, Roll on Roll off freight and Container Lift on Lift off freight, on routes between Ireland, the United Kingdom and Continental Europe. We also operate container terminals in the ports of Dublin and Belfast.

More online www.icg.ie

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2017 has been a successful year for the Group, with a positive operational and financial performance in both divisions

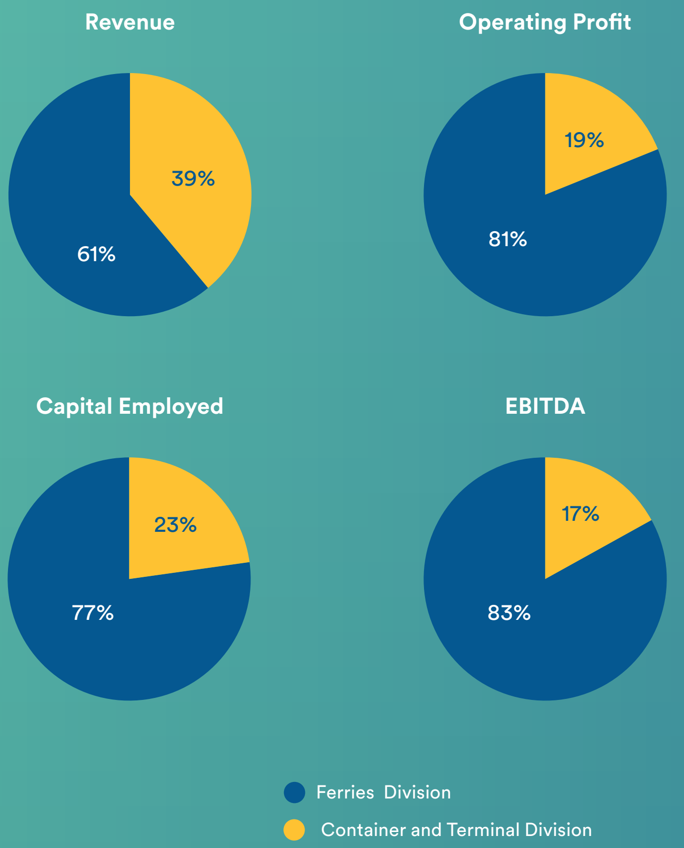
Read more from the Chairman’s Statement on page 10

STRATEGIC REPORT*

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

THE GROUP

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



Ferries Division

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

1.6 million passengers carried during 2017 on up to 17 daily sailings.

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

Inclusive package holidays to the Republic of Ireland and Britain.

Container and Terminal Division

Container shipping services between Ireland and Continental Europe, operating modern fleet and equipment, together with container terminal operations at Dublin and Belfast Ports.


M1
M2
M3
M4
M7
M11
M50
Dublin Port
Holyhead
Roterdam
Antwerp
Cherbourg
N
Irish Ferries Ropax and Cruise ferry Services
Eucon Geographical Coverage
Irish Ferries High Speed Ferry
Eucon Routes
Dublin Ferryport Terminals
Ports Served By Ferries: Dublin, Roslare, Holyhead, Pembroke, Cherbourg, Roscoff
Belfast Container Terminal
Ports Served By Container Ships: Belfast, Dublin, Cork, Antwerp, Rotterdam
Belfast
Dublin
Rosslare
Cork
Holyhead
Pembroke
U.K
Rotterdam
Antwerp
Cherbourg
Roscoff
Netherlands
Belgium
Germany
France
Switzerland
Italy
Austria
Czech Rep.
Slovakia
Hungary
Slovenia
Croatia
Serbia
Romania
Bulgaria
Poland
Estonia
Latvia
Lithuania

FINANCIAL HIGHLIGHTS

REVENUE

€335.1m

+3.0% (2016: €325.4m)

EBITDA*

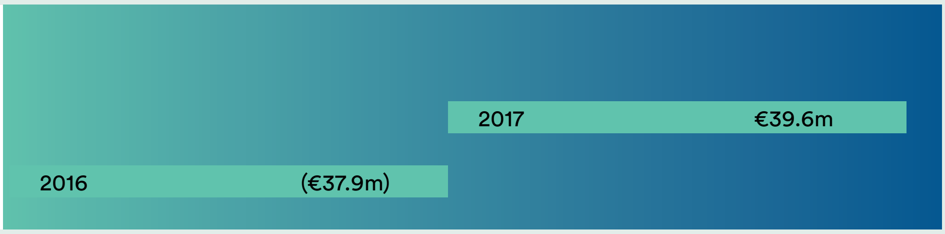
€81.0m

-3.0% (2016: €83.5m)

NET CASH / (DEBT)*

€39.6m

+€77.5m (2016: (€37.9m))



BASIC EPS

44.1 cent

+40.4% (2016: 31.4 cent)

ROACE*

39.7%

up 1.6 percentage points (2016: 38.1%)

*Definitions of alternative performance measures are set out on page 21.

OUR GROUP AT A GLANCE

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

Strategic short sea RoRo routes operated by Irish Ferries providing a seamless connection from Ireland to the UK and Continental motorway network for the 287,500 RoRo units carried in 2017.

Reliability underpinned by investment in maintaining quality assets ensuring we meet our customer expectations, achieving 92% schedule integrity over all our RoRo services in 2017, with 99% schedule integrity achieved on our conventional RoRo cruise ferries.

Strategically located container terminals which handled 296,800 container units during 2017 in Ireland's main ports of Dublin and Belfast for shipping operators providing services to key continental hub ports and onwards access to global markets.

Connected container shipping services provided by Eucon, transporting 321,400 teu (twenty foot equivalent) in 2017 between Ireland and 20 countries throughout Europe by sea, road, rail and barge.

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

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

Key contributor to regional tourism in Ireland, Irish Ferries carried 1.65 million passengers and 424,000 cars during 2017 with research indicating that car tourists stay longer and travel outside the main urban centres.

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

FIVE YEAR SUMMARY

Non Statutory Income Statement Information	2017 €m	2016 €m	2015 €m	2014 €m	2013 €m
Revenue	335.1	325.4	320.6	290.1	264.7
Other operating expenses and employee benefits expense	(254.1)	(241.9)	(245.1)	(239.6)	(215.5)
Depreciation and amortisation	(20.7)	(20.9)	(18.3)	(17.8)	(19.2)
	60.3	62.6	57.2	32.7	30.0
Non-trading items [1]	28.7	-	-	28.7	-
Interest (net)	(1.3)	(2.2)	(3.1)	(4.7)	(6.3)
Profit before taxation	87.7	60.4	54.1	56.7	23.7
Taxation	(4.4)	(1.6)	(0.4)	(0.7)	(0.4)
Profit from continuing operations	83.3	58.8	53.7	56.0	23.3
Discontinued operations					
Profit from discontinued operations	-	-	-	-	-
Non-trading items [1]: Gain on disposal of discontinued operations	-	-	-	-	3.5
Total discontinued operations	-	-	-	-	3.5
Profit for the year	83.3	58.8	53.7	56.0	26.8
EBITDA (including trading from discontinued operations)	81.0	83.5	75.5	50.5	49.2
Per share information:	€cent	€cent	€cent	€cent	€cent
Earnings per share					
-Basic	44.1	31.4	28.9	30.4	14.6
-Adjusted [2]	29.0	31.4	29.1	15.5	13.8
Dividend per share	12.160	11.580	11.025	10.500	10.000
Shares in issue excluding treasury shares:	m	m	m	m	m
At year end	189.9	188.3	186.4	184.5	184.0
Average during the year	188.8	187.5	185.8	184.4	183.7

1. Non-trading items are material non-recurring items that derive from events or transactions that fall outside the ordinary activities of the Group and which individually, or, if of a similar type, in aggregate, are separately disclosed by virtue of their size or incidence.
2. Adjusted earnings exclude pension interest and non-trading items.

Non Statutory Consolidated Statement of Financial Position	2017 €m	2016 €m	2015 €m	2014 €m	2013 €m
Property, plant and equipment and intangible assets	250.0	205.1	170.9	154.7	164.3
Retirement benefit surplus	8.1	2.4	5.6	5.4	4.7
Other assets	135.2	84.1	67.9	59.4	68.9
Total assets	393.3	291.6	244.4	219.5	237.9
Equity capital and reserves	223.8	144.4	115.5	61.3	42.2
Retirement benefit obligation	3.4	15.9	10.7	29.5	41.4
Other non-current liabilities	51.5	5.3	60.0	71.5	100.7
Current liabilities	114.6	126.0	58.2	57.2	53.6
Total equity and liabilities	393.3	291.6	244.4	219.5	237.9
Non Statutory Consolidated Statement of Cash flows					
Net cash inflow from operating activities	71.8	82.1	68.2	39.7	35.6
Net cash inflow / (outflow) from investing activities	27.7	(55.6)	(34.8)	10.0	4.2
Net cash outflow from financing activities	(51.3)	(7.8)	(28.0)	(48.9)	(43.7)
Cash and cash equivalents at the beginning of the year	42.2	25.0	19.4	18.5	22.3
Effect of foreign exchange rate changes	(0.1)	(1.5)	0.2	0.1	0.1
Closing cash and cash equivalents	90.3	42.2	25.0	19.4	18.5
	€m	€m	€m	€m	€m
Net cash / (debt)	39.6	(37.9)	(44.3)	(61.3)	(93.4)
	Times	Times	Times	Times	Times
Net debt / EBITDA	N/A	0.5x	0.6x	1.2x	1.9x
Gearing (Net debt as a percentage of shareholders' funds)	N/A	26%	38%	100%	221%

CHAIRMAN'S STATEMENT

Irish Continental Group (ICG) produced another resilient performance in the face of continued increasing fuel costs as a result of a rise in global US Dollar oil prices. Group fuel costs increased by 25.2% to €40.3 million (2016: €32.2 million). Notwithstanding this, 2017 has been a successful year for the Group, with a positive operational and financial performance in both divisions building upon the continued Irish economic recovery. Revenue for the year grew by 3.0% to €335.1 million (2016: €325.4 million). EBITDA for the year decreased by 3.0% to €81.0 million (2016: €83.5 million) primarily as a result of the aforementioned €8.1 million year on year increase in fuel costs. During this period we completed the sale of the MV Kaitaki generating a profit on sale before tax of €28.7 million. The subsequent reduced charter earnings on the MV Kaitaki for the remainder of the year were largely offset by the increased earnings on the HSC Westpac Express. Overall Group operating profit was €89.0 million (2016: €62.6 million).

John B. McGuckian,
Chairman

CHAIRMAN'S STATEMENT
- CONTINUED

Basic EPS, was 40.4% higher at 44.1 cent (2016: 31.4 cent), while adjusted EPS, which excludes the net interest cost on defined benefit obligations and non-trading items, was 7.6% lower at 29.0 cent (2016: 31.4 cent).

The Ferries division had a strong year which was attributable to increased car volumes and the consolidation of the strong RoRo growth over the last two years. Revenue was 1.1% higher at €212.1 million (2016: €209.8 million). EBITDA in the division decreased by 4.8% to €67.3 million (2016: €70.7 million) primarily due to higher fuel costs which increased by €5.2 million. EBIT rose by 48.8% to €77.8 million (2016: €52.3 million) principally due to the sale of the MV Kaitaki for a profit before tax of €28.7 million.

In the Container and Terminal division revenue grew by 6.5% to €131.9 million (2016: €123.9 million) following an increase in total containers shipped and an increase in containers handled at the Group's terminals in Dublin Ferryport Terminal (DFT) and Belfast Container Terminal (BCT). The division's EBITDA increased by 7.0% to €13.7 million (2016: €12.8 million) while EBIT was €11.2 million (2016: €10.3 million).

We ended the year in a strong financial position with net cash at €39.6 million, in contrast with a net debt position of €37.9 million in the previous year.

Fleet
On 17 May 2017, the Group announced that it had entered into a Memorandum of Agreement ("MOA") for the sale of the passenger ferry MV Kaitaki to the New Zealand ferry operator KiwiRail. The vessel was delivered to KiwiRail on 25 May 2017. The agreed consideration of €45.0 million, payable in cash, was received on delivery and is being utilised for general corporate purposes.

On 2 January 2018, ICG announced that it had entered into an agreement with the German company Flensburger Schiffbau-Gesselschaft & Co.KG ("FSG") whereby FSG has agreed to build a cruise ferry for ICG at a contract price of €165.2 million which is scheduled for delivery during 2020. The cruise ferry is being built specifically for Irish Ferries' Dublin - Holyhead services. The investment provides Irish Ferries with a significant increase in both its freight and tourism carrying capacity on this fast growing route. ICG intend to utilise credit facilities to finance this investment. When completed, the vessel will be the largest cruise ferry in the world in terms of vehicle capacity.

On 19 January 2018, the cruise ferry MV W.B. Yeats was formally named and the completed hull launched into the water. The cruise ferry, is scheduled to commence sailing between Ireland and France on the Dublin-Cherbourg route in summer 2018.

ICG announced on 30 January 2018 that it has entered into a Memorandum of Agreement ("MOA") for the sale of the HSC Jonathan Swift to Balearia Eurolineas Maritimas S.A for an agreed consideration of €15.5 million. This vessel will be delivered to the buyer in April 2018 and will be replaced in our fleet by the 2001 built HSC Westpac Express, which was recently redelivered following a period of twenty months on external charter. This vessel will provide the Group with increased capacity on its popular fast craft service. She is currently undergoing a refurbishment programme to bring her up to Irish Ferries passenger service standards and will be renamed HSC Dublin Swift prior to entering service.

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

The charter-in of the Ropax vessel MV Epsilon will expire in November 2018. The company has two further one year options on the vessel.

Belfast Harbour
2017 saw the second full year operation of the combined container terminal at Victoria Terminal in Belfast Harbour following the award to the Group in 2015 of the Services Concession to operate the terminal for a 5 year period. The combined terminal has operated in line with our expectations and we will continue to develop both the volumes through Belfast and the efficiencies of a single container terminal.

Dividend
During the year the Group paid the final dividend for 2016 of 7.76 cent per ICG Unit. The Group also paid an interim dividend for 2017 of 4.01 cent per ICG Unit, and the Board is proposing a final dividend of 8.15 cent per ICG Unit, payable in June 2018, making a total dividend for 2017 of 12.16 cent per ICG Unit, an increase of 5.0% on the prior year.

Corporate Governance

The Board acknowledges the importance of good corporate governance practices. We have developed a corporate governance framework based on the application of the principles and provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex. We report on this framework in the Corporate Governance Statement on pages 60 to 68.

During the year I led the annual evaluation of Board performance of which further details are set out in the Corporate Governance Statement on page 63. As Chairman, I am satisfied that the Board operates effectively to ensure the long term success of the Group and that each Director is contributing effectively and demonstrating commitment to their role.

Fuel

Group fuel costs in 2017 amounted to €40.3 million (2016: €32.2 million). The increase in fuel cost was due to the rise in global US Dollar oil prices, partially offset by a weaker US Dollar versus Euro.

The Group has in place a transparent fuel surcharge mechanism for freight customers across the Group which mitigated the increase in Euro fuel costs through increased surcharge revenues. In the reporting period the Group had not engaged in financial derivative trading to hedge its fuel costs.

Outlook

Since our last update to the market, in the Interim Management Statement of November 2017, trading conditions have remained favourable. For the full year 2017 the Ferries Division recorded strong volume growth of 1.7% for passengers, 2.4% for cars and 0.5% for RoRo freight. In the Container and Terminal Division overall container volumes shipped were up 5.9%, while port lifts were up 3.0%.

In the period from 1 January 2018 to 3 March 2018, car and passenger volumes have benefited from additional high speed ferry sailings. Irish Ferries carried 35,600 cars up 9.1% while the number of passengers carried increased to 135,500, up 4.5%, compared with the same period last year.

Due to prolonged bad weather in the period up to 3 March 2018 conventional sailings decreased 9% year on year. Irish Ferries carried 43,800 RoRo units in that period which is down 3.3% on the prior year.

In the period from 1 January 2018 to 3 March 2018, the Container and Terminal division container carryings were 57,200, an increase of 4.6% on the corresponding period last year. Port lifts were 51,700, an increase of 5.7% compared to the same period last year.

World fuel prices have strengthened over the last number of months offset by the positive benefit from a weaker US Dollar. Overall Euro fuel costs remain at manageable levels with our fuel surcharge mechanisms remaining in place.

Despite the uncertainty around the implications of the UK government triggering Article 50 of the EU Treaty in March 2017, the economic outlook in our sphere of operations continues to improve. We look forward to another year of volume growth in our markets of operation. The Group is also set to benefit this year from the introduction of the new cruise ferry MV W.B. Yeats in the summer of 2018 which will bring additional earnings potential for the Group.

John B. McGuckian,
Chairman

OPERATING AND FINANCIAL REVIEW

This Operating and Financial Review discusses the following:

This Operating and Financial Review provides information to shareholders and the Review should not be relied upon by any other party or for any other purpose.

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

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

Eamonn Rothwell,
Chief Executive Officer

OPERATING AND FINANCIAL REVIEW
- CONTINUED

BUSINESS MODEL

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

Our key resources

For more information about our resources see page 34.

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

How we operate

Further details on these operations are set out in the Operating Review on pages 24 to 31.

FERRIES DIVISION

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

CONTAINER AND TERMINAL DIVISION

Principal activities include LoLo shipping activities and the operation of two container terminals, within the ports of Dublin and Belfast.

The outcomes of what we do

For more information about our financial performance see the financial review on pages 40 to 41.

1.6 million passengers
Carried during 2017 on up to 17 daily sailings.

321,400 teu
Overall container volumes shipped (up 5.9% compared with the previous year).

Best Ferry Company
Voted by travel trade professionals at the 'Irish Travel Trade News Awards'.

308 employees
At the end of 2017, located in Ireland, the UK and The Netherlands.

44.1c per share
Basic EPS compared with 31.4 cent in 2016.

OPERATING AND FINANCIAL REVIEW
- CONTINUED

OUR STRATEGY

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

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

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

Strategy in action

€309 million investment in two new cruise ferries

ICG has committed to a €309 million investment in two new cruise ferries which are being constructed at the FSG shipyard in Flensburg, Germany. The first vessel was named MV W.B. Yeats at a naming ceremony on 19 January 2018 when the hull was launched. The MV W.B. Yeats has been designed to include the flexibility to service all of Irish Ferries routes and is scheduled to initially operate on the Group's Irish Ferries Dublin – Cherbourg service in summer 2018. The second vessel as yet unnamed is scheduled to be delivered to the Group in April 2020 and to operate on Irish Ferries Dublin – Holyhead route. These vessel investments will support the longer term objectives of the Group to meet the capacity demands of our customers.

For more information about our fleet see page 48.

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

Strategy in action

over 6 million visits to our website

In 2017, we delivered a comprehensive programme of marketing and promotional activity across our key markets of Britain, Ireland and France. We invested significantly in our brand, and delivered compelling and personalised offers to our customers at times relevant for the planning and booking of their holidays and other travel. This approach helped to improve our brand awareness in these important markets, and to drive increased levels of enquiries to our website, www.irishferries.com, which generated over 6 million visits, and delivered over 80% of the car and passenger bookings transacted in the year.

For more information about our markets see page 26.

OPERATING AND FINANCIAL REVIEW
- CONTINUED

KEY PERFORMANCE INDICATORS AND SUMMARY OF 2017 RESULTS

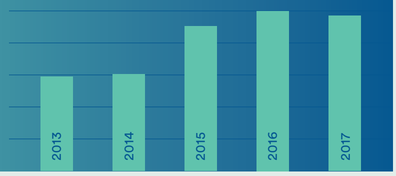
We measure our success through the quality of our service, as seen by our customers, which should result in delivering sustained and profitable growth for the benefit of our shareholders and staff.

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

EBITDA

€81.0

-3.0% (2016: €83.5 m)



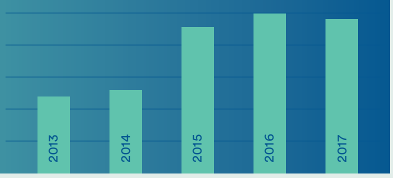
Description
EBITDA represents earnings before interest, tax, depreciation and amortisation.

Benefit
Eliminates the effects of financing and accounting decisions to allow assessment of the profitability and performance of the Group.

EBIT

€60.3m

- 3.7% (2016: €62.6m)



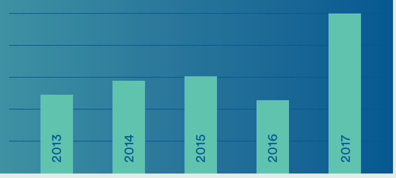
Description
EBIT represents earnings before interest, tax and non-trading items.

Benefit
Measures the Group's earnings from ongoing operations.

Free cash flow

€54.8m

+118.3% (2016: €25.1m)



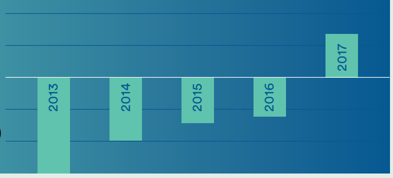
Description
Free cash flow comprises operating cash flow less capital expenditure.

Benefit
Assesses the availability to the Group of funds for reinvestment or for return to shareholders.

Net cash/(debt)

€39.6m

+€77.5m (2016: (€37.9m))



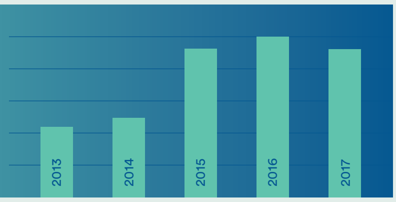
Description
Net cash / (debt) comprises total borrowings less cash and cash equivalents.

Benefit
Measures the Group's ability to repay its debts if they were to fall due immediately.

Adjusted EPS

29.0c

-7.6% (2016: 31.4c)



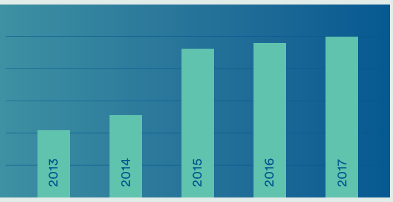
Description
EPS is adjusted to exclude the non- trading items and net interest cost on defined benefit obligations.

Benefit of APM
Directors consider Adjusted EPS to be a key indicator of long-term financial performance and value creation of a Public Listed Company.

ROACE

39.7%

+1.6 percentage points (2016: 38.1%)



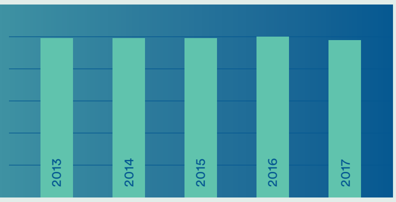
Description
ROACE represents return on average capital employed. Operating profit (before non-trading items) expressed as a percentage of average capital employed (consolidated net assets, excluding net debt / (cash), retirement benefit (surplus) / obligation) and asset under construction net of related liabilities.

Benefit
Measures the Group's profitability and the efficiency with which its capital is employed.

Non-Financial KPI

92%

-2.0% (2016: 94%)



Description
Schedule integrity (the number of sailings completed versus scheduled sailings).

Benefit
Schedule integrity is an important measure for Irish Ferries vessels as it reflects the reliability and punctuality of our service. This measure is meaningful to both our passenger and freight customers alike in facilitating them and their cargo to arrive on time at their final destination.

OPERATING AND FINANCIAL REVIEW
- CONTINUED

Key Performance Indicators and Summary of 2017 Results - continued

The following table sets forth the reconciliation from the Group's operating profit for the financial year to EBIT, EBITDA, Free Cash Flow and Net Cash / (Debt). See note 12 to the financial statement for the calculation of Basic and Adjusted EPS.

Cash Flow	2017 €m	2016 €m
Operating profit (EBIT)	89.0	62.6
Non-trading items	(28.7)	-
Net depreciation and amortisation (note 9)	20.7	20.9
EBITDA	81.0	83.5
Working capital movements (note 33)	(1.9)	4.7
Pension payments in excess of service costs (note 33)	(1.1)	(1.8)
Share based payments expense (note 33)	1.1	0.2
Other	(0.6)	(0.1)
Cash generated from operations	78.5	86.5
Interest paid (note 33)	(1.1)	(2.3)
Tax paid (note 33)	(5.6)	(2.1)
Capex	(17.0)	(57.0)
Free cash flow	54.8	25.1
Proceeds on disposal of property, plant and equipment	44.7	1.3
Dividends paid to equity holders of the Company	(22.2)	(21.0)
Proceeds on issue of ordinary share capital	3.3	2.7
Interest received	-	0.1
Settlement of equity plans through market purchase of shares	(3.0)	(0.4)
Net cash flows	77.6	7.8
Opening net debt	(37.9)	(44.3)
Translation/other	(0.1)	(1.4)
Closing net cash / (debt)	39.6	(37.9)

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

ROACE	2017 €m	2016 €m
Equity	223.8	144.4
Net (cash) / debt	(39.6)	37.9
Asset under construction (net)	(39.5)	(31.8)
Retirement benefit obligation	3.4	15.9
	148.1	166.4
Retirement benefit surplus	(8.1)	(2.4)
Capital employed	140.0	164.0
Average Capital employed	152.0	164.5
Operating profit (before non-trading items)	60.3	62.6
ROACE	39.7%	38.1%

The following table sets forth the reconciliation from the Group's net cash / (debt) calculation;

Net cash / (debt)	2017 €m	2016 €m
Cash and cash equivalents (note 18)	90.3	42.2
Non-current borrowings (note 21)	(50.0)	(1.7)
Current borrowings (note 21)	(0.7)	(78.4)
Net cash / (debt)	39.6	(37.9)

The calculation and performance of KPIs and a summary of the key financial results for the year is set out in the table below. A detailed review of the divisional operations is set out in the Operating Review on page 24.

		Ferries		Container & Terminal		Inter-segment		Group	
		2017	2016	2017	2016	2017	2016	2017	2016
	Comment	€m	€m	€m	€m	€m	€m	€m	€m
Revenue		212.1	209.8	131.9	123.9	(8.9)	(8.3)	335.1	325.4
EBITDA	1	67.3	70.7	13.7	12.8	-	-	81.0	83.5
Operating profit (EBIT)	2	49.1	52.3	11.2	10.3	-	-	60.3	62.6
Non-trading item		28.7	-	-	-	-	-	28.7	-
Net pension interest expense (note 7)		-	-	-	-	-	-	(0.2)	-
Other finance charges (note 7)		-	-	-	-	-	-	(1.1)	(2.2)
Net interest		**-**	**-**	**-**	**-**	**-**	**-**	**(1.3)**	**(2.2)**
Profit before tax		-	-	-	-	-	-	87.7	60.4
ROACE	3	40.1%	38.3%	37.8%	37.1%	-	-	39.7%	38.1%
EPS: (note 12)									
EPS Basic	4	-	-	-	-	-	-	44.1c	31.4c
EPS Adjusted	4	-	-	-	-	-	-	29.0c	31.4c
Free Cash Flow	5	-	-	-	-	-	-	54.8	25.1

Comment:

Financial KPIs

1. EBITDA: Group EBITDA for the year decreased by 3.0%, to €81.0 million (2016: €83.5 million). The decrease in EBITDA was primarily due to increased fuel costs which were up 25.2% to €40.3 million (2016: €32.2 million). EBITDA in the Ferries division decreased by 4.8%, to €67.3 million, while the Container and Terminal division increased by 7.0%, to €13.7 million.

2. EBIT: Group EBIT (pre non-trading items) for the year decreased by 3.7% to €60.3 million (2016: €62.6 million). The Ferries division decrease was 6.1%, while the Container and Terminal division was 8.7% higher, as a result of volume growth. On 17 May 2017, the Group completed the sale of the vessel MV Kaitaki to KiwiRail of New Zealand generating a profit before tax of €28.7 million. Group EBIT including non-trading items increased by 42.2% to €89.0 million (2016: €62.6 million).

3. ROACE: The Group achieved a return on average capital employed of 39.7% (2016: 38.1%). This increased return is due to the decrease in EBIT from €62.6 million to €60.3 million, and a decrease in average capital employed to €152.0 million from €164.5 million. The Ferries Division achieved a return on average capital employed of 40.1% while the Container and Terminal division achieved 37.8%.

4. EPS: Adjusted EPS (before non-trading items and the net interest cost on defined benefit obligations) was 29.0 cent compared with 31.4 cent in 2016. Basic EPS was 44.1 cent compared with 31.4 cent in 2016. The reason for the increase in Basic EPS is due to an increase of €24.5 million in profit attributable to equity holders of the parent to €83.3 million (2016: €58.8 million). The increase in profit relates to the sale of MV Kaitaki which generated an after tax profit of €24.9 million.

5. Free Cash Flow: The Group's free cash flow was €54.8 million (2016: €25.1 million) or 62% (2016: 40%) of Group operating profit of €89.0 million (2016: €62.6 million). The increase in free cash flow is due to a decrease in capital expenditure, down €40.0 million to €17.0 million primarily arising from payments in relation to the new build and the purchase of the HSC Westpac Express in 2016. This is partially offset by a decrease in cash flows from operating activities, down €10.3 million to €71.8 million.

Non-Financial KPIs

Schedule integrity: The Ferries division successfully delivered 92% of scheduled sailings compared with 94% in the previous year across all services. Our conventional ferry services (excluding the fast ferry) delivered schedule integrity of 99% in comparison with 97% in 2016.

OPERATING AND FINANCIAL REVIEW
- CONTINUED

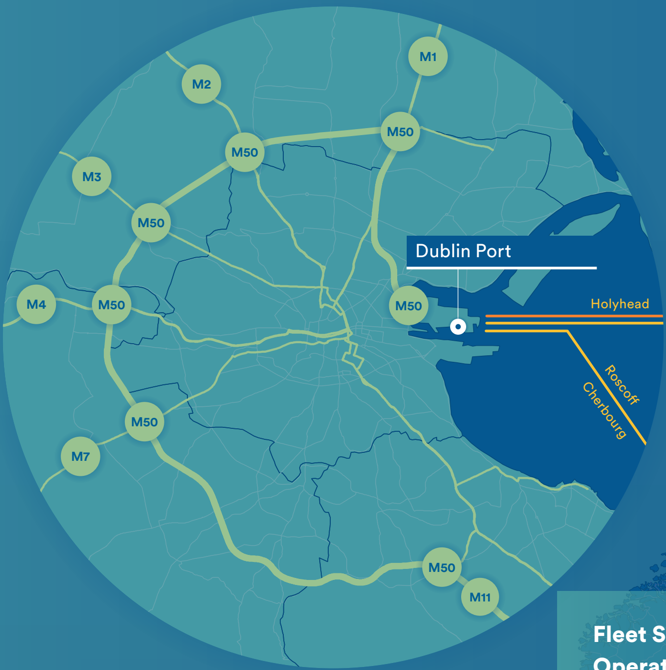
OPERATING REVIEW FERRIES DIVISION

Revenue in the division was 1.1% higher than the previous year at €212.1 million (2016: €209.8 million). Revenue in the first half of the year increased 2.4% to €93.7 million (2016: €91.5 million), while in the second half revenue increased 0.1%, to €118.4 million (2016: €118.3 million). EBITDA decreased to €67.3 million (2016: €70.7 million) while EBIT was €49.1 million compared with €52.3 million in 2016. The decrease in profit was driven by increased fuel costs. Fuel costs increased by €5.2 million in 2017. The division achieved a return on capital employed of 40.1% (2016: 38.3%).

The Ferries division owns nine vessels in total and also charters in one vessel as part of its operations. The Group has agreed ship building contracts for two new cruise ferries for delivery in 2018 and 2020 which will be operated within the division.

Irish Ferries operates four owned and one chartered-in multipurpose ferries on routes to and from the Republic of Ireland. The chartered in vessel, Epsilon, provides weekly sailings between Dublin and Holyhead as well as a weekend round trip between Dublin and Cherbourg, France. Irish Ferries operated 5,140 sailings in 2017 (2016: 5,286), carrying passengers, passenger vehicles and RoRo freight. Utilisation of deck space was enhanced by the balanced demands of passenger traffic for day sailings and freight traffic for night sailings.

In addition to the five vessels currently operated by the Ferries division it owns and charters out four container vessels. The MV Ranger remains on time charter to a third party and is currently trading in North West Europe while the MV Elbtrader, MV Elbcarrier and MV Elbfeeder remain on time charter to the Group's container shipping subsidiary Eucon. The HSC Westpac Express was redelivered to the Group at the end of November 2017 as per the terms of the charter agreement with Sealift LLC. The Vessel is currently undergoing a refurbishment programme to bring it up to Irish Ferries passenger service standards. The W.B. Yeats which was formally named and the completed hull launched into the water in January 2018 will commence sailing between Ireland and France on the Dublin-Cherbourg route in summer 2018.



Fleet Summary:
Operated by Ferries Division

In operation	Type	Employment
MV Ulysses	Cruise ferry	Dublin – Holyhead
HSC Jonathan Swift	High Speed Ferry	Dublin – Holyhead
MV Isle of Inishmore	Cruise ferry	Rosslare – Pembroke
MV Oscar Wilde	Cruise ferry	Rosslare – Cherbourg / Roscoff
MV Epsilon (chartered-in)	Ropax*	Dublin – Holyhead / Cherbourg
Under construction		
HSC Westpac	High Speed Ferry	Under refurbishment, redelivery April 2018
MV W.B. Yeats	Cruise ferry	Delivery 2018
Hull 777	Cruise ferry	Delivery 2020

Chartered out by Ferries Division

Vessel	Type	Employment
MV Ranger	LoLo container vessel	Charter – 3rd Party
MV Elbfeeder	LoLo container vessel	Charter – Inter-Group
MV Elbtrader	LoLo container vessel	Charter – Inter-Group
MV Elbcarrier	LoLo container vessel	Charter – Inter-Group

*A Ropax ferry is a vessel with RoRo freight and passenger capacity.

OPERATING AND FINANCIAL REVIEW
- CONTINUED

Car and Passenger Markets

It is estimated that the overall car market, to and from the Republic of Ireland, grew by approximately 1.7% in 2017 to 807,400 cars, while the all-island market, i.e. including routes into Northern Ireland, is estimated to have grown by 1.8%. Irish Ferries' car carryings performed strongly during the year, at 424,000 cars, (2016: 414,100 cars), up 2.4% on the previous year. In the first half of the year Irish Ferries grew its car volumes by 2.3% while in the second half of the year, which includes the busy summer holiday season, volumes grew by 2.4%.

The total sea passenger market (i.e. comprising car, coach and foot passengers) to and from the Republic of Ireland increased by 1.0% on 2016 to a total of 3.13 million passengers, while the all-island market increased by 1.9%. Irish Ferries' passenger numbers carried increased by 1.7% at 1.650 million (2016: 1.623 million). In the first half of the year, Irish Ferries passenger volumes grew by 1.7% and in the second half of the year, which is seasonally more significant, the increase in passenger numbers was 1.6%.

Irish Ferries services suffered greater weather disruption during 2017 compared to 2016 contributing to the overall reduction in schedule integrity to 92% from 94%. Initiatives by the tourist industry such as the Wild Atlantic Way and Ireland's Ancient East, have been instrumental in promoting 'own car' tourism around the Irish coasts, and have helped broaden the distribution of tourists around the Island and across the seasons.

In 2017, Irish Ferries delivered a comprehensive programme of marketing and promotional activity across our key markets of Britain, Ireland and France. We invested significantly in our brand, and delivered compelling and personalised offers to our customers at times relevant for the planning and booking of their holidays and other travel. This approach helped to improve our brand awareness in these important markets, and to drive increased levels of enquiries to our website, irishferries.com, which generated over 6.2 million visits, and delivered over 80% of the car and passenger bookings transacted in the year.

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

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

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

While we work hard to engage with the consumer marketplace, we also invest considerably in partnerships with the travel trade. In 2017, we were delighted to be voted 'Best Ferry Company' by travel trade professionals in both Britain and Ireland at the GB 'Group Leisure & Travel Awards' and at the 'Irish Travel Industry Awards' (7th year in succession) and the 'Irish Travel Trade News Awards' (11th year in succession).

Already in 2018, Irish Ferries has been voted 'Best Cruise or Ferry Experience' by readers of the Irish Independent Newspapers group through their Reader Travel Awards.

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

OPERATING AND FINANCIAL REVIEW
- CONTINUED

RoRo Freight

The RoRo freight market between the Republic of Ireland, and the U.K. and France, continued to grow in 2017 on the back of the Irish economic recovery, with the total number of trucks and trailers up 5.1%, to approximately 998,200 units. On an all-island basis, the market increased by approximately 3.8% to 1.82 million units.

Irish Ferries' carryings, at 287,500 freight units (2016: 286,100 freight units), increased by 0.5% in the year with volumes down 0.4% in the first half and up 1.3% in the second half. The strong growth in the freight market in 2017 reflects the continued strong performance of the Irish economy. The Irish Ferries performance represents a consolidation of previously reported average growth of 7.4% in 2015 and 2016.

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

Chartering

The MV Kaitaki remained on charter until the vessel was sold to the existing charterer on 25 May 2017. In the last financial year ended 31 December 2016 the charter of the vessel generated operating profits of €2.1 million. Of our four owned LoLo container vessels, the three Elb vessels are currently on year-long charters to the Group's container shipping subsidiary Eucon on routes between Ireland and the continent whilst the Ranger is on a short term charter to a third party.

The HSC Westpac Express, which was on charter since acquisition in June 2016, was redelivered to the Group at the end of November 2017. The Vessel will be renamed HSC Dublin Swift on completion of a refurbishment programme and will replace the HSC Jonathan Swift on the Dublin – Holyhead fast craft service in April 2018. Overall external charter revenues were €7.4 million in 2017 (2016: €8.7 million).

*(Market figures source: Passenger Shipping Association and Cruise & Ferry magazine)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OPERATING AND FINANCIAL REVIEW
- CONTINUED

CONTAINER AND TERMINAL DIVISION

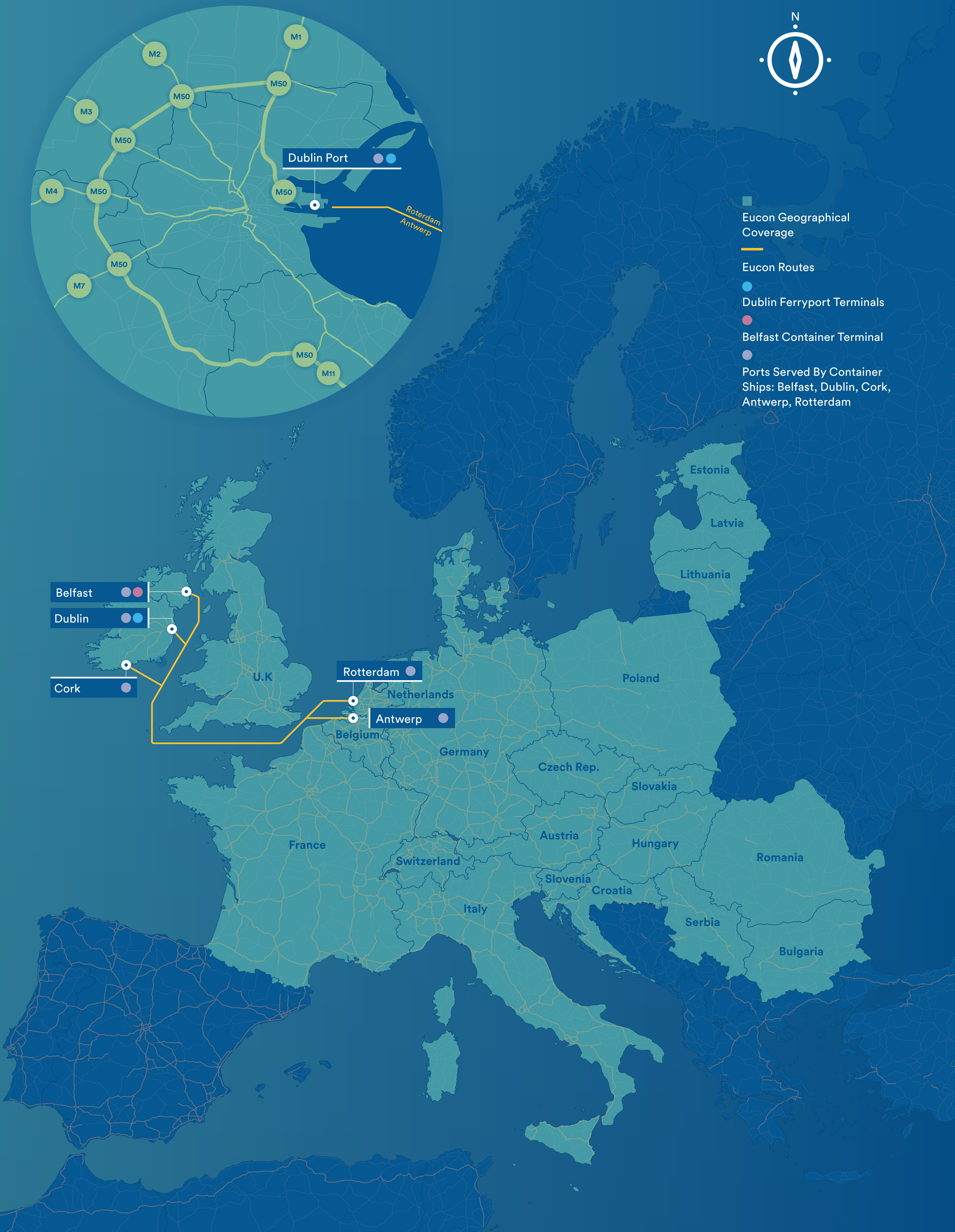
The Container and Terminal division includes the intermodal shipping line Eucon as well as the division's strategically located container terminals in Dublin and in Belfast. Eucon is the market leader in the sector, operating a fleet of chartered container vessels ranging in size from 750 – 1,000 teu capacity, connecting the Irish ports of Dublin, Cork and Belfast with the Continental ports of Rotterdam and Antwerp. Eucon deploys 3,400 owned and leased containers (equivalent to 6,700 teu) of varying types thereby offering a full range of services from palletised, project and temperature controlled cargo to Irish and European importers and exporters.

Revenue in the division increased to €131.9 million (2016: €123.9 million). The revenue is derived from container handling and related ancillary revenues at our terminals and in Eucon from a mix of domestic door-to-door, quay-to-quay and feeder services with 69% (2016: 70%) of shipping revenue generated from imports into Ireland. With a flexible chartered fleet and slot charter arrangements Eucon was able to adjust capacity and thereby continue to meet the requirements of customers in a cost effective and efficient manner. EBITDA in the division increased to €13.7 million (2016: €12.8 million) while EBIT rose 8.7% to €11.2 million (2016: €10.3 million).

In Eucon overall container volumes shipped were up 5.9% compared with the previous year at 321,400 teu (2016: 303,600 teu). The resulting revenue increase was partially offset by a €2.9 million increase in fuel costs.

Containers handled at the Group's terminals in Dublin Ferryport Terminal (DFT) and Belfast Container Terminal (BCT) were up 3.0% at 296,800 lifts (2016: 288,100 lifts). DFT's volumes were up 4.7%, while BCT's lifts were up 0.7%.

In November 2017, in recognition of the high quality of service Irish Continental Group's Container and Terminal Division were awarded the 'Maritime Services Company of the Year' at the 2017 Export Industry Awards for the third year running.



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Dublin Port
Roterdam
Antwerp
Eucon Geographical Coverage
Eucon Routes
Dublin Ferryport Terminals
Belfast Container Terminal
Ports Served By Container Ships: Belfast, Dublin, Cork, Antwerp, Rotterdam
Belfast
Dublin
Cork
Rotterdam
Antwerp
U.K
Netherlands
Belgium
Germany
France
Switzerland
Italy
Austria
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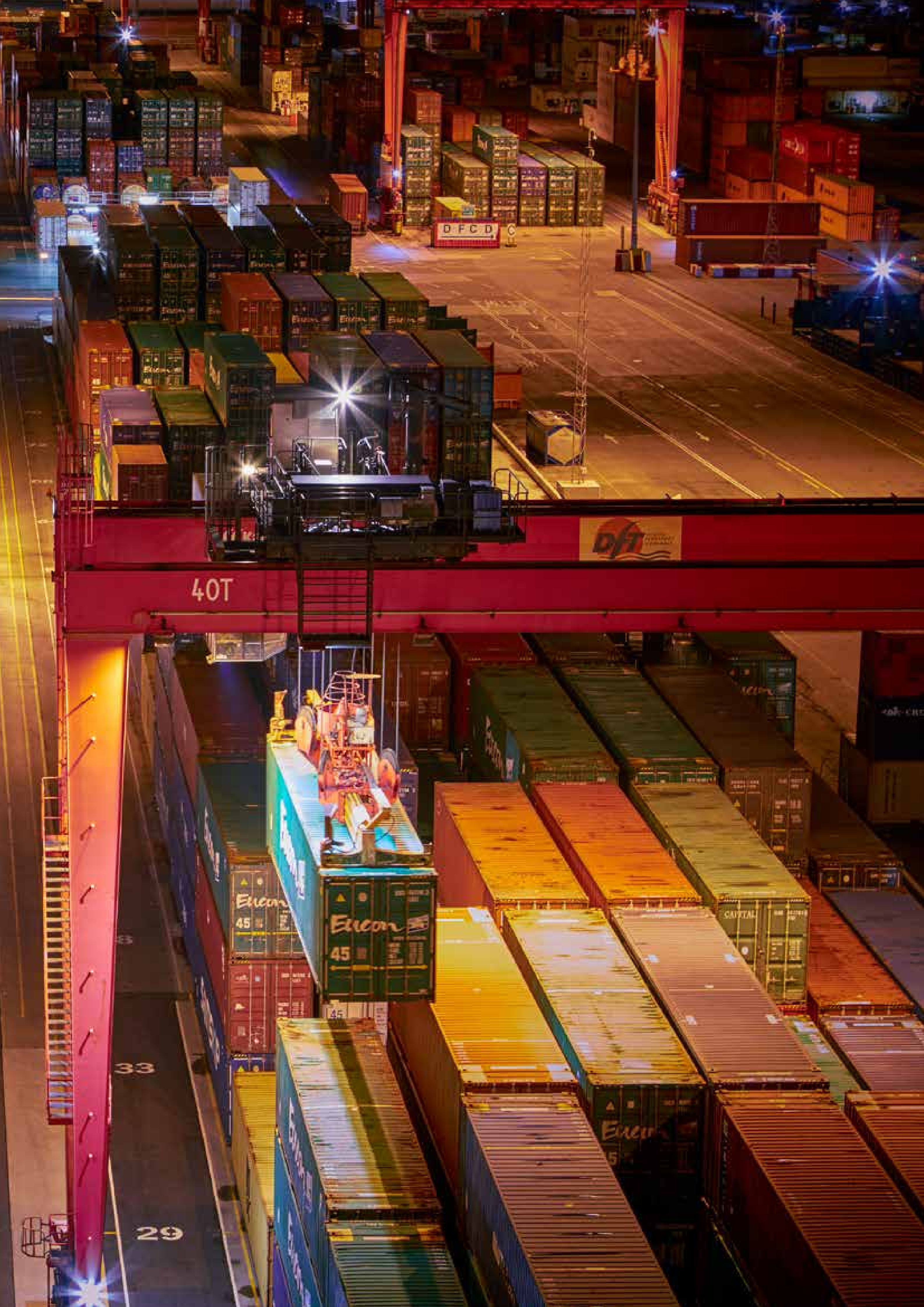
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OPERATING AND FINANCIAL REVIEW
- CONTINUED

RESOURCES

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

- A modern owned ferry fleet and container terminals
- Access to strategically located ports and slot times
- Recognised brand names
- Experienced, qualified staff.

Fleet and terminals

The Group owns nine vessels at the reporting date comprising five Ropax ferries and four LoLo vessels. Four Ropax ferries were operated by the Group, the MV Oscar Wilde (31,914 Gross tonnage (GT)), delivered 1987, the MV Isle of Inishmore (34,031 GT), delivered 1997, the HSC Jonathan Swift (5,989 GT), delivered 1999 and the MV Ulysses (50,938 GT), delivered 2001. In addition, the MV Epsilon (26,375 GT), delivered 2011, was chartered in on bareboat charter basis. This charter will now expire in November 2018, with options held by the Group to extend the charter up to November 2020. The Ropax ferry Kaitaki previously owned by the Group was sold in May 2017, this vessel had been on charter outside of the Group.

Three of the LoLo container vessels are utilised within the Group's container shipping operations whilst the remaining vessel is chartered externally to a third party.

The HSC Westpac Express which was on charter outside of the Group since its acquisition during 2016 was redelivered to the Group at the end of November 2017. The vessel is currently undergoing a refurbishment programme to bring it up to Irish Ferries passenger service standards.

In January 2018, ICG announced that it has entered into a Memorandum of Agreement ("MOA") for the sale of the High Speed Craft "Jonathan Swift" to Balearia Eurolineas Maritimas S.A. The agreed consideration of €15.5 million less broker's commission is payable in cash on delivery less a 10% deposit to be held in escrow. The vessel is to be delivered by the end of April 2018. This vessel will be replaced in Irish Ferries operations by the HSC Westpac Express.

In addition to the currently owned fleet the Group will take delivery of two new Ropax vessels being constructed for the Group's operations. The cruise ferry MV W.B. Yeats, which was launched on 19 January 2018, will commence operations during summer 2018 initially on the Dublin – Cherbourg route. A second new cruise ferry, contracted in January 2018, will be delivered during 2020 for operation on the Dublin – Holyhead route. Additional details are contained under future developments on page 58.

The Group has a leasehold over 36 acres from which it operates its Dublin Port container facility which comprises 480 metres of berths for container ships, with a depth of 9 to 11 metres and is equipped with 3 modern Liebherr gantry cranes (40 tonne capacity) and 8 rubber tyred gantries (40 tonne capacity) on a strategically located site within three kilometres of Dublin city centre and within one kilometre of the Dublin Port Tunnel, providing direct access to Ireland's motorway network. In addition two electrically operated rubber tyred gantries incorporating latest technologies to allow for remote operation are currently undergoing commission. In Belfast Port the Group operates the sole container terminal at VT3 under a services concession agreement with Belfast Harbour Commissioners (BHC). This facility comprises of a 27 acre site, equipped with 3 ship to shore gantry cranes, 3 rail mounted gantry cranes and 3 straddle carriers.

Port access

The Group has access to strategically located ports in Ireland, the UK and France in respect of its scheduled ferry services. A key aspect of such access is appropriate slot times, which are critical for the operation of such services.

Recognised brand names

The Group has invested substantially in its brands: Irish Ferries in the passenger and RoRo freight market place and Eucon in the container freight market.

Experienced, qualified staff

The Group, which has a rich history and origins dating back to 1837, has highly experienced and competent staff.
The Group has a decentralised structure giving divisional management substantial autonomy in the management of their own divisions. At the end of 2017, the Group had 308 employees compared with 302 at the start of the year, located in Ireland (Dublin, Rosslare and Cork), the UK (Liverpool, Holyhead, Pembroke and Belfast) and The Netherlands (Rotterdam).


BOYLAN'S

OPERATING AND FINANCIAL REVIEW
- CONTINUED

ENVIRONMENTAL AND SAFETY REVIEW

Environment
Irish Continental Group recognises that all forms of transport, including ships, have an unavoidable impact on the environment. Ships in particular generate CO_2 emissions, sulphur emissions and the requirement for waste disposal as well as other impacts. The Group is committed to minimising such negative impacts in the following ways:

CO_2 emissions
The volume of CO_2 emitted is directly proportional to fuel consumption. The Group seeks to minimise such emissions by reducing fuel consumption as much as possible consistent with the safe and efficient operation of the fleet. This is achieved through technical and operational initiatives. These technical initiatives are documented within each vessels Ship Energy Efficiency Management Plan (an International Convention for the Prevention of Pollution from Ships (MARPOL) requirement which involves setting targets for CO_2 reduction).

Sulphur emissions
The quantity of sulphur emitted by the Group's vessels depends on the volume and type of fuel consumed. The permissible sulphur content of fuel consumed was reduced in recent years to a maximum of 1.5%, compared with 3.5% previously. Since 2010, in certain circumstances, only fuel with a maximum sulphur content of 0.1% may be consumed whilst passenger vessels are in port. Under the International Convention for the Prevention of Pollution from Ships (MARPOL, Annex VI) as from 1 January 2015 this limit of 0.1% now applies to all vessels whilst operating within Sulphur Emission Control Areas (SECA's). This affects the Group's operations while vessels are at sea in the North Sea, and in the English Channel serving routes between Ireland and Continental Europe. In relation to the Irish Sea the next change in permissible sulphur content under MARPOL is scheduled for 2020 when the limit is due to reduce from 1.5% to 0.5%. Ahead of this change, the Vessel W.B. Yeats will utilise latest scrubber technology and will enter service operating to an effective limit of 0.1% both inside of the SECA and outside of it, thereby further reducing our overall sulphur emissions 18 months ahead of this regulation change.

Waste disposal / other
We continue to minimise the impact of waste disposal through consistent compliance with the International Convention for the Prevention of Pollution from ships (MARPOL 73/78). We use an oil recovery system to recycle all waste oil from our ships. Our bulk purchasing reduces the number of deliveries and packaging, and we segregate all waste cardboard packaging for recycling. The painting of the underwater hulls of all our ferries is with tin-free, non-toxic paints to avoid the release of harmful agents into the sea. We also minimise to the best of our ability wave generation to minimise disturbance of coastal habitats while we strive to be at the forefront in promoting customer awareness of the marine environment. Energy Efficiency Awareness Training is undertaken for all crew to highlight obvious areas where they can contribute to power savings.

Community and Wellness
Irish Continental Group continues to take an active interest in the communities within which it operates. Each separate business unit assists in local initiatives through sponsorship and organised events. We recognise the important role played by charities and community organisations within our communities and we are happy to help these organisations achieve their goals. Irish Ferries has been a main sponsor of the National St. Patricks Day festival. The Group is also happy to support its employees with charitable endeavours of their own. We work with the Irish Whale and Dolphin Group by reporting information on sightings to assist in the conservation and understanding of cetaceans in the Irish Sea.

The general health and wellbeing of employees and customers is of utmost importance to the Group. We participate in the Cycle to Work Scheme an initiative to reduce commuting emissions and promote health among staff. There is an on-site gym facility at the Group head office, available to all staff.

We promote healthy eating among customers and staff through a selection of healthy options on our food menus. We participate in the Healthy Heart campaign with donations made to the Irish Heart Foundation were customers opt for selected healthy meal choices. Irish Ferries regularly updates its menus with a large emphasis on supporting our local economy through the use of fresh, locally sourced produce on-board our fleet. Our fruit and vegetables are supplied by a leading catering supplier specialist, working with superior growers and producers throughout Ireland. We source our fish and seafood products from a large family-owned fishmonger that only use sustainable and responsible fishing methods, located close to Dublin port. There are a range of bespoke breads on-board provided by a Dublin artisan bakery, while a local vegetarian restaurant supplies our fleet with various soups and juices.


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OPERATING AND FINANCIAL REVIEW
- CONTINUED

Safety

The promotion and maintenance of a strong safety culture across all activities is a principle strategy of Irish Continental Group, to not only ensure the safety, security and well-being of our people and passengers, but also so that all stakeholders reap the competitive rewards that come from prioritising safety.

The Group's operations span a wide range of activities, both ashore and afloat. It is a matter of high priority that all our activities are conducted in a manner that ensures the safety and security of all our people, and all those who travel on board our ships or visit our terminals.

As a minimum, all of the Group's activities are conducted in strict compliance with the various statutory health and safety standards and international maritime regulations that apply.
In accordance with the Safety, Health and Welfare at Work Act and its equivalents in other jurisdictions, the Group has in place Safety Policies and Safety Statements that guide our activities. We have in place a system of hazard identification and risk assessment that ensures all necessary steps are taken to minimise and mitigate safety risks. Laid down procedures ensure that activities and operations are conducted in a consistent and safe manner. By fostering a culture of employee competence and participation we empower our employees to continuously improve the efficiency and safety of our activities, so contributing to a safe environment for all.

Irish Continental Group ensures that all its ships are designed, operated and maintained in compliance with the International Convention for the Safety of Life at Sea (SOLAS). This Convention is administered by the UN's International Maritime Organisation and is subject to continuous international review and updating, ensuring ship safety standards keep pace with societal expectations and technological advances.
The safety and security of ship's crews, passengers and cargoes is critical to our business, and is always the primary consideration. Irish Continental Group ships are certified in accordance with the International Safety Management (ISM) Code, the international standard for the safe management and operation of ships and for pollution prevention. Irish Continental Group also operates in full compliance with the International Ship and Port Facility Security (ISPS) Code on board all ships and at all locations. The on-board management of the Irish Ferries operated vessels is performed by Matrix Ship Management Limited, Cyprus, on behalf of Irish Continental Group.

While the focus is on accident prevention where incidents do occur, effective internal and external reporting and investigation systems are employed to identify the cause of such incidents and put in place actions to prevent recurrence. Due to the highly regulated environment in which we operate, incidents may be subject to external investigation by the appropriate regulatory authority. The Group will always work with the authorities toward a successful and constructive investigation outcome.

The bedrock of Irish Continental Group's safety performance is our people. We place strategic emphasis on ensuring all those who work within the Group's sphere of operations are competent, provided with a high level of safety and quality training and information, and are encouraged to engage with the Group's continuous improvement philosophy.

Compliance with policy and procedures, both ashore and afloat, is monitored by regular and detailed audits. Audits are conducted by trained and experienced auditors in an open yet focused manner that drives compliance and improvement. Senior management monitor safety and audit performance across the Group, identifying and addressing safety trends and opportunities for improvement where they may arise.
In addition to the Group's own internal verification procedures, our activities are subject to regular routine inspection by national and international statutory bodies. They, like us, set high standards to ensure the safety and well-being of all personnel, passengers and cargoes; standards that we as a Group are ready to meet and exceed.

David Ledwidge,
Chief Financial Officer

OPERATING AND FINANCIAL REVIEW
- CONTINUED

FINANCIAL REVIEW

Results
Revenue for the year amounted to €335.1 million (2016: €325.4 million) while operating profit before non-trading items amounted to €60.3 million compared with €62.6 million in 2016. Principal variations on the prior year include the increase in revenue by €9.7 million (+3.0%) as set out above and an increase in group wide fuel costs which were €8.1 million higher at €40.3 million (2016: €32.2 million). On 17 May 2017, the Group completed the sale of the vessel MV Kaitaki to KiwiRail of New Zealand generating a non-trading item of €28.7 million. This resulted in profit before tax from continuing operations of €87.7 million (2016: €60.4 million).

Taxation
The tax charge is €4.4 million compared with a charge of €1.6 million in 2016. The corporation tax charge of €6.5 million (2016: €2.0 million) comprises Irish and UK corporation tax. Certain activities qualify to be taxed under tonnage tax (which is an EU approved special tax regime for qualifying shipping activities) in Ireland. Deferred tax credit was €2.1 million in 2017 (2016: €0.4 million). The increase year on year in the Group's tax charge mainly relates to the sale of the MV Kaitaki, which generated tax on disposal of €3.8 million.

Earnings per share
Basic EPS was 44.1 cent compared with 31.4 cent in 2016. The reason for the increase in Basic EPS is due to an increase in profit attributable to equity holders of the parent to €83.3 million (2016: €58.8 million). The increase in profit relates to the sale of MV Kaitaki which generated an after tax profit of €24.9 million.

Adjusted EPS (before the net interest cost on defined benefit obligations and non-trading items) was 29.0 cent compared with 31.4 cent in 2016.

Cash flow and investment
EBITDA for the year was €81.0 million (2016: €83.5 million). There was a net outflow of working capital of €1.9 million, due to an increase in receivables of €2.6 million from increased revenue, an increase in inventories of €0.4 million, partially offset by a decrease in payables of €1.1 million. The Group made payments, in excess of service costs to the Group's pension funds of €1.1 million. Other net cash inflows amounted to €0.5 million resulting in cash generated from operations amounting to €78.5 million (2016: €86.5 million).

Interest paid was €1.1 million (2016: €2.3 million) while taxation paid was €5.6 million (2016: €2.1 million) including €5.1 million relating to the sale of MV Kaitaki. Interest received amounted to €nil (2016: €0.1 million).

Capital expenditure was €17.0 million (2016: €57.0 million) which included annual refits of the vessels, new terminal handling equipment and payments related to the new vessel MV W.B. Yeats.

Arising from the cash flows set out above and dividend payments of €22.2 million, settlement of equity plans through market purchase of shares of €3.0 million, share issues of €3.3 million, net proceeds on the sale of property, plant and equipment of €44.7 million (€44.1 million net proceeds relating to the sale of MV Kaitaki), net cash at year end was €39.6 million (2016: €37.9 million net debt).

Dividend
During the financial year a final dividend of 7.76 cent per ICG Unit was paid for the financial year ended 31 December 2016 and an interim dividend of 4.01 cent per ICG Unit was paid for the financial year ended 31 December 2017. The Board is proposing a final dividend of 8.15 cent per ICG Unit in respect of the financial year ended 31 December 2017.

Pensions
The Group has four, separately funded, company sponsored defined benefit obligations covering employees in Ireland, the UK and the Netherlands. The Group also participates in the UK based industry-wide scheme, the Merchant Navy Officers Pension Fund (MNOPF) in which participating employers share joint and several liability. Aggregate pension assets in the four company-sponsored schemes at year end were €283.4 million (2016: €274.8 million), while combined pension liabilities were €278.7 million (2016: €288.3 million). The discount rate for Euro liabilities has increased from 1.7% to 1.8% while the rate for Sterling liabilities has decreased from 2.5% to 2.35%. Of the Group's four schemes, three were in surplus at the year end (€8.1 million) versus two schemes (€2.4 million) in 2016. One scheme was in deficit (€3.4 million) versus two schemes (€15.9 million) in 2016. In addition, the Group's share of the deficit in the industry wide scheme, the MNOPF, based on the last actuarial valuation as at 31 March 2015, is €nil (2016: €nil).

The total net surplus of all defined benefit pension schemes at 31 December 2017 was €4.7 million in comparison to €13.5 million deficit at 31 December 2016. The movement reflects an actuarial gain of €17.5 million, arising from investment performance and the positive effect of an increase in the discount rate used to value scheme liabilities.

Financial risk management

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

The Group has the following facilities with its lenders; a 5 year multicurrency revolving credit facility provided by Allied Irish Banks plc (Co-ordinating Bank) and Bank of Ireland (Agent Bank) extendable by up to 2 years, comprising a committed €75.0 million drawing limit together with an additional uncommitted limit of €50.0 million, a 12 year amortising term loan provided by the European Investment Bank comprising a committed €75.0 million drawing limit, subject to certain conditions precedent relating to the completion of the vessel W.B. Yeats, multicurrency private loan note shelf agreements with Metropolitan Life Insurance Company and Pricoa Capital Group comprising total uncommitted drawing limits of USD275.0 million equivalent to €229.0 million and tenors of up to 15 years. On 30 November 2017, the Group issued loan notes for a total amount of €50.0 million. The Group also has an overdraft and guarantee facility of €16.0 million provided by Allied Irish Banks Plc.

The principal covenants under the agreement are a maximum Group net debt level by reference to EBITDA and interest cover. The Group was compliant with these covenants at 31 December 2017.

The Group's current committed bank facilities under the above arrangements amount to €216.0 million (2016: €92.7 million). Total amounts utilised at 31 December 2017 amounted to €50.6 million (2016: €78.4 million).

The Group had finance lease liabilities of €1.7 million at 31 December 2017 (2016: €2.4 million).

The principal objective of the Group's treasury policy is the minimisation of financial risk at reasonable cost. To minimise risk the Group uses interest rate swaps and forward foreign currency contracts. The Group does not trade in financial instruments.

Interest rate management

The interest rates on Group borrowings at 31 December 2017 comprising loan notes and finance lease obligations has been fixed at a contracted rate at the date of drawdown with the relevant lender eliminating exposure to interest rate risk on borrowings. The average effective interest rate at 31 December 2017 was 1.53%. At 31 December 2016, 50% of Group borrowings was at fixed rates at an average effective rate of 3.50%. Debt interest cover, for the year was 68 times (2016: 28 times).

Currency management

The Euro is the most prevalent currency impacting the Group. The Group also has significant Sterling and US Dollar cash flows. The Group's principal policy to minimise currency risk is to match foreign currency assets and liabilities and to match cash flows of like currencies. Sterling revenues and expenses are netted, with excess Sterling revenues applied to purchase Dollars to settle Dollar costs.

Commodity price management

Bunker oil costs constitute a separate and significant operational risk, partly as a result of historically significant price fluctuations. Bunker costs of the Container and Terminal division are offset to a large extent by the application of prearranged price adjustments with our customers. Similar arrangements are in place with freight customers in the Ferries division. In the passenger sector, changes in bunker costs are included in the ticket price to the extent that market conditions will allow. Bunker consumption was 110,900 tonnes in 2017 (2016: 110,100 tonnes). The cost per tonne of heavy fuel oil (HFO) fuel in 2017 was 33% higher than in 2016 while marine gas oil (MGO) was 18% higher than in 2016.

Credit risk

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

Liquidity

It is Group policy to invest surplus cash balances on a short term basis. At year end 100% (2016: 100%) of the Group's cash resources had a maturity of three months or less. Net cash at 31 December 2017 was €39.6 million (2016: net debt €37.9 million) made up of borrowings of €50.7 million (2016: €80.1 million) which is offset by cash and cash equivalents of €90.3 million (2016: €42.2 million). Following the maturity of its previous debt facilities ICG concluded a suite of financing agreements in late 2017 such that 1% (2016: 98%) of the Group's bank borrowings are due to mature within one year.

David Ledwidge,
Chief Financial Officer

OPERATING AND FINANCIAL REVIEW
- CONTINUED

RISK MANAGEMENT

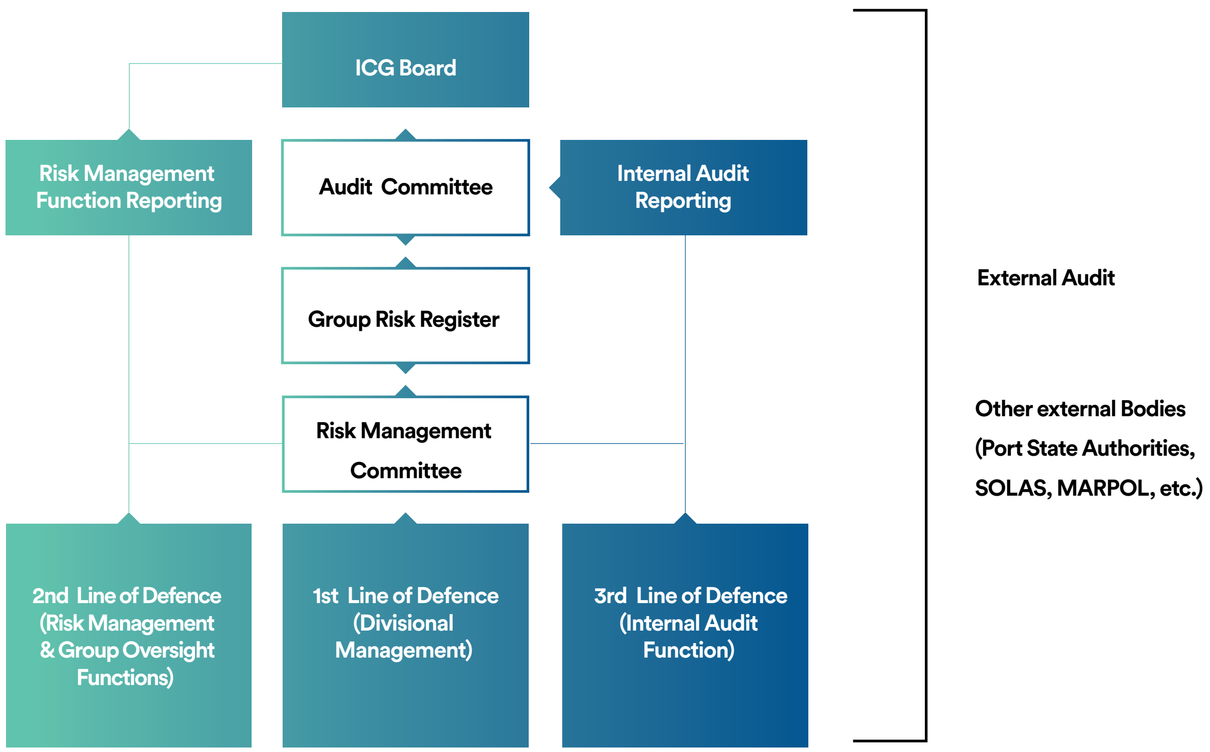
Risk Appetite and Strategy
The ICG Board holds overall responsibility for the Group's risk management and internal control systems, including the setting of acceptable risk levels to achieve its strategic objectives. The Board communicates its appetite for various risk areas through the adoption of Risk Appetite Statements. These provide context to which the Group's strategy is pursued.

Risk Culture
The nature of the Group's business, which is primarily the operation of ships and provision of related services, is such that operational safety is paramount. Significant risks include risks to operational safety as well as financial risks. Controls systems to address risks to operational safety are designed with minimal capacity for risk. This strong safety culture contributes to the overall risk culture of the Group.

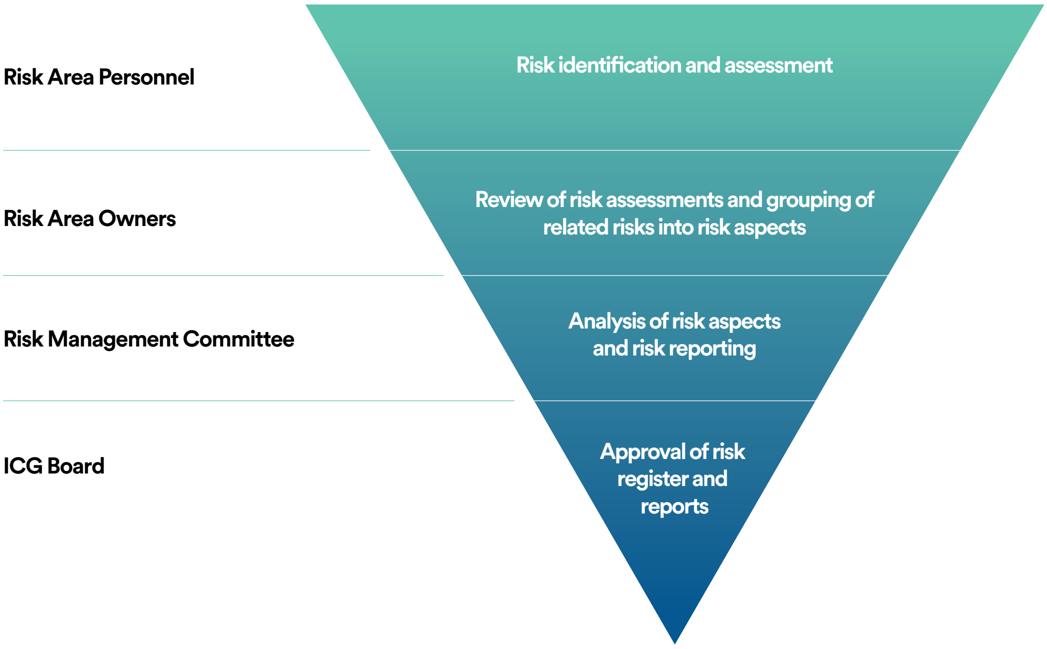
Risk Management Framework
The Group adopts a variant of the 'three lines of defence' risk management framework incorporating Divisional Management (first line of defence), Group Risk Management and other oversight functions (second line of defence) and Internal Audit (third line of defence). This model allows for input across all levels of the business to help manage current risks and to keep abreast of emerging risks.

The first line function design and execute the application of internal control measures on a daily basis. The second line function undertakes an oversight and compliance role and include the Group Risk Management function which report directly on risk matters to the Board. The third line, consisting of the Group Internal Audit function, performs independent oversight of the first two lines and reports directly to the Audit Committee on matters of internal control, compliance and governance.

A key component of the Group's framework is the Risk Management Committee (the "RMC"), comprised of members from all three lines of defence as well as having Board representation. The RMC is tasked with developing the Group's



Bottom-up Risk Assessment process



risk management policy and keeping it up to date, coordinating risk management activities, and monitoring Key Risk Indicators. Key Risk Indicators are metrics used to help monitor the level of risk taking in an activity and can provide an early signal of increasing risk exposure in various areas of the Group, enabling corrective action to be taken before the risk materialises. The Committee is also responsible for the maintenance of the Group Risk Register and works with the Audit Committee to ensure the register is robust, current and consistent across all Group operating areas.

The Group Risk Register is the central repository for documenting, assessing and prioritising risks and for measuring the effectiveness of related controls. These risks are prioritised in terms of likelihood of occurrence, estimated financial impact and the Group's ability to reduce the incidence and impact on business operations should any risk materialise. This prioritisation is determined through the use of a traffic light scoring system. Risks are coloured green, amber or red in order of seriousness. The likelihood and impact of each risk is scored on a 5 × 5 scale. The Group Risk Register is reviewed on an ongoing basis by the RMC. Any necessary changes to the Group Risk Register are identified throughout the year from the occurrence of a risk event, via regular RMC meetings or through alerts prompted by a Key Risk Indicator. Reporting by management on key risks is covered within the regular Board meeting agenda. These activities form the basis for the continuous risk monitoring process. The significant risks and uncertainties facing the Group are set out on pages 44 to 47. The Board acting through the Audit Committee conducts an annual assessment of the significant risks and uncertainties and the adequacy of the monitoring and reporting system maintained by management. No material weaknesses were noted by the Board during the year.

During the reporting period, the RMC commenced a process of updating its risk identification methodology by moving to a bottom-up approach to risk identification and assessment, utilising the knowledge and skills of staff at varying levels to create a positive risk culture and environment. Coupled with the input, control and monitoring from the Board fosters a collective ability to identify, understand, openly discuss and act on the Group's current and future risks. Risk Assessment Forms, which feed into the Group Risk Register will be completed by personnel within each risk area and then reviewed by the relevant risk area owner. The completed risk assessments will be used by the risk area owners to identify Risk Aspects. Risk Aspects are a grouping together of related risks, with reference back to the source Risk Assessments. The risk area owners report on these Risk Aspects directly to the RMC, providing the RMC with a tool to maintain an overview of the broader Risk Aspects affecting the Group. The RMC's review of Risk Aspects feeds directly into its risk reporting to the Board. This redesign was undertaken to standardise the risk reporting across the Group and enhance the culture of risk awareness and ownership at all levels of the Group. This project is expected to be completed in 2018.

The Audit Committee has been delegated by the Board with the task of assessing the Group's internal control and risk management systems. This assessment is carried out through the review of regularly produced reports by the RMC and Group Internal Audit, which includes the Group Risk Register. Presentations were also made to the Audit Committee by the RMC and Group Internal Auditor. Full details of the activities performed by the Audit Committee can be found on pages 69 to 72. The risks and uncertainties set out on the following pages are broadly unchanged from the previous year.

OPERATING AND FINANCIAL REVIEW
- CONTINUED

Principal Risks and Uncertainties
Operational Risks

	Description	Impact	Mitigation	Outlook
Serious accident / incident	A serious accident or incident (e.g. collision, fire, grounding explosion) could occur to a vessel at sea or at Group operations ashore.	Loss of life, personal injury, significant vessel damage or damage to plant and machinery, cargoes, environment, reputation significant financial loss and reduced growth prospects.	Defined operating safety and quality policies and procedures in place, including, a system of hazard identification and risk assessment and performing regular accident and emergency exercises and debriefs. Group compliance with all external regulatory health and safety standards and requirements is subject to regular audits both internally and externally. Comprehensive insurance policies are in place for the consequences of such events.	The Group is committed to monitoring, identifying and addressing safety trends and opportunities for improvement where they may arise.
Mechanical and other failure	Disruption to schedules due to mechanical or electrical failure, or loss of critical port installations, labour disputes or failure of key suppliers.	Financial loss, cancelled sailings and late delivery of cargos resulting in diminished reputation.	There are policies and procedures in place for maintaining and protecting critical infrastructures and equipment. Close relationships are maintained with port infrastructure providers. Contingency plans are in place in case of loss of infrastructure. There are comprehensive procedural agreements in place for processing disputes with all labour representation bodies using appropriate third parties as required. Multiple supplier contracts for fuel are in place at ports servicing our vessels.	Continued investment in quality assets including the MV W.B. Yeats (delivery 2018), a second new vessel (delivery 2020), upgrade of Westpac Express and the installation of new terminal equipment will reduce the likelihood of technical failures.
Hazardous accidents	Accidents in the transportation of hazardous materials, dangerous goods and waste.	Personal injury, marine pollution, reputational damage, financial loss.	Compliance with the International Maritime Dangerous Goods Code, audited on a regular basis. Ongoing monitoring of procedures and training.	The Group continually ensures best practice is followed and appropriate personnel are adequately trained.
Fuel contamination	Contamination to the fuel consumed by Group vessels.	Significant engine damage, pollution, financial loss.	Random testing of fuel samples to ensure supply is within specification. Fuel quality is monitored through combustion in main and auxiliary engines and boilers. Use of a surveyor at each bunkering to monitor performance of supplier and crew.	Ongoing monitoring and identifying any opportunities for improvement where they may arise.

Commercial and Market Risks

	Description	Impact	Mitigation	Outlook
Competitive activity	Increases in competitor activity through pricing or capacity additions.	Decrease in customer base, reduced profitability and growth prospects.	A dynamic pricing approach is adopted, utilising pricing initiatives in the passenger market to mitigate against these risks. Commercial arrangements are in place with freight customers which mitigates the immediate effects of additional market capacity but there remains medium term exposure to decreases in customer base.	Continuous monitoring of competitor activity to make adjustments as appropriate. Continued focus on maintaining strong relationships and process integration with freight customers. Investment to maintain reliability and expected customer standards.
Fuel prices	Fluctuation in fuel prices	Increase in cost base, reducing profitability.	Group policy has been to purchase these commodities in the spot markets and to remain unhedged. The Group operates surcharge mechanisms with the Group's freight customers which allows for prearranged price adjustments in line with Euro fuel costs. In the passenger sector, changes in bunker costs are included in the ticket price to the extent that market conditions will allow.	Group fuel costs will remain largely determined by global factors beyond our control. The Group will continue to seek efficiencies to reduce fuel consumption across all ships including adoption of the latest proven designs and technologies.
Economic and political	Economic and political conditions, in particular the effect of 'Brexit' could adversely impact demand for ferry travel, international trade and the strength of the Sterling relative to the Euro.	Delays to scheduling and vessel turnaround times, reduced profitability and growth prospects.	Liaison with various associations and Government bodies to share Group views on the manner of Brexit. Close monitoring of currency exchange movements and adoption of a matching policy to reduce exposure.	There remains uncertainty over the expected manner of Brexit and its impact on Group operations. This uncertainty could create both threats and opportunities for the Group. Developments up to the current effective date in April 2019 will continue to be closely monitored.

OPERATING AND FINANCIAL REVIEW
- CONTINUED

Principal Risks and Uncertainties - continued

IT Systems & Cyber Risks

	Description	Impact	Mitigation	Outlook
IT systems failure	IT systems may be disrupted by internal failures, outages at third-party service providers or by environmental events, such as storms or flooding.	Business interruption, including interruption to booking systems, resulting in financial loss, customer ill will.	IT standards and policies are subject to on-going review to ensure they conform to appropriate best practices. Third-party technologies and service providers are regularly appraised to ensure the infrastructure in place is effective and reliable. IT disaster recovery and crisis management plans are in place and tested.	Continuous review of IT systems and policies, ensuring alignment with best practice in supporting current operations and decision making.
Data breach	Sensitive data and information held by the Group, as well as Group networks and systems are at risk of being targeted by cyber criminals.	Business interruption resulting in financial loss. Depending on the form of attack; financial loss to the Group, customers, suppliers or to third-party service providers. Loss of personal data of staff or customers. Reputational damage.	A holistic approach to IT governance and security is adopted. This includes; dedicated IT security personnel with direct reporting to the Board, regular management meetings on information security, external collaboration with industry participants on matters of information security, the use of various applications to protect Group systems and networks from breaches, appropriate staff training in relation to information security awareness and incident response plans for the main attack scenarios.	Following a number of high-profile, coordinated ransomware attacks globally in 2017, cyberattacks are now considered the new normal in business today. The introduction of the EU's General Data Protection Regulation in May 2018 reinforces the need to have robust systems in place for protecting personal data. As such, information security remains an area of key focus for the Group.

Financial Risks

	Description	Impact	Mitigation	Outlook
Volatility	Financial risk arises in the ordinary course of business, specifically the risk of default by debtors, fluctuations in both foreign exchange rates and interest rates, and availability of financing.	Potential financial loss to the Group.	The Group has credit insurance in place, where available, mitigating default of debtors. The Group uses interest rate swaps and forward foreign currency contracts. Financing facilities are in place to ensure secure access to finance if required.	The Group has robust policies and controls in place to minimise the financial risks detailed.
Fraud Risk	Material financial misstatement may arise due to fraud or error, in the form of misappropriation of assets or inaccurate financial reporting.	Reputational damage may arise from misstatement in financial reports and financial loss to the Group may occur as a result of misappropriation of assets.	Key financial controls include clear segregation of duties within the business with regular monitoring of financial performance against targets. The risk of misappropriation of funds is mitigated by the Group's Treasury and Finance functions who continuously monitor bank accounts, cash floats and cash takings and returns both on-board and at port. There is restricted access to bank accounts and mandated dual authorisation controls for payment approvals as well as rigorous checks of the settlement instructions received to effect payment.	We have policies in place to manage these risks from a treasury and financial reporting perspective. We adopt recommendations arising from internal and external audits and reviews as appropriate.
Retirement Benefit Scheme Risks	The Group's defined benefit obligations are exposed to the risks arising from changes in interest and inflation rates, life expectancy and changes in the market value of investments. The Group also has joint and several liability risk exposure to the obligations of other participating employers in the multi-employer Merchant Navy Officer Pension Fund.	Decreases in scheme asset values, or increases in scheme obligations which may result in deficits impacting on balance sheet strength.	Use of balanced investment strategies which are integrated to deficit recovery plans and supported by appropriate funding through ongoing and deficit contributions. Closure of the MNOPF to future accrual. Operation of Group defined contribution schemes for new employees. Regular meetings with the investment managers to monitor performance relative to agreed benchmarks.	The Scheme investment strategy continues to be reviewed formally on a regular basis by the Trustee with regular consultation with the Group with recovery plans on target.

OUR FLEET

MV Ulysses

Year Built	2001
Acquired	2001
Gross Tonnage	50,938
No. Engines	4
Speed	22 knots
Lane Metres	4,100
Car Capacity	1,342
Passenger Capacity	1,875
Beds	186

MV Isle of Inishmore

Year Built	1997
Acquired	1997
Gross Tonnage	34,031
No. Engines	4
Speed	21.5 knots
Lane Metres	2,100
Car Capacity	855
Passenger Capacity	2,200
Beds	208

MV Oscar Wilde

Year Built	1987
Acquired	2007
Gross Tonnage	31,914
No. Engines	4
Speed	21.5 knots
Lane Metres	1,220
Car Capacity	580
Passenger Capacity	1,458
Beds	1,376

MV Epsilon (chartered in)

Year Built	2011
Acquired	chartered-in
Gross Tonnage	26,375
No. Engines	2
Speed	23 knots
Lane Metres	2,800
Car Capacity	150
Passenger Capacity	500
Beds	272

HSC Jonathan Swift

(disposal agreed in January 2018)

Year Built	1999
Acquired	1999
Gross Tonnage	5,989
No. Engines	4
Speed	39 knots
Lane Metres	-
Car Capacity	200
Passenger Capacity	800
Beds	-

HSC Westpac Express

(to be renamed HSC Dublin Swift)

Year Built	2001
Acquired	2016
Gross Tonnage	8,403
No. Engines	4
Speed	35 knots
Lane Metres	-
Car Capacity	251
Passenger Capacity	900
Beds	-

W.B. Yeats (under construction)*

Year Built	2018
Acquired	Mid 2018
Gross Tonnage	50,000
No. Engines	4
Speed	22.5 knots
Lane Metres	2,800
Car Capacity	1,216
Passenger Capacity	1,885
Beds	1,756

* Subject to final certificate

Hull 777 (under construction)*

Year Built	2020
Acquired	Early 2020
Gross Tonnage	67,000
No. Engines	4
Speed	23 knots
Lane Metres	5,610
Car Capacity	1,500
Passenger Capacity	1,800
Beds	608

* Subject to final certificate

MV Ranger

Year Built	2005
Acquired	2015
Gross Tonnage	7,852
Deadweight	9,300
Capacity	803 TEU

MV Elbfeeder

Year Built	2008
Acquired	2015
Gross Tonnage	8,246
Deadweight	11,157
Capacity	974 TEU

MV Elbtrader

Year Built	2008
Acquired	2015
Gross Tonnage	8,246
Deadweight	11,153
Capacity	974 TEU

MV Elbcarrier

Year Built	2007
Acquired	2015
Gross Tonnage	8,246
Deadweight	11,166
Capacity	974 TEU

MV Endurance (chartered in)

Year Built	2005
Acquired	chartered-in
Gross Tonnage	7,642
Deadweight	9,146
Capacity	750 TEU

MV Mirror (chartered in)

Year Built	2007
Acquired	chartered-in
Gross Tonnage	7,852
Deadweight	9,344
Capacity	803 TEU

EXECUTIVE MANAGEMENT TEAM

Eamonn Rothwell BComm, MBS, FCCA, CFA UK
Chief Executive Officer
Eamonn Rothwell, aged 62, has been a Director for 31 years having been appointed as a non-executive Director in 1987 and subsequently to the position of Chief Executive Officer in 1992. He is also a Director of Interferry European Office A.I.S.B.L. He is a former Director of The United Kingdom Mutual War Risks Association Limited, Interferry Inc and The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. He is a past executive Director of stockbrokers NCB Group. Prior to that, he worked with Allied Irish Banks plc and Bord Fáilte Eireann (The Irish Tourist Board).

David Ledwidge FCA, BSc (Mgmt)
Chief Financial Officer
David Ledwidge, aged 38, was appointed to the Board on 3 March 2016. David joined the Group in 2006 from professional services firm Deloitte where he qualified as a chartered accountant. He has held various financial positions within the Group, including Group Risk Accountant, and most recently as Finance Director of Irish Ferries. He was appointed to his current role as Group Chief Financial Officer in May 2015.

Andrew Sheen MSc. BEng(Hons). CEng. FIMarEST. FRINA.
Managing Director – Ferries Division
Andrew Sheen, aged 46, a chartered engineer, has been involved in shipping for over 27 years and has worked with Irish Ferries in a variety of Operational Roles for over 12 years. He re-joined ICG from the UK Maritime & Coastguard Agency and has been a Director of Irish Ferries since 2013. He was appointed to his current role as Managing Director of the Ferries Division in March 2015. He is currently President of the Irish Chamber of Shipping and is a Director of the European Community Ship Owners Association and the International Chamber of Shipping.

Declan Freeman FCA
Managing Director - Container and Terminal Division
Declan Freeman, aged 42, joined the Group in 1999 from professional services firm Deloitte where he qualified as a chartered accountant. He has worked in a number of financial and general management roles in the Group up to his appointment as Managing Director of Eucon in 2011. He was appointed to his current role as Managing Director of the Container and Terminal Division in 2012.

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

Read more from the Corporate Governance Statement on page 60

CORPORATE GOVERNANCE

THE BOARD

The Group's non-executive Directors are:

John B. McGuckian BSc (Econ)
Chairman

John B. McGuckian, aged 78, has been a Director for 30 years having been appointed as a non-executive Director in 1988 and Chairman in 2004. He has a wide range of interests, both in Ireland and internationally. He is also a Director of Cooneen Textiles Limited. He is a former Director of a number of listed companies and he has previously acted as the Chairman of; the International Fund for Ireland, the Industrial Development Board for Northern Ireland, UTV Media plc (where he was also a member of the Remuneration Committee) and as Senior Pro-Chancellor and Chairman of the Senate of the Queen's University of Belfast.

Catherine Duffy BA LegSc, DipLeg Stds
Independent Director

Catherine Duffy, aged 56, has been a Director for 6 years having been appointed to the Board in 2012. Catherine is the Chairman of law firm A&L Goodbody and a Senior Partner in its Banking and Financial Services Department. Catherine is a member and a former Chair of the International Legal Advisory Panel to the Aviation Working Group of Unidroit. She was previously a non-executive Director of Beaumont Hospital and a member of the first Advisory Group to the Irish Maritime Development Office, a government sponsored organisation set up to promote and assist the development of Irish shipping and shipping services.

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

Brian O'Kelly BBS, FCA
Senior Independent Director

Brian O'Kelly, aged 55, has been a Director for 5 years having been appointed to the Board in 2013. Brian is Co-Head of Investment Banking in Goodbody having previously been Managing Director of Goodbody Corporate Finance. He is an executive director of Ganmac Holdings, the parent company of Goodbody. Brian qualified as a Chartered Accountant with KPMG and was subsequently a Director of ABN AMRO Corporate Finance. He is a member of the Listing Committee of the Irish Stock Exchange.

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

John Sheehan FCA
Independent Director

John Sheehan, aged 52, has been a Director for 4 years having been appointed to the Board in 2013. John holds a senior position with Ardagh Group, a leading operator in the global glass and metal packaging sector with operations principally in Europe and North America. John has over 20 years of experience at management level with exposure to international acquisition and development projects. He was formerly Head of Equity Sales at NCB Stockbrokers, now part of Investec Bank, where he spent thirteen years in a range of roles and directly covered various industry sectors including transport and aviation. John qualified as a Chartered Accountant with PwC.

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

The Group's executive Directors are:

Eamonn Rothwell BComm, MBS, FCCA, CFA UK
Chief Executive Officer
Eamonn Rothwell, aged 62, has been a Director for 31 years having been appointed as a non-executive Director in 1987 and subsequently to the position of Chief Executive Officer in 1992. He is also a Director of Interferry European Office A.I.S.B.L. He is a former Director of The United Kingdom Mutual War Risks Association Limited, Interferry Inc and The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. He is a past executive Director of stockbrokers NCB Group. Prior to that, he worked with Allied Irish Banks plc and Bord Fáilte Eireann (The Irish Tourist Board).

Committee Membership: Nomination Committee

David Ledwidge FCA, BSc (Mgmt)
Chief Financial Officer
David Ledwidge, aged 38, has been a Director for 2 years, having been appointed to the Board in 2016. David joined the Group in 2006 from professional services firm Deloitte where he qualified as a chartered accountant. He has held various financial positions within the Group, including Group Risk Accountant, and most recently as Finance Director of Irish Ferries. He was appointed to his current role as Group Chief Financial Officer in May 2015.

The company secretary is:

Thomas Corcoran BComm, FCA
Company Secretary
Thomas Corcoran, aged 53, joined the Company in 1989 from the international professional services firm PwC, where he qualified as a Chartered Accountant. He has held a number of financial positions within the Group and is currently Group Financial Controller. He was appointed Company Secretary in 2001.

REPORT OF THE DIRECTORS

The Directors present their Report together with the audited financial statements of the Group for the financial year ended 31 December 2017.

Results for the year and Business Developments

Details of the results for the financial year are set out in the Consolidated Income Statement on page 97 and in the related notes forming part of the financial statements. The fair review of the development of the business of the Company and its subsidiaries is set out in the Operating and Financial Review on pages 14 to 47. This includes a description of the principal activities, principal risks, uncertainties, alternative performance measures and environmental and employee matters.

Research and Development

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

Dividend

Dividends paid during the year ended 31 December 2017 are set out in the Consolidated Statement of Changes in Equity on page 100 for the Group and the Company Statement of Changes in Equity on page 103 for the Company.

In June 2017, a final dividend of 7.76 cent per ICG Unit was paid in respect of the financial year ended 31 December 2016. In October 2017, an interim dividend of 4.01 cent per ICG Unit was paid in respect of the financial year ended 31 December 2017.

The Board is proposing a final dividend of 8.15 cent per ICG Unit to be paid in respect of the financial year ended 31 December 2017 in June 2018.

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

Board of Directors

The Board members are listed on pages 54 to 55 of this report.

In accordance with the Constitution, one third of the Directors are required to retire from office at each Annual General Meeting of the Company. However, in accordance with the provisions contained in the UK Corporate Governance Code, the Board has decided that all Directors should retire at the 2018 Annual General Meeting and offer themselves for re-election. Biographical details of the Directors are set out on pages 54 to 55 of this report and the result of the annual board evaluation is set out on page 63.

Accounting Records

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

Going Concern

The Financial Statements have been prepared on the going concern basis and, the Directors report that they have satisfied themselves at the time of approving the financial statements that the Group and Company are going concerns, having adequate financial resources to continue in operational existence for the foreseeable future. In forming this view the Directors have considered the future cash requirements of the Group's business in the context of the economic environment of 2018, the principal risks and uncertainties facing the Group (pages 44 to 47), the Group's 2018 budget plan and the medium term strategy of the Group, including capital investment plans. The future cash requirements have been compared to bank facilities which are available to the Group and Company.

Viability Statement

The Directors have assessed ICG's viability over an extended timeframe of five years compared to three years previously used. The extended period was selected as the Directors believe that this reflects an appropriate timeframe for performing realistic assessments of future performance given the dynamic nature of our markets as regards the competitive landscape, economic activity, long life assets and the significant capital investment commitments related to new vessel construction contracts.

In making their assessment, the Directors took account of ICG's current financial and operational positions and contracted capital expenditure. Much of this work was performed in assessing the significant capital expenditure commitments made during the period where management presented investment proposals which were subject to examination and challenge by the Directors. These positions were also assessed against potential financial and operational impacts, in severe but plausible scenarios, of the principal risks and uncertainties and the likely degree of effectiveness of current and available mitigating actions as set out on pages 44 to 47. It was further assumed that functioning financial markets exist throughout the assessment period with bank lending available to the Group on normal terms and covenants.

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

Directors' Compliance Statement

The Directors acknowledge that they are responsible for securing compliance by the Company with its Relevant Obligations as defined with the Companies Act 2014 (the "Relevant Obligations").

The Directors confirm that they have drawn up and adopted a compliance policy statement setting out the Company's policies that, in the Directors' opinion, are appropriate to the Company respecting compliance by the Company with its Relevant Obligations.

The Directors further confirm the Company has put in place appropriate arrangements or structures that are, in the Directors' opinion, designed to secure material compliance with its Relevant Obligations. For the year ended 31 December 2017, the Directors have reviewed the effectiveness of these arrangements and structures during the financial year to which this Report relates.

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

Disclosure of information to statutory Auditors

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

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

International Financial Reporting Standards

Irish Continental Group presents its Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2017 and that have been adopted by the European Union.

Principal Risks and Uncertainties

The Group has a risk management structure in place which is designed to identify, manage and mitigate the threats to the business. The key risks facing the Group include operational risks such as risks to safety and business continuity, information security, commercial and market risks, combined with the risk of increased supply of shipping capacity due to the mobility of assets and financial and commodity risks arising in the ordinary course of business. Further details of risks and uncertainties are set out on pages 44 to 47.

REPORT OF THE DIRECTORS
CONTINUED

Substantial Shareholdings
The latest notifications of interests of 3% or more in the share capital of the Company received by the Company on or before 7 March 2018 and as at 31 December 2017 were as follows:

Beneficial Holder as Notified	7 March 2018		31 December 2017	
	Number of Units	% of Issued Units	Number of Units	% of Issued Units
Eamonn Rothwell	29,192,155	15.4%	29,192,155	15.4%
Wellington Management Company, LLP	24,650,264	13.0%	24,819,739	13.1%
Ameriprise Financial Inc.	15,260,710	8.0%	15,260,710	8.0%
Marathon Asset Management, LLP	11,175,814	5.9%	13,132,741	6.9%
BlackRock Inc.	9,892,024	5.2%	7,547,874	4.0%
FMR LLC	6,229,035	3.3%	6,229,035	3.3%

Directors, Secretary and their Interests
The interests of the Directors and Secretary of the Company and their spouses and minor children in the share capital of the Company at 31 December 2017 and 1 January 2017 all of which were beneficial, were as follows:

Director	31/12/2017 ICG Units	01/01/2017 ICG Units	31/12/2017 Share Options	01/01/2017 Share Options
John B. McGuckian	296,140	296,140	-	-
Eamonn Rothwell	29,192,155	28,092,842	993,000	2,200,000
Catherine Duffy	-	-	-	-
David Ledwidge	66,837	51,623	250,000	300,000
Brian O'Kelly	41,740	41,740	-	-
John Sheehan	15,000	15,000	-	-
Company Secretary				
Thomas Corcoran	158,488	113,081	373,000	440,000

ICG Units are explained on page 170 of this report.

Auditors
In accordance with Section 383(2) of the Companies Act 2014, the auditor, Deloitte, Chartered Accountants and Statutory Audit firm, continue in office and a resolution authorising the directors to fix their remuneration will be proposed at the forthcoming AGM. Details of Deloitte's appointment is set out on page 71.

Corporate Governance
The Group applies the principles and provisions of The UK Corporate Governance Code ("the Code") as adopted by the Irish Stock Exchange (ISE) and the UK Financial Conduct Authority and of the Irish Corporate Governance Annex ("the Irish Annex") issued by the ISE. A corporate governance statement is set out on pages 60 to 68 and are incorporated into this report by cross reference.

Key Performance Indicators
The Group uses a set of headline Key Performance Indicators (KPIs) to measure the performance of its operations. These KPIs are set out on pages 21 to 22 and are incorporated into this report by cross reference.

Future Developments
The W.B. Yeats is scheduled to commence sailings between Ireland and France on the Dublin-Cherbourg route in summer 2018. Following the completion of the summer season it will operate on the Group's Dublin – Holyhead route for the winter months. The versatility of the ship will allow us far greater flexibility going forward. This flexibility combined with the scale of the ship will greatly enhance the Group's revenue earning capability. For the first time, the Group will have a ship that can accommodate the peak summer traffic to France and also

provide our freight customers the capacity they need on the direct route to France. The ship will have the capacity to carry 1,216 cars or 165 trucks, but importantly can also accommodate 300 cars when it is carrying 165 trucks. The ship was formally named and the hull launched on the 19 January 2018.

On 2 January 2018, ICG announced it had entered into an agreement with the German company Flensburger Schiffbau-Gesselschaft & Co.KG (FSG) whereby FSG has agreed to build a cruise ferry for ICG at a contract price of €165.2 million and is scheduled for delivery during 2020. The cruise ferry will replace the MV Ulysses on the peak sailings between Dublin – Holyhead, with the MV Ulysses becoming the second vessel on the route. The ship will give ICG an increase in effective capacity from 200 freight units to 300 freight units on peak sailings. This will allow ICG to continue growing on the key Dublin – Holyhead route into the future. The vessel when completed, will be the largest cruise ferry in the world in terms of vehicle capacity.

The HSC Westpac Express was redelivered to the Group at the end of November 2017 as per the terms of the charter agreement with Sealift LLC. The vessel is currently undergoing a refurbishment programme to bring it up to Irish Ferries passenger service standards. Upon completion of this programme, the ship will be renamed HSC "Dublin Swift" and will replace the HSC "Jonathan Swift" on the Dublin – Holyhead fast craft service.

On 30 January 2018, ICG announced that it has entered into a Memorandum of Agreement ("MOA") for the sale of the HSC "Jonathan Swift" to Balearia Eurolineas Maritimas S.A. The agreed consideration of €15.5 million less broker's commission is payable in cash on delivery less a 10% deposit to be held in escrow. The vessel is to be delivered by the end of April 2018.

Events after the Reporting Period

The Board is proposing a final dividend of 8.15 cent per ICG Unit in respect of the results for the financial year ended 31 December 2017. On 2 January 2018, ICG announced that it had entered into an agreement with the German company Flensburger Schiffbau-Gesselschaft & Co.KG ("FSG") whereby FSG has agreed to build a cruise ferry for ICG at a contract price of €165.2 million and is scheduled for delivery during 2020. ICG announced on 30 January 2018 that it has entered into a Memorandum of Agreement ("MOA") for the sale of the High Speed Craft "Jonathan Swift" to Balearia Eurolineas Maritimas S.A for an agreed consideration of €15.5 million. This vessel will be delivered to the buyer in April 2018.

There have been no other material events affecting the Group since 31 December 2017.

Annual Report and Financial Statements

This Annual Report together with the Financial Statements for the financial year ended 31 December 2017 was approved by the Directors on 7 March 2018. The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Annual General Meeting

Notice of the Annual General Meeting, which will be held on Thursday 10 May 2018, will be notified to shareholders in April 2018.

On behalf of the Board

Eamonn Rothwell
Director

David Ledwidge
Director

7 March 2018
Registered Office: Ferryport, Alexandra Road, Dublin 1, Ireland.

CORPORATE GOVERNANCE STATEMENT

Dear shareholder,

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

The Group applies the principles and provisions of The UK Corporate Governance Code (“the Code”) issued by the Financial Reporting Council and the Irish Corporate Governance Annex (“the Irish Annex”) issued by the Irish Stock Exchange. We are reporting against the April 2016 edition of the Code. The Corporate Governance Report explains how the Group has applied the principles set out in the Code and the Irish Annex.

Your Board currently comprises two executive and four non-executive Directors. Further details on Board composition is set out on pages 54 and 55. During the year I led the annual board evaluation and concluded that the Board was as a whole operating effectively for the long term success of the Group. While the Group met the criteria of a smaller company under the equivalence thresholds contained in the Irish Annex as a strengthening of our corporate governance practices the Board evaluation was externally facilitated in line with commitments given in my 2016 Report.

The Remuneration Committee completed its review of the Group’s remuneration framework for executive Directors and senior executives and was presented as part of the Report of the Remuneration Committee to shareholders at the 2017 AGM. I am happy to report that the advisory resolution tabled at the 2017 AGM on the report of the Remuneration Committee received 90.9% acceptance, a significant improvement on previous acceptance rates.

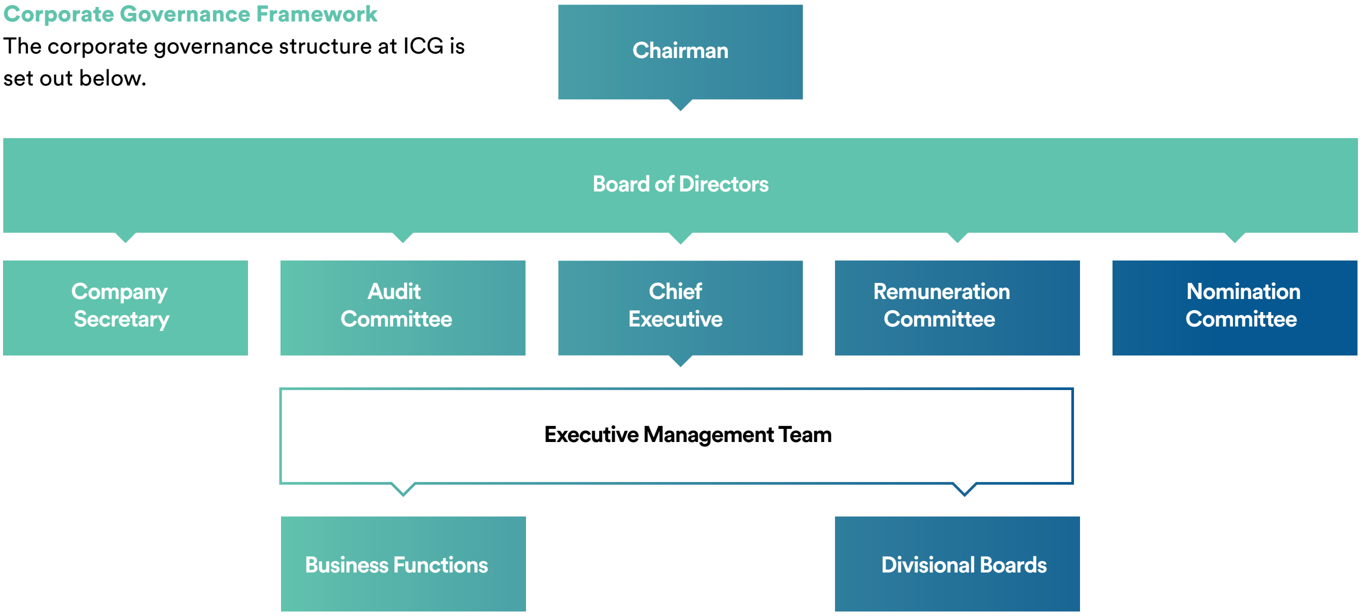
The reports from the Committee chairmen are set out on pages 69 to 84.

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

John B. McGuckian

Corporate Governance Framework

The corporate governance structure at ICG is set out below.



The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code issued in April 2016 by the Financial Reporting Council ("the Code"), as adopted by the Irish Stock Exchange (ISE), for which the Board is accountable to shareholders. The Irish Corporate Governance Annex ("the Irish Annex") issued by the ISE also applies to the Group. Under the interpretative provisions of the Irish Annex, the Group was regarded as a smaller company under the Code throughout 2017.

The Board considers that, having explained in this Statement, throughout the period under review the Group has been in compliance with the provisions of the Code and the requirements set out in the Irish Annex. The Report of the Remuneration Committee at page 83 explains why in relation to one Director a notice period in excess of one year may apply in limited circumstances.

The Code can be viewed on the Financial Reporting Council's (FRC) website (www.frc.org.uk) and the Irish Annex on the ISE website (www.ise.ie).

Leadership

The Board is collectively responsible for the long-term success of the Group through provision of leadership within a framework of prudent and effective controls which enables risk to be assessed and managed. Pursuant to the Constitution, the Directors of the Company are empowered to exercise all such powers as are necessary to manage and run the Company, subject to the provisions of the Companies Act 2014.

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

Schedule of matters reserved for Board decision: The Board has a formal schedule of matters specifically reserved to it for decision, which covers key areas of the Group's business including approval of financial statements, budgets (including capital expenditure), acquisitions or disposals, dividends and share redemptions, board appointments and setting the risk appetite. Certain additional matters are delegated to Board Committees, of which additional information is set out later in this report.

Board Committees: During the year ended 31 December 2017, there were three standing Board Committees with formal terms of reference; the Audit Committee, the Nomination Committee and the Remuneration Committee. In addition the Board will establish ad-hoc sub-committees to deal with other matters as necessary. All Board committees have written terms of reference setting out their authorities and duties delegated by the Board. The terms of reference are available, on request, from the Company Secretary and on the Group's website.

Details on the role of the committees and the work undertaken in the period under review are set out on pages 69, 73 and 75 respectively.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

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

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

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

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

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

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

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

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

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

Attendance at scheduled Board meetings during the year ended 31 December 2017 was as follows:

Member	A	B	Tenure
J. B. McGuckian (Chair)	8	8	30 years
E. Rothwell	8	8	31 years
C. Duffy	8	8	6 years
D. Ledwidge	8	8	2 years
B. O'Kelly	8	8	5 years
J. Sheehan	8	8	4 years

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

Effectiveness

Composition: The Board comprises of two executive and four non-executive Directors. Details of the professional and educational backgrounds of each director encompassing the experience and expertise that they bring to the Board are set out on page 54 to 55. The Board believes that it is of a size and structure and that, the Directors bring an appropriate balance of skills, experience, independence and knowledge to enable the Board to discharge its respective duties and responsibilities effectively, with no individual or group of individuals dominating the Board's decision making. Each of the non-executive Directors has a broad range of business experience independent of the Group both domestically and internationally.

Independence: All of the non-executive Directors are considered by the Board to be independent of management and free of any relationships which could interfere with the exercise of their independent judgement. In considering their independence, the Board has taken into account a number of factors including their length of service on the Board, other directorships held and material business interests.

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

Catherine Duffy is Chairman at law firm A&L Goodbody from whom the Company has received legal services in their capacity as legal advisors to the Company. Details of the expenses incurred, which were on an arm's length basis at standard commercial terms, are set out at note 32 to the Financial Statements. In her role at A&L Goodbody, Catherine has not been involved in providing advice to the Company. The Board, as advised by the Nomination Committee, has considered the relationship and does not consider it to affect Catherine's independence as a non-executive director of the Company.

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

The terms and conditions of appointment of non-executive Directors appointed after 2002 are set out in their letters of appointment, which are available for inspection at the Company's registered office during normal office hours and at the Annual General Meeting of the Company.

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

The Board recognises the need for Directors to be aware of their legal responsibilities as Directors and it ensures that Directors are kept up to date on the latest corporate governance guidance, company law developments and best practice.

Access to Advice: There is a procedure for Directors in the furtherance of their duties to take independent professional advice, at the expense of the Group, if they consider this necessary. The Group carries director liability insurance which indemnifies Directors in respect of legal actions that may be taken against them in the course of discharging their duties as directors.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Performance Evaluation: The Board conducts an annual self-evaluation of the Board as a whole, the Board processes, its committees and individual Directors. The purpose of the evaluation process include identification of improvements in Board procedures and to assess Directors suitability for re-election. The process which is led by the Chairman, is forward looking in nature. As part of a previous commitment, the 2017 evaluation process was externally facilitated as part of a triennial cycle. Mr George Bartlett FCIS was appointed as external facilitator.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

As part of the 2017 evaluation all Directors were provided with a self-assessment questionnaire for completion on-line. The inquiry areas included corporate strategy, business principles, internal controls and risk management, performance and measurement, stakeholder interaction, Board composition, boardroom processes, Board effectiveness and Chairman performance. The responses were collated and the external facilitator presented a report of the questionnaire findings together with observations thereon. The Chairman used this report to lead a discussion with the Board on overall effectiveness. Within this process, the non-executive Directors, led by the Senior Independent Director, evaluated the Chairman's performance. The performance of individual directors was also assessed by the Chairman following discussions, held by the Chairman, with directors on an individual basis.

Following conclusion of the process the Chairman reported to the Board on the outcome of the evaluation process which indicated that the Board as a whole was operating effectively for the long-term success of the Group and that each Director was contributing effectively and demonstrating commitment to the role. While no areas of concern were highlighted a number of Board process matters are to be followed up with a view to improving overall reporting to the Board.

Separately, the Senior Independent Director reported that the Chairman was providing effective leadership of the Board.

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

The Board has described its business model on page 16 setting out how the Company generates value over the longer term and the strategy for delivering the objectives of the Company.

The Board has overall responsibility for determining the Group's risk appetite but has delegated responsibility for the review, design and implementation of the Group's internal control system to the Audit Committee. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

In accordance with Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014) issued by the FRC, the Board confirms that there is a continuous process for identifying, evaluating and managing the significant risks faced by the Group, that it has been in place for the period under review and up to the date of approval of the financial statements, and that this process is regularly monitored by the Board. The report of the Audit Committee is set out on pages 69 and 72 and the risk management framework and processes are set out on pages 42 and 47.

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

Taking account of the Group's current position and principal risks the Directors have set out in the Viability Statement on page 56 their assessment of the prospects for the Group.

Remuneration
The Board has delegated the approval of remuneration structures and levels of the executive Directors and senior management to the Remuneration Committee whose report is set out at pages 75 to 84.

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

The Board encourages communications with shareholders and welcomes their participation at all general meetings of the Company. The Board notes that 19% of the proxy votes held by the Board at the 2017 AGM held on 17 May 2017 on the special resolution to convene certain general meetings on 14 clear days' notice were cast against the resolution. Following engagement the Company understands that certain shareholders as a policy do not support this type of resolution. The Directors consider that it is in the best interests of the Company to retain the flexibility of short notice but the Directors will only use the authority where merited by the purpose of the meeting.

Regular formal updates are provided to shareholders and are available on the Group's website. During 2017 these included Trading Updates, the Half-Yearly Financial Report, and the Annual Report and Financial Statements together with investor presentations. Irish Continental Group's website, www.icg.ie, also provides access to other corporate and financial information, including all regulatory announcements and a link to the current ICG Unit price.

Arrangements will be made for the 2017 Annual Report and 2018 Annual General Meeting Notice to be available to shareholders 20 working days before the meeting and for the level of proxy votes cast for and against each resolution and the number of abstentions, to be announced at the meeting. Further details on the procedures applicable to general meetings are set out on page 66.

Further investor relations information is available on pages 170 to 172 of this report.

Matters pertaining to share capital

The information set out below is required to be contained in the Report of the Directors under Regulation 21 of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 (S.I. 255/2006). The information represents the position at 31 December 2017.

For the purposes of Regulations 21(2)(c), (e), (j) and (k) of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 (S.I. 255/2006), the information given under the following headings: (i) Substantial Shareholdings page 58; (ii) Share Option Plans page 84; (iii) Long Term Incentive Plan page 81; (iv) Service Contracts page 83; and (v) Share-based Payments page 150, (vi) Borrowings page 136 are deemed to be incorporated into this statement.

Share capital

The authorised share capital of the Company is €29,295,000 divided into 450,000,000 ordinary shares of €0.065 each (Ordinary Shares) and 4,500,000,000 Redeemable Shares of €0.00001 each (Redeemable Shares). The Ordinary Shares represent approximately 99.85% and the Redeemable Shares represent approximately 0.15% of the authorised share capital. The issued share capital of the Company as at the date of this Report is 189,994,390 Ordinary Shares. There are no Redeemable Shares currently in issue.

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

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

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

The structure of the Group's and Company's capital and movement during the year are set out in notes 19 and 20 to the financial statements.

Restrictions on the transfer of shares

Save as set out below there are no limitations in Irish law on the holding of ICG Units and there is no requirement to obtain the approval of the Company, or of other holders of ICG Units, for a transfer of ICG Units. Certain restrictions may from time to time be imposed by laws or regulations such as those relating to insider dealing.

Transfers of Ordinary Shares and Redeemable Shares can only be effected where the transfer involves a simultaneous transfer of the other class of shares with which such shares are linked as an ICG Unit. An ICG Unit comprised one Ordinary Share and nil Redeemable Shares at 31 December 2017 and 31 December 2016.

ICG Units are, in general, freely transferable but the Directors may decline to register a transfer of ICG Units upon notice to the transferee, within two months after the lodgement of a transfer with the Company, in the following cases:

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

(ii) a lien is held by the Company;

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

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

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

CORPORATE GOVERNANCE STATEMENT
CONTINUED

ICG Units held in certificated form are transferable upon production to the Company's Registrars of the original share certificate and the usual form of stock transfer or instrument duly executed by the holder of the shares.

ICG Units held in uncertificated form are transferable in accordance with the rules or conditions imposed by the operator of the relevant system which enables title to the ICG Units to be evidenced and transferred without a written instrument and in accordance with the Companies Act, 1990 (Uncertificated Securities) Regulations 1996 (S.I. 68/1996) and Section 1085 of the Companies Act 2014.

The rights attaching to Ordinary Shares and Redeemable Shares comprised in each ICG Unit remain with the transferor until the name of the transferee has been entered on the Register of Members of the Company.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions in the transfer of securities or voting rights.

The powers of the Directors including in relation to the issuing or buying back by the Company of its shares

Under the Constitution of the Company, the business of the Company is to be managed by the Directors who may exercise all the powers of the Company subject to the provisions of the Companies Acts 2014, the Constitution of the Company and to any directions given by members at a General Meeting. The Constitution further provides that the Directors may make such arrangements as may be thought fit for the management of the Company's affairs including the appointment of such attorneys or agents as they consider appropriate and delegate to such persons such powers as the Directors may deem requisite or expedient.

At the Company's Annual General Meeting held on 17 May 2017, member resolutions were passed whereby

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

(ii) the Directors were authorised until the conclusion of the next Annual General Meeting, to allot shares up to an aggregate nominal value of 33.33% of the then present issued Ordinary Share capital and the present authorised but unissued Redeemable Share capital of the Company, equivalent to 62,763,519 ICG Units.

In line with market practice, members will be asked to renew these authorities at the 2018 Annual General Meeting.

General Meetings and Shareholders Voting and other Rights

Under the Constitution, the power to manage the business of the Company is generally delegated to the Directors. However, the members retain the power to pass resolutions at a General Meeting of the Company which may give directions to the Directors as to the management of the Company.

The Company must hold a General Meeting in each year as its Annual General Meeting in addition to any other meetings in that year and no more than fifteen months may elapse between the date of one Annual General Meeting and that of the next. The Annual General Meeting will be held at such time and place as the Directors determine. All General Meetings, other than Annual General Meetings, are called Extraordinary General Meetings.

Extraordinary General Meetings shall be convened by the Directors or on the requisition of members holding, at the date of the requisition, not less than five percent of the paid up capital carrying the right to vote at General Meetings and in default of the Directors acting within 21 days to convene such a meeting to be held within two months, the requisitionists (or more than half of them) may, but only within three months, themselves convene a meeting.

No business may be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Three members present in person or by proxy and entitled to vote at such meeting constitutes a quorum.

The holders of ICG Units have the right to receive notice of, attend, speak and vote at all General Meetings of the Company.

In the case of an Annual General Meeting or of a meeting for the passing of a Special Resolution or the appointment of a Director, 21 clear days' notice at the least, and in any other case 14 clear days' notice at the least (assuming that the members have passed a resolution to this effect at the previous year's Annual General Meeting), needs to be given in writing in the manner provided for in the Articles to all the members, Directors, Secretary, the Auditor for the time being of the Company and to any other person entitled to receive notice under the Companies Act.

Voting at any General Meeting is by a show of hands unless a poll is properly demanded. On a show of hands, every member who is present in person or by proxy has one vote regardless of the number of shares held by a shareholder. On a poll, every member who is present in person or by proxy has one vote for each share of which he/she is the holder. A poll may be demanded by the Chairman of the meeting or by at least three members having the right to vote at the meeting or by a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or by a member or members holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Deadlines for exercising voting rights

Voting rights at General Meetings of the Company are exercised when the Chairman puts the resolution at issue to the vote of the meeting. A vote decided on a show of hands is taken forthwith. A vote taken on a poll for the election of the Chairman or on a question of adjournment is also taken forthwith and a poll on any other question is taken either immediately, or at such time (not being more than 30 days from the date of the meeting at which the poll was demanded or directed) as the Chairman of the meeting directs. Where a person is appointed to vote for a member as proxy, the instrument of appointment must be received by the Company not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the appointed proxy proposes to vote, or, in the case of a poll, not less than 48 hours before the time appointed for taking the poll.

Shareholders Rights (Directive 2007/36/EC)

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

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

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

Rights to dividends and return of capital

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

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

Rules concerning amendment of the Company's Constitution

As provided in the Companies Act 2014, the Company may, by special resolution, alter or add to its Constitution. A resolution is a special resolution when it has been passed by not less than 75% of the votes cast by members entitled to vote and voting in person or by proxy, at a General Meeting at which not less than 21 days' notice specifying the intention to propose the resolution as a special resolution, has been duly given.

Rules concerning the appointment and replacement of Directors of the Company

Other than in the case of a casual vacancy, Directors of the Company are appointed on a resolution of the members at a General Meeting, usually the Annual General Meeting.

No person, other than a Director retiring at a General Meeting is eligible for appointment as a Director without a recommendation by the Directors for that person's appointment unless, not less than six or more than 40 clear days before the date of the General Meeting, written notice by a member, duly qualified to

CORPORATE GOVERNANCE STATEMENT
CONTINUED

be present and vote at the meeting, of the intention to propose the person for appointment and notice in writing signed by the person to be proposed of willingness to act, if so appointed, shall have been given to the Company.

The Directors have power to fill a casual vacancy or to appoint an additional Director (within the maximum number of Directors fixed by the Constitution of the Company (as may be amended by the Company in a General Meeting)) and any Director so appointed holds office only until the conclusion of the next Annual General Meeting following their appointment, when the Director concerned shall retire, but shall be eligible for reappointment at that meeting.

Each Director must retire from office not later than the third Annual General Meeting following their last appointment or reappointment. In addition, one third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to one third), are obliged to retire from office at each Annual General Meeting on the basis of the Directors who have been longest in office since their last appointment.

The Company has adopted the provisions of the UK Corporate Governance Code in respect of the annual election of all Directors. All Directors will retire at the forthcoming Annual General Meeting and following review are being recommended for re-election.

A person is disqualified from being a Director, and their office as a Director ipso facto vacated, in any of the following circumstances:

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

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

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

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

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

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

(vii) if he is convicted of an indictable offence not being an offence under the Road Traffic Act, 1961 or any statutory provision in lieu or modification thereof.

Notwithstanding anything in the Constitution or in any agreement between the Company and a Director, the Company may, by Ordinary Resolution of which the required notice has been given in accordance with Section 146 of the Companies Act 2014, remove any Director before the expiry of their period of office.

REPORT OF THE AUDIT COMMITTEE

Dear shareholder,

I am pleased to present the report of the Committee for the year ended 31 December 2017.

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

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

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

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

John Sheehan
Chair of the Audit Committee

Composition

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

Member	A	B	Tenure
J. Sheehan (Chair)	3	3	4 years
C. Duffy	3	3	6 years
B. O'Kelly	3	3	5 years

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

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

The members bring significant professional expertise to their roles gained from a broad level of experience gained outside of the Group. This together with their experience as directors of the Company the Committee as a whole has competence relevant to the sector in which the Group operates. The member's biographies are set out on pages 54 to 55. The Board has determined that all appointees are independent, that Brian O'Kelly and John Sheehan have recent and relevant financial experience and that all members have experience of corporate financial matters. Overall the Committee is independent and possesses the skills and knowledge to effectively discharge its duties under the Committee's Terms of Reference. The Company Secretary acts as secretary to the Committee.

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

Role and Responsibilities

The role, responsibilities and duties of the Audit Committee are set out in written terms of reference which were last reviewed by the Board in December 2017. The terms of reference are available on the Group's website www.icg.ie.

The principal responsibilities of the Committee cover the following areas:

- Supporting the Board in fulfilling its responsibilities in relation to the integrity of financial reporting and advises whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position, performance, business model and strategy;
- Monitor the effectiveness of the Group's internal controls and financial risk management systems, including the internal audit function;

REPORT OF THE AUDIT COMMITTEE
CONTINUED

- Managing the relationship with the external auditor, including consideration of the appointment of the external auditor, the level of audit fees, and any questions of independence, provision of non-audit services, resignation or dismissal. The Committee discusses with the external auditor the nature and scope of the audit and the findings and results; and
- Overseeing the operation of the Group's whistleblowing procedures.

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

Financial Reporting
The Committee reviewed the Group's Half Yearly Financial Report for the six months ended 30 June 2017, the Statement of Results and Annual Report & Financial Statements, for the financial year ended 31 December 2017 and the two Trading Statements issued during the year. These reviews considered:
- The appropriateness of the Group's accounting policies and practices;
- The consistency of the Group's accounting policies and their application;
- The clarity and completeness of disclosures and compliance with financial reporting standards, legislative and regulatory requirements;
- Whether these reports, taken as a whole, were fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy;
- A comparison of these results with management accounts; and
- The critical accounting judgements and key sources of estimation applied in the preparation of the financial statements.

In assessing if the financial statements have dealt appropriately with each area of judgement the Committee challenged the key assumptions and methodologies used by management in formulating estimates. The critical accounting judgements and key sources of estimation applied in the preparation of the financial statements for the financial year ended 31 December 2017 are set out below and also discussed in detail on page 118 to 119.

Post-employment benefits
The Group operates a number of group sponsored pension schemes and is also a participating employer in the Merchant Navy Officers Pension Fund, a multi-employer scheme. Details of these schemes are set out in note 31 to the financial statements. The size of the pension obligations is material to the Group and sensitive to actuarial assumptions. The Committee has reviewed actuarial advice on the assumptions provided by the Group actuary and discussed these with the External Auditor. The Committee was satisfied that the assumptions used were reasonable and that the obligations set out in the financial statements are consistent with the assumptions.

Going concern
The Committee reviewed the appropriateness of using a going concern assumption for the preparation of the Group Financial Statements. The Committee considered future trading projections and available committed borrowing facilities agreed during the year. The Committee were therefore satisfied that the Group will have adequate financial resources to continue in operational existence for the foreseeable future. The Going Concern Statement is set out on page 56.

Viability Statement
The Committee reviewed the appropriateness of the assumptions and scenarios together with the calculations supporting the Viability Statement set out on page 56.

Useful lives for property, plant and equipment and intangible assets
Long-lived assets comprising primarily of property, plant and equipment and intangible assets represent a significant portion of total assets. Changes in the useful lives or residual values may have a significant impact on the annual depreciation and amortisation charge. The Committee reviewed the useful lives of significant assets, along with the residual values used for vessels, and were satisfied that the estimates used were reasonable.

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

The Committee also reviewed the calculation and presentation of the non-trading item related to the disposal of the vessel MV Kaitaki.

Following discussion with management and the external auditor the Committee is satisfied that the financial statements have dealt appropriately with each area of judgement. The external auditor has also reported to the Committee on any misstatements noted during their audit work in respect of the financial statements for the financial year ended 31 December 2017 and confirmed that there were no material unadjusted misstatements noted by them.

Based on this work the Committee reported to the Board that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance and recommended that the Annual Report and Financial Statements be approved by the Board.

Internal Control

The risk management framework is set out on page 42. The Committee, on behalf of the Board, reviews the effectiveness of the Group's control environment including internal controls and financial risk management systems.

During the year, at the request of the Committee executive management formally constituted an executive risk management group to coordinate a unified system of ongoing identification, monitoring and reporting of risks throughout the Group. This was an initiative to further enhance and standardise across the Group the previous work of divisional teams. The activities of the risk management group are undertaken alongside the activities of internal audit.

In October 2017 the Committee met with members of the Executive Risk Management Group where presentations were made by the Group Marine and Safety Manager and the Internal Auditor on operational and financial risks. The presentations outlined work undertaken to date in standardising risk monitoring systems and proposed schedules of work over the coming year. The Committee also received regular reports throughout the year including internal audit reviews, operational and safety risk reviews including information technology and cyber security. In addition the Chairman met separately with the Internal Auditor on two occasions.

The Committee undertook a review of the Risk Management Group's and Internal Audit activities in order to assess how effectively it had performed during the year and ensure that the transition did not weaken the risk monitoring process. Following the review, the Committee was satisfied that the Risk Management Group and Internal Audit were achieving their objectives. Furthermore, the deployment of its standardised process would enhance existing processes. Overall the Committee continues to be satisfied that the Group control environment remains appropriate.

External Audit

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

Deloitte confirmed to the Company that they comply with the Ethical Standards for Auditors (Ireland) 2016 as issued by IAASA and that, in their professional judgement, they and, where applicable, all Deloitte network firms are independent and their objectivity is not compromised.

The Committee met with Deloitte prior to the commencement of the audit of the financial statements for the financial year ended 31 December 2017. The Committee considered Deloitte's internal policies and procedures for maintaining independence and objectivity and their approach to audit quality. The Committee assessed the quality of the external audit plan as presented by Deloitte and satisfied itself as to the expertise and resources being made available. The Committee also reviewed the terms of the Letter of Engagement and approved the level of remuneration.

Deloitte reported their key audit findings to the Committee in March 2018 prior to the finalisation of the financial statements. This report, which included a schedule of unadjusted errors and misstatements, significant judgements and estimations and key areas of risk, was considered by the Committee in forming their recommendation to the Board. The Committee also considered the representations sought by Deloitte from the Directors.

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

The Committee evaluated Deloitte's performance which included an assessment of Deloitte's communication process with the Committee and senior management, knowledge of the Group and industry sector and resource commitment to the external audit and the Committee is satisfied that Deloitte remain effective, objective and independent. The Committee therefore recommended to the Board that Deloitte be retained as auditors to the Group for financial year 2018.

REPORT OF THE AUDIT COMMITTEE
CONTINUED

Deloitte was first appointed by the Company to audit its financial statements for the financial year ended 31 October 1988 and subsequent financial periods. The lead partner is rotated every five years to ensure continued objectivity and independence. Mr. Ciarán O'Brien has acted as lead partner for the audit of the 2017 Financial Statements having been appointed to that role during 2016.

The Committee notes the commencement of the European Union (Statutory Audits) (Directive 2006/43/EC, as Amended by Directive 2014/56/EU, and Regulation (EU) No 537/2014) Regulations 2016 (SI 312 of 2016), the "Statutory Audit Regulations". Under the Statutory Audit Regulations, the Group will at the latest be required to conduct a tender process for the external audit in respect of the financial year 2021. As Deloitte will have served in excess of 20 years at that time they will not be eligible for re-appointment. The Committee will initiate a tender process in sufficient time to allow for an orderly transition to the new external auditor.

Non-Audit Services

The Committee permits the external auditor to provide non-audit services where they are permitted under the Statutory Audit Regulations and are satisfied that they do not conflict with auditor independence. The Committee's policy on the provision of non-audit services requires that each engagement for the provision of non-audit services requires approval of the Committee. The Committee approved the engagement of the external auditor to provide certain tax compliance services in respect of the 2017 financial year. This approval was granted on the basis of procedural efficiency and having considered that the level of fees would be unlikely to affect the independence of the external auditor.

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

Whistleblowing Procedures

The Group has a suite of policies covering employee conduct which are available on the internal staff intranet. Employees are reminded to refresh their knowledge of these policies at least annually. These policies include a whistleblowing policy formulated by the Committee and procedures are in place to enable employees to raise, in a confidential manner, any genuine concerns about possible financial impropriety or other wrongdoing. The Committee last reviewed this policy and procedures in November 2017.

REPORT OF THE NOMINATION COMMITTEE

Dear shareholder,

I am pleased to present the report of the Committee for the year ended 31 December 2017. This report sets out how the Committee fulfilled its duties under its Terms of Reference and the UK Corporate Governance Code.

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

Catherine Duffy
Chair of the Nomination Committee

Composition

The Nomination Committee membership is set out in the table below which also details attendance and tenure. All Directors bring significant professional expertise to their roles on this Committee as set out in their professional biographies on pages 54 to 55.

Member	A	B	Tenure
C. Duffy (Chair)*	1	1	5 years
B. O'Kelly*	1	1	1 year
J. Sheehan*	1	1	1 year
E. Rothwell	1	1	18 years

*Independent director

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

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

Role and Responsibilities

The role, responsibilities and duties of the Nomination Committee are set out in written terms of reference which were last reviewed by the Board in December 2017. The terms of reference are available on the Group's website www.icg.ie.

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

The Chairman provides an update to the Board on key matters discussed and minutes are circulated to the Board.

REPORT OF THE NOMINATION COMMITTEE
CONTINUED

Work Performed
The Committee met once during the year.

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

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

The Committee reviewed the performance of Catherine Duffy as a Director of the Company during her second three year term and recommended her re-appointment as a Director of the Company for a further three year term subject to annual re-election by shareholders at the AGM. In considering her re-appointment the Committee assessed that her role with A&L Goodbody, who provide legal services to the Group, did not compromise her independence as a Director of the company. In assessing the impact of her position in A&L Goodbody, the committee took into consideration the overall level of fees paid by ICG to A&L Goodbody are unlikely to be material to the overall partnership income.

The Committee also reconfirmed their previous assessment of the independence of the two other non-executive Directors, Brian O'Kelly and John Sheehan.

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

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

REPORT OF THE REMUNERATION COMMITTEE

Dear shareholder,

I am pleased to present the Report of the Remuneration Committee for the year ended 31 December 2017.

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

The Committee completed a review of the Group's remuneration framework for executive Directors and senior executives during the year. A number of changes to existing practices together with the adoption of a new Performance Share Plan following approval by shareholders at the 2017 AGM form a revised framework. In revising the remuneration framework we have sought the flexibility to choose the most appropriate remuneration structure for our business needs and strategy.

The Company will also be submitting this report to shareholders as an advisory resolution at the 2018 AGM.

Brian O'Kelly
Chair of the Remuneration Committee

Composition

The Committee membership is set out in the table below which also details attendance and tenure. All Directors bring significant professional expertise to their roles on this Committee as set out in their professional biographies on pages 54 to 55.

Member	A	B	Tenure
B. O' Kelly (Chair)	4	4	5 years
J. Sheehan	4	4	4 years
C. Duffy	4	4	1 year

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

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

Role and Responsibilities

The role, responsibilities and duties of the Committee are set out in written terms of reference which were last reviewed and updated by the Board in December 2017. The terms of reference are available on the Group's website www.icg.ie.

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

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

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

REPORT OF THE REMUNERATION COMMITTEE
CONTINUED

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

The work performed included consideration of levels of executive Director and senior management remuneration. The level of basic salaries were reviewed by the Committee having regard to job specification, level of responsibility, individual performance and market practice. The Committee approved performance awards, to certain employees, based on Group, business unit and individual performance. The Committee determined the vesting of options under the 2009 Share Option Plan previously granted during 2012 and 2014. The Committee also undertook a review of the existing and proposed a new remuneration framework which is discussed in more detail below.

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

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

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

Following the approval of a new Performance Share Plan (PSP) at the 2017 AGM, the Committee suspended future grants under the existing Share Option Plan. A cornerstone of the PSP is the creation of a mandatory alignment period of 8 years.

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

Remuneration Framework Effective from 1 January 2017

Element	Operation	Maximum Opportunity
Base Salary To attract and retain high calibre individuals	Base salaries are reviewed by the Committee annually in the last quarter of the year with any adjustments to take effect from 1 January of the following year. Factors taken into account in the review include the individual's role and level of responsibility, personal performance and general developments in pay in the market generally and across the Group.	There is no prescribed maximum salaries or maximum increases. Increases will broadly reflect increases across the Group and in the market generally. Increases may be higher to reflect changes in responsibility or market changes and in the case of newly appointed individuals to progressively align salary with market norms.
Benefits To be competitive with the market	Benefits include the use of a company car or an equivalent cash amount, club subscriptions, life and health insurance.	No maximum levels are prescribed as benefits will be related to each individual circumstances.
Annual Bonus To reward achievement of annual performance targets	Individuals will receive annual bonus awards based on the achievement of financial targets and personal objectives agreed prior to the start of each financial year. Threshold levels will be set for minimum and maximum awards with pro-rata payments between the two points. Due to commercial sensitivity the targets will not be disclosed in advance but may be disclosed retrospectively. For executive directors and members of the executive committee a minimum of 50% of any bonus earned, after allowing for payroll taxes, will be invested in ICG equity which must be held for a period of 5 years. A formal clawback policy whereby all or a portion of the share award is subject to clawback for a period of two years in certain circumstances. Further details of the clawback policy are on page 84. The Committee retains discretion to adjust any award to reflect the underlying financial position of the Company and to agree awards outside of the above framework in respect of recent joiners and leavers.	The maximum award in any period of 12 months may not exceed 200% of base salary in the case of the CEO and 150% of base salary in the case of any other individual. An existing contractual annual bonus arrangement will continue to apply to the existing CEO Mr. Eamonn Rothwell in lieu of the arrangements described here and is explained in further detail under the report on 2017 executive director remuneration outcomes.

REPORT OF THE REMUNERATION COMMITTEE
CONTINUED

Remuneration Framework Effective from 1 January 2017 – continued

Element

Performance Share Plan
To align the interests of individuals with the long term interests of the Company's shareholders

Operation

The Committee will grant nominal cost options to individuals to acquire equity in the Company. The vesting period is normally 3 years with the extent of vesting based on the performance conditions set out below.

Any vesting of awards is subject to the Committee discretion that it is satisfied that the Company's underlying performance has shown a sustained improvement in the period since the date of grant.

No re-testing of the vesting performance conditions is permitted.

Options will normally be exercised upon vesting and any ICG equity delivered to an individual will be held for a period of 5 years, except to the extent that the Committee allow such number of the shares delivered to be sold to facilitate the discharge of any tax liabilities.

The plan incorporates market standard good leaver / bad leaver provisions.

Options may vest early in the event of a takeover, merger, scheme of arrangement or other similar event involving a change of control of the Company, subject to the pro-rating of the share awards, to reflect the shortened performance period since the date of grant, though the Committee can exercise its discretion not to apply pro-rating if it considers it to be inappropriate given any particular circumstances.

The Committee in exercising its discretion under the rules of the PSP may (i) re-calibrate the performance conditions and change their relative weightings (ii) introduce new and retire old performance measures; provided that any changes are no less challenging, are aligned with the interests of the Company's shareholders and are disclosed in the Committee's report to shareholders.

A formal clawback policy whereby all or a portion of the share award is subject to clawback for a period of two years post vesting in certain circumstances. Further details of the clawback policy are on page 84.

The performance conditions, which are measured over a three year vesting period are currently based on;

- Adjusted Diluted Earnings per Share (EPSd)
- Return on Average Capital Employed (ROACE)
- Free Cash Flow Ratio (FCFR)
- Total Shareholder Return (TSR)

Each condition is equally weighted and in all cases 30% vests at threshold performance and 100% vests at maximum with pro-rata vesting between these two levels.

The performance levels are currently calibrated as follows;

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

Maximum Opportunity

The market value of any PSP awards in any period of 12 months may not exceed 200% of base salary in the case of the CEO and 150% of base salary in the case of any other individual.

In exceptional situations, including recruitment, higher awards may be granted but not exceeding 300% of base salary.

Remuneration Framework Effective from 1 January 2017 – continued

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

Remuneration Outcomes for Executive Directors in 2017

Total Directors' remuneration for the year was €3,447,000 compared with €2,860,000 in 2016 and details are set in the table below:

	Base Salary €'000	Performance pay: Restricted shares €'000	Performance pay: Cash €'000	Benefits €'000	Pension €'000	Fees €'000	Total 2017 €'000
Executive Directors							
E. Rothwell	538	2,195	-	35	-	-	**2,768**
D. Ledwidge	184	88	80	22	30	-	**404**
Total for executives	**722**	**2,283**	**80**	**57**	**30**	**-**	**3,172**
Non-executive Directors							
J. B. McGuckian	-	-	-	-	-	125	**125**
C. Duffy	-	-	-	-	-	50	**50**
B. O'Kelly	-	-	-	-	-	50	**50**
J. Sheehan	-	-	-	-	-	50	**50**
Total for non-executives	**-**	**-**	**-**	**-**	**-**	**275**	**275**
Total	**722**	**2,283**	**80**	**57**	**30**	**275**	**3,447**

REPORT OF THE REMUNERATION COMMITTEE
CONTINUED

Details of Directors' remuneration for the year ended 31 December 2016 are set out below:

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

In relation to Mr. David Ledwidge costs in relation to defined benefit pension arrangements were €20,000 (2016: €20,000) with a further €10,000 (2016: €7,000) related to the defined contribution pension arrangements. Mr. Ledwidge was appointed to the Board on 3 March 2016.

In relation to Mr. Rothwell €0.6 million (2016: €nil) of performance pay has been included as a non-trading item (note 10) in relation to the disposal of MV Kaitaki.

The information above forms an integral part of the audited Consolidated Financial Statements as described in the Basis of Preparation on page 107.

Base Salary

Base salary for Eamonn Rothwell, CEO, increased by 2.5% in 2017 versus 2016 which was in line with the increase awarded to all employees generally. In terms of a wider comparator group the Committee noted that the CEO pay level was below median base salaries of the bottom half of the FTSE 250 constituent companies.

Mr. David Ledwidge, CFO, was appointed to the Board on 3 March 2016. His salary is reported from that date and was set at a level commensurate with his experience with the Group with the expectation that subject to individual and Group performance that this level of salary will rise progressively over a number of years to comparable levels in the market for similar roles. Against these considerations, in 2017, the Committee awarded Mr. Ledwidge a 15% increase in annualised base salary.

Director's Pension benefits

The aggregate defined benefit pension benefits attributable to the executive Directors at 31 December 2017 are set out below:

	E. Rothwell	D. Ledwidge	Total 2017	Total 2016
	€'000	€'000	€'000	€'000
Increase in accumulated accrued annual benefits (excluding inflation) in the period	-	1	1	1
Transfer value of the increase in accumulated accrued benefits (excluding inflation) at year end*	-	2	2	1
Accumulated accrued annual benefits on leaving service at year end	-	14	14	12

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

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

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

Performance Related Pay

Eamonn Rothwell

Eamonn Rothwell has been associated with ICG since its inception as a public company and floatation in 1988. A legacy contractual arrangement governs Mr. Rothwell's performance related pay.

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

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

100% of the 2017 annual bonus award was allocated towards the acquisition of restricted shares.

David Ledwidge

David Ledwidge was appointed Executive Director on 6 March 2016. The Committee assessed Mr. Ledwidge's performance in his new role over the period since appointment and in particular his development within the sphere of his greater responsibility. The assessment concluded that Mr. Ledwidge was performing in line with expectations which included his contribution to investment appraisal and the conclusion of a financing package to support the longer term development of the Group. On this basis, taking account of market norms and the expectation that, subject to performance at an individual and Company level, his remuneration will rise progressively over a number of years to comparable levels in the market for similar roles the Committee concluded that an annual bonus award of €168,000, being 91% of annualised base salary was appropriate. Of this annual bonus award, 52% was allocated towards the acquisition of restricted shares with the balance received in cash.

Restricted Shares

In relation to any element of the annual performance award paid through the restricted share plan, shares are held in trust for the beneficiaries and may not be sold for a period of 5 years and one month from the date of grant, aligning the value of the award with Group performance over the restricted period.

Long Term Incentive

Grants during 2017

The long term incentive scheme applicable for the 2017 financial year was the Performance Share Plan approved by shareholders on 17 May 2017. The Committee had previously suspended awards under the 2009 Share Option Plan pending completion of the review of the remuneration framework. Therefore, no long term incentive awards were made to executive directors or any other individuals since 2015.

REPORT OF THE REMUNERATION COMMITTEE
CONTINUED

On 23 May 2017 the Committee, granted an annual award of options in respect of 2017 to Mr. Rothwell and Mr. Ledwidge in line with the annual limits set out in the PSP rules being 200% and 150% of salary respectively. In addition the Committee considered that the suspension of awards since 2015 amounted to exceptional circumstances such that an additional catch-up award in relation to 2016 was merited such that an additional award of 100% and 150% of base salary was awarded to Mr. Rothwell and Mr. Ledwidge respectively. The total number of options granted to Mr. Rothwell and Mr. Ledwidge based on a share price of €5.505 were 293,000 and 100,000 respectively.

Options Vested during 2017
During the period the Committee considered the performance conditions attaching to the second tier options granted on 26 March 2012 and basic tier options granted on 1 September 2014 under the legacy Share Option Plan. Under the rules of the Share Option Plan, the Committee determined that both grants vested based on reported Group EPS for the year ended 31 December 2016, and accordingly 1,352,500 outstanding options were deemed vested in favour of participants during the year, including 150,000 second tier options in favour of Mr. David Ledwidge.

Details of movements in share options granted to Directors under the Performance Share Plan and the legacy share option plan are set out in the table below;

Option Type	Date of Grant	31-Dec-16	Granted	Vested	Exercised	31-Dec-17	Option Price€	Earliest Vesting Date	Latest Expiry Date
E. Rothwell									
Unvested									
Basic Tier Share Option	05-Mar-15	350,000	-	-	-	350,000	3.58	05-Mar-18	04-Mar-25
Second Tier Share Option	05-Mar-15	350,000	-	-	-	350,000	3.58	05-Mar-20	04-Mar-25
Performance Share Plan	23-May-17	-	293,000	-	-	293,000	0.065	23-May-20	-
								Exercise Date	Market Price
Vested	19-Dec-07	1,500,000	-	-	(1,500,000)	-	2.132	12-Jun-17 to 5-Oct-17	Average of €5.88
		2,200,000	293,000	-	(1,500,000)	993,000			

Option Type	Date of Grant	31-Dec-16	Granted	Vested	Exercised	31-Dec-17	Option Price€	Earliest Vesting Date	Latest Expiry Date
D. Ledwidge									
Unvested									
Second Tier Share Option	26-Mar-12	150,000	-	(150,000)	-	-	1.57	26-Mar-17	25-Mar-22
Basic Tier Share Option	05-Mar-15	75,000	-	-	-	75,000	3.58	05-Mar-18	04-Mar-25
Second Tier Share Option	05-Mar-15	75,000	-	-	-	75,000	3.58	05-Mar-20	04-Mar-25
Performance Share Plan	23-May-17	-	100,000	-	-	100,000	0.065	23-May-20	-
								Exercise Date	Market Price
Vested	26-Mar-12	-	-	150,000	(150,000)	-	1.57	13-Dec-17	€5.80
		300,000	100,000	-	(150,000)	250,000			

Unvested options are subject to vesting conditions as follows;

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

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

Performance Share Plan: These options will vest and become exercisable three years from the third anniversary of grant in accordance with achievement of the performance conditions set out in the remuneration framework table. These options will normally have to be exercised on or shortly after the vesting date and the delivered shares held in trust for a period of 5 years from exercise date.

Other matters

Minimum Shareholding Requirements

The Company encourages individuals to acquire and retain significant shareholdings to align interests of management with those of shareholders. The Company has a minimum shareholding requirement for executive directors and members of the executive management committee to hold shares to a market value 300% of base salary within 5 years of date of appointment. The market value of vested options and any shares held under the Company's restricted share arrangements will count towards determining an individual's holdings.

The market value of the holdings of executive directors and executive Committee at 31 December 2017 as a multiple of salary at that date are shown in the following table:

	Salary multiple held
Eamonn Rothwell	311.4 times
David Ledwidge	2.1 times
Other Executive Management	8.9 times

Non –Executive Directors

Non-Executive Directors receive a fee which is set by the Committee and approved by the Board. They do not participate in any of the Company's performance award plans or pension schemes. As part of the overall review of remuneration structures the Committee recommended an increase in the fee payable to the Board Chairman from €90,000 per annum to €125,000 per annum and an increase in the fee payable to other non-executive Directors from €40,000 to €50,000. The revised fee levels are considered more in line with market norm generally and reflective of the increased levels of commitment now expected from persons holding non-executive directorship positions.

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

Director's Service contracts

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

In respect of Eamonn Rothwell, CEO, there is an agreement between the Company and Eamonn Rothwell that, for management retention reasons, in the event of a change in control of the Company (where over 50% of the Company is acquired by a party or parties acting in concert, excluding Eamonn Rothwell) he will have the right to extend his notice period to two years or to receive remuneration in lieu thereof. This amendment to Eamonn Rothwell's contract of employment was agreed by the Remuneration Committee a number of years ago to retain and motivate the CEO during a series of attempted corporate takeover actions.

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

REPORT OF THE REMUNERATION COMMITTEE
CONTINUED

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

Share option schemes
There were no long term incentive plans in place during the year other than the Group's 1998 (now expired) and 2009 share option plans (suspended as regards new grants) and Performance Share Plan.

The purpose of the share option plans is to encourage identification of option holders with shareholders' longer term interests. Under the plans, options have been granted both to Directors and to employees of the Group. The options were granted by the Committee on a discretionary basis, based on the employees expected contribution to the Group in the future. Non-executive Directors are not eligible to participate in the plan.

In the ten-year period ended 31 December 2017, the total number of options granted, net of options lapsed amounted to 3.1% of the issued share capital of the Company at 31 December 2017.

A charge is recognised in the Consolidated Income Statement in respect of share options issued to executive Directors. The charge in respect of executive Directors for the financial year ended 31 December 2017 is €359,000 (2016: €32,000).

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

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

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

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

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

Say on Pay
ICG is an Irish incorporated company and is not subject to the UK disclosure requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. However, in accordance with ICG's commitment to best corporate governance practices and shareholder engagement, the Board, on the recommendation of the Remuneration Committee, will put this Report of the Committee to an advisory vote at the forthcoming 2018 AGM of the Company.

Market price of shares
The closing price of the shares on the Irish Stock Exchange on 31 December 2017 was €5.76 and the range during the year was €4.45 to €5.98.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Under company law, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group profit or loss for that period. In preparing each of the Group and Company Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Financial Statements comply with IFRS as adopted by the European Union as applied in accordance with the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements are prepared in accordance with IFRS as adopted by the European Union and comply with Irish statute comprising the Companies Act 2014 and in regard to the Group Financial Statements, Article 4 of IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Group's and Company's website (www.icg.ie). Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Irish Continental Group plc acknowledge these responsibilities and accordingly have prepared this Consolidated Annual Report for the financial year ended 31 December 2017 in compliance with the provisions of Regulation (EC) No. 1606/2002, regulations 4 and 5 of Statutory Instrument No. 277 of 2007 of Ireland, the Transparency Rules of the Central Bank of Ireland, the applicable International Financial Reporting Standards as adopted by the European Union, the Companies Act 2014 and the Listing Rules issued by the Irish Stock Exchange.

Each of the Directors, whose names and functions are listed on pages 54 and 55 of the annual report confirms that to the best of each person's knowledge and belief:

- the Consolidated Financial Statements for the financial year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Operating and Financial Review includes a fair review of the development and performance of the business for the financial year ended 31 December 2017 and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 7 March 2018 and signed on its behalf by

Eamonn Rothwell	**David Ledwidge**
Director	Director

FINANCIAL STATEMENTS

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

Opinion on financial statements of Irish Continental Group plc

In our opinion, the Group and Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and the Company as at 31 December 2017 and of the Group's profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and in particular, with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements we have audited comprise the:

Group financial statements:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Statement of Financial Position;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement;

Company financial statements:

- the Company Statement of Financial Position;
- the Company Statement of Changes in Equity;
- the Company Cash Flow Statements;

and; the related notes 1 to 36, including a summary of significant accounting policies as set out in note 2 to the financial statements.

The relevant financial reporting framework that has been applied in the preparation of the financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRSs as adopted by the EU), and as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014 ("relevant financial reporting framework").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current financial year related to: • The appropriateness of useful lives and residual values of vessels used to determine the depreciation charge; • The appropriateness of key assumptions used to determine retirement benefit liabilities; and • Revenue recognition as a result of manipulation of deferred revenue. There have been no significant changes to the key audit matters since the prior financial year report.
Materiality	The materiality that we used in the current financial year was €3.5m which was determined on the basis of adjusted profit before tax. We use adjusted profit before tax to exclude the effect of volatility (for example, separately disclosed non-trading items) from our determination.
Scoping	We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in ten components. Five of these were subject to a full scope audit, whilst the remaining five components were subject to audits of specified account balances, where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations in those components.
Significant changes in our approach	There were no significant changes in our audit approach in the current financial year, the activities of the Group remained consistent year on year.

Conclusions relating to principle risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which ISAs (Ireland) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures on pages 44 to 47 to the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation in the annual report on page 57 that they have carried out a robust assessment of the principal risks facing the Group and the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement on page 56 in the financial statements about whether the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 6.8.3(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation on page 56 in the annual report as to how they have assessed the prospects of the Group and Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the useful lives and residual values of vessels used in the determination of the depreciation charge.

Key audit matter description	*There is a risk that management's estimate of useful lives and residual values of vessels is inaccurate leading to an impact on the depreciation charge.* The Group holds €114.9m of vessels at 31 December 2017. The annual depreciation charge depends primarily on the estimated lives of each type of vessel and the estimated residual value, as determined by management. The determination of appropriate estimates requires significant judgement by management and relies on inputs that are variable such as the value of scrap metal and the estimated residual value of vessels. A change in the estimate of useful lives or residual value of vessels can have a significant impact on the amount of depreciation charged to the Income Statement. *Please also refer to page 69 (Audit Committee Report), page 113 (Accounting Policy – Property, Plant & Equipment), and note 3 – Critical accounting judgements and key sources of estimation uncertainty and note 13 Property, Plant & Equipment.*
How the scope of our audit responded to the key audit matter	We examined management's assessment of useful lives and estimated residual values of these vessels. We obtained an understanding of management's processes and performed testing of relevant controls, which included reviews by senior members of management and the Board to ensure the current assumptions used are appropriate. We challenged and evaluated management's key assumptions including their assessment of useful lives and their estimates of residual values. We benchmarked management's assumptions against information available from external independent market sources, such as: (i) market data relating to the value of scrap metal; (ii) market data relating to the sale of similar ships; (iii) market data relating to the lives of ships that were scrapped during the financial year. We determined that management's assessment of the useful lives of the vessels and residual values to be reasonable based on the work that we carried out.

Appropriateness of key assumptions used to determine retirement benefit liabilities

There is a risk that the liabilities of pension schemes are determined using inappropriate actuarial assumptions, leading to potential misstatement of the net pension asset/deficit.

The Group operates a number of defined benefit schemes. The net pension asset and deficit relating to these schemes was €8.1m and €3.4m respectively at the date of the Statement of Financial Position.

There is a high degree of estimation and judgement in the calculation of the pension liabilities, particularly in the underlying actuarial assumptions, specifically the discount, mortality and inflation rates, which are subject to high volatility from small movements in assumptions.

Please also refer to page 69 (Audit Committee Report), page 112 (Accounting Policy – Retirement Benefit Schemes), and note 3 – Critical accounting judgements and estimates

The following audit procedures were performed in order to assess the Group's valuation of its retirement benefit liabilities, we;

(i) utilised Deloitte Actuarial Specialists as part of our team to assist us in understanding, evaluating and challenging the appropriateness of key actuarial assumptions with particular focus on discount, mortality and inflation rates;

(ii) made inquiries with both management and the Group's external pension advisors to understand their processes in determining the assumptions used in calculating retirement benefit liabilities.

(iii) benchmarked key assumptions used against comparable market and peer data, where available to ensure that they were within appropriate ranges and reasonable given our knowledge of the schemes;

(iv) assessed whether management's disclosures in the financial statements in respect of retirement benefit schemes were in accordance with the relevant accounting standards.

Based on the evidence obtained, we found that the data and assumptions used by management in the actuarial valuations for pension liabilities are within a range we consider reasonable.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IRISH CONTINENTAL GROUP PLC
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Revenue recognition as a result of manipulation of deferred revenue

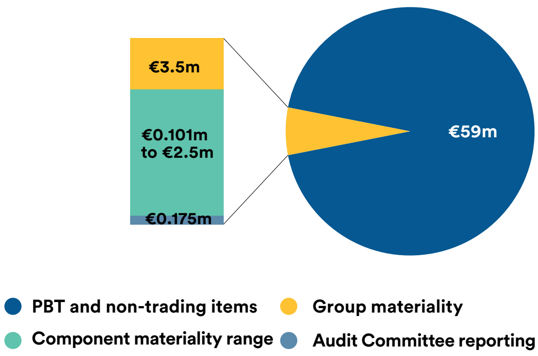
Key audit matter description	*There is a risk that financial year end deferred revenues could be manipulated to achieve performance targets, or misstated as a result of error.* The deferred revenue balance amounted to €4.8m at the financial year ended 31 December 2017. The Group recognises revenue in respect of its passenger and freight services on the date of travel or transportation. Proceeds from sales before the financial year end for a travel date after the financial year end are deferred and included in trade and other payables at the financial year end. Please also refer to page 69 (Audit Committee Report), and page 109 (Accounting Policy – Revenue Recognition).
How the scope of our audit responded to the key audit matter	We obtained an understanding of the significant revenue arrangements in place across the Group, and of the internal controls and IT systems in place over those revenue streams in order to evaluate the reliability of the systems to ensure revenue was appropriately recognised and reflects the terms of sale. We performed testing of relevant internal controls over the Group's significant revenue processes including the process over the revenue recognition journals that are recorded at year end. We tested on a sample basis, revenue recognised around year end to ensure that the date of travel or transportation had occurred for the associated revenue recognised to ensure that it was recognised appropriately. We recalculated management's deferred revenue calculation. We tested on a sample basis the elements of the calculation to ensure the revenue has been recognised or deferred in line with group accounting policies and that the deferred balance appropriately reflects the terms of sale in order to test for bias in management's calculations. No significant matters arose from our work.

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

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

We determined materiality for the Group to be €3.5m, which is approximately 6% of profit before tax and non-trading items, and 1.6% of Consolidated Shareholders' equity. We have considered the profit before tax and non trading items to be the appropriate benchmark for determining materiality because it is the most important measure for users of the Group's financial statements. We have considered quantitative and qualitative factors, such as understanding the entity and its environment, history of misstatements, complexity of the Group and reliability of the control environment.

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



An overview of the scope of our audit

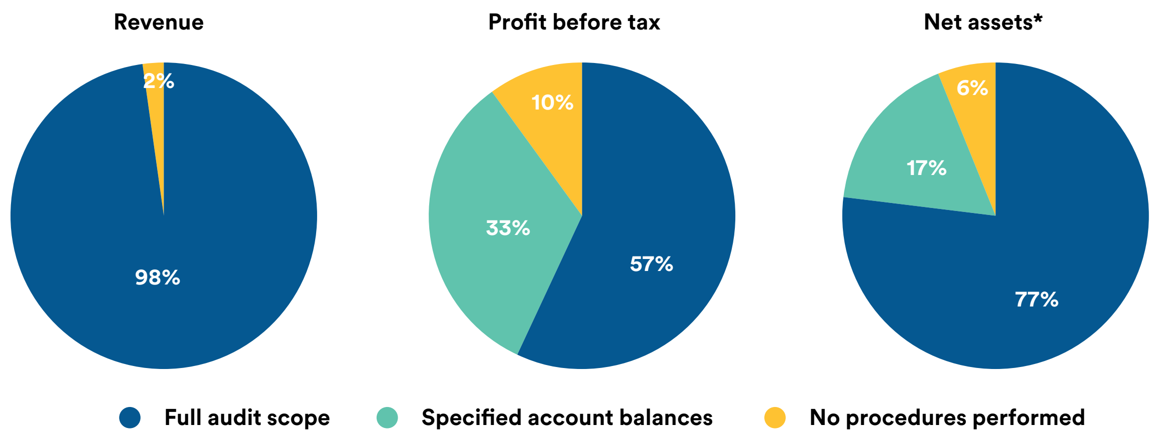
We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in ten components. Five of these were subject to a full scope audit, whilst the remaining five components were subject to audits of specified account balances, where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations in those components.

These components were selected based on coverage achieved and to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the ten components was executed at levels of materiality applicable to each individual unit which were lower than Group materiality and ranged from €0.101m to €2.5m.

At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The levels of coverage of key financial aspects of the Group by type of audit procedures are as set out below:

*For scoping purposes net assets exclude intercompany balances and other consolidation adjustments.



The Audit of the Group and all components were completed by one team based in Ireland.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report with regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code and the Irish Corporate Governance Annex** - the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code and the Irish Corporate Governance Annex containing provisions specified for review by the auditor in accordance with Listing Rule 6.8.3(7) and Listing Rule 6.8.3(9) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code or the Irish Corporate Governance Annex.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the Group) to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the Group financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit;
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited;
- The Company statement of financial position is in agreement with the accounting records;
- In our opinion the information given in the Directors' Report is consistent with the financial statements and the Directors' Report has been prepared in accordance with the Companies Act 2014.

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

Corporate Governance Statement
We report, in relation to information given in the Corporate Governance Statement on pages 60 that, in our opinion the information given in the Corporate Governance Statement pursuant to subsections 2(c) and (d) of section 1373 Companies Act 2014 is consistent with the Company's statutory financial statements in respect of the financial year concerned and such information has been prepared in accordance with section 1373 of the Companies Act 2014.

Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in this information.

In our opinion, based on the work undertaken during the course of the audit, the information required pursuant to section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 is contained in the Corporate Governance Statement.

Matters on which we are required to report by exception
Based on the knowledge and understanding of the Group and Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

The Listing Rules of the Irish Stock Exchange require us to review six specified elements of disclosures in the report to shareholders by the Board of Directors' remuneration committee. We have nothing to report in this regard.

Other matters which we are required to address
We were first appointed by Irish Continental Group plc to audit the financial statements for the financial year ended 31 December 1988 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 30 years, covering the years ending 31 December 1988 and 31 December 2017.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the Company in conducting the audit.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (Ireland) 260.

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

7 March 2018

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €m	2016 €m
Revenue	4	335.1	325.4
Depreciation and amortisation	9	(20.7)	(20.9)
Employee benefits expense	5	(22.5)	(22.0)
Other operating expenses		(231.6)	(219.9)
		60.3	62.6
Non-trading items	10	28.7	-
Operating profit		**89.0**	**62.6**
Finance income	6	-	0.1
Finance costs	7	(1.3)	(2.3)
Profit before tax		**87.7**	**60.4**
Income tax expense	8	(4.4)	(1.6)
Profit for the financial year: all attributable to equity holders of the parent	**9**	**83.3**	**58.8**
Earnings per share – expressed in euro cent per share			
Basic	12	44.1c	31.4c
Diluted	12	43.8c	31.1c

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €m	2016 €m
Profit for the financial year		83.3	58.8
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
- Fair value movements arising during the financial year	22 viii	-	(0.1)
-Transfer to Consolidated Income Statement – net settlement of cash flow hedge	22 viii	0.2	0.4
Currency translation adjustment		(0.6)	(2.8)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain / (loss) on defined benefit obligations	31a viii	17.5	(9.6)
Deferred tax on defined benefit obligations	23	(0.2)	0.7
Other comprehensive income / (expense) for the financial year		16.9	(11.4)
Total comprehensive income for the financial year: all attributable to equity holders of the parent		**100.2**	**47.4**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 €m	2016 €m
Assets			
Non-current assets			
Property, plant and equipment	13	249.5	204.3
Intangible assets	14	0.5	0.8
Retirement benefit surplus	31a iv	8.1	2.4
		258.1	**207.5**
Current assets			
Inventories	16	2.7	2.3
Trade and other receivables	17	42.2	39.6
Cash and cash equivalents	18	90.3	42.2
		135.2	**84.1**
Total assets		**393.3**	**291.6**
Equity and liabilities			
Equity			
Share capital	19	12.3	12.2
Share premium	20	18.9	15.7
Other reserves	20	(13.1)	(11.8)
Retained earnings		205.7	128.3
Equity attributable to equity holders of the parent		**223.8**	**144.4**
Non-current liabilities			
Borrowings	21	50.0	1.7
Deferred tax liabilities	23	0.8	2.7
Provisions	25	0.5	0.6
Deferred grant	26	0.2	0.3
Retirement benefit obligation	31a iv	3.4	15.9
		54.9	**21.2**
Current liabilities			
Borrowings	21	0.7	78.4
Trade and other payables	24	112.4	46.7
Derivative financial instruments	22 viii	-	0.2
Current income tax liabilities		0.9	-
Provisions	25	0.5	0.6
Deferred grant	26	0.1	0.1
		114.6	**126.0**
Total liabilities		**169.5**	**147.2**
Total equity and liabilities		**393.3**	**291.6**

The financial statements were approved by the Board of Directors on 7 March 2018 and signed on its behalf by:

Eamonn Rothwell
Director

David Ledwidge
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share Capital €m	Share Premium €m	Capital Reserve €m	Share Options Reserve €m	Hedging Reserve €m	Translation Reserve €m	Retained Earnings €m	Total €m
Balance at 1 January 2017	**12.2**	**15.7**	**7.3**	**2.4**	**(0.2)**	**(21.3)**	**128.3**	**144.4**
Profit for the financial year	-	-	-	-	-	-	83.3	83.3
Other comprehensive income / (expense)	-	-	-	-	0.2	(0.6)	17.3	16.9
Total comprehensive income / (expense) for the financial year	**-**	**-**	**-**	**-**	**0.2**	**(0.6)**	**100.6**	**100.2**
Employee share-based payments expense	-	-	-	1.1	-	-	-	1.1
Share issue	0.1	3.2	-	-	-	-	-	3.3
Dividends	-	-	-	-	-	-	(22.2)	(22.2)
Settlement of equity plans through market purchase of shares	-	-	-	-	-	-	(3.0)	(3.0)
Transferred to retained earnings on exercise of share options	-	-	-	(2.0)	-	-	2.0	-
	0.1	**3.2**	**-**	**(0.9)**	**0.2**	**(0.6)**	**77.4**	**79.4**
Balance at 31 December 2017	**12.3**	**18.9**	**7.3**	**1.5**	**-**	**(21.9)**	**205.7**	**223.8**
Analysed as follows:								
Share capital								12.3
Share premium								18.9
Other reserves								(13.1)
Retained earnings								205.7
								223.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share Capital €m	Share Premium €m	Capital Reserve €m	Share Options Reserve €m	Hedging Reserve €m	Translation Reserve €m	Retained Earnings €m	Total €m
Balance at 1 January 2016	**12.1**	**13.1**	**7.3**	**3.3**	**(0.5)**	**(19.1)**	**99.3**	**115.5**
Profit for the financial year	-	-	-	-	-	-	58.8	58.8
Other comprehensive income / (expense)	-	-	-	-	0.3	(2.2)	(9.5)	(11.4)
Total comprehensive income / (expense) for the financial year	**-**	**-**	**-**	**-**	**0.3**	**(2.2)**	**49.3**	**47.4**
Employee share-based payments expense	-	-	-	0.2	-	-	-	0.2
Share issue	0.1	2.6	-	-	-	-	-	2.7
Dividends	-	-	-	-	-	-	(21.0)	(21.0)
Settlement of equity plans through market purchase of shares	-	-	-	-	-	-	(0.4)	(0.4)
Transferred to retained earnings on exercise of share options	-	-	-	(1.1)	-	-	1.1	-
	0.1	**2.6**	**-**	**(0.9)**	**0.3**	**(2.2)**	**29.0**	**28.9**
Balance at 31 December 2016	**12.2**	**15.7**	**7.3**	**2.4**	**(0.2)**	**(21.3)**	**128.3**	**144.4**

Analysed as follows:	
Share capital	12.2
Share premium	15.7
Other reserves	(11.8)
Retained earnings	128.3
	144.4

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 €m	2016 €m
Assets			
Non-current assets			
Property, plant and equipment	13	99.9	30.6
Intangible assets	14	0.4	0.7
Investments in subsidiaries	15	12.0	11.7
Retirement benefit surplus	31b iv	0.8	0.7
		113.1	**43.7**
Current assets			
Inventories	16	0.5	0.4
Trade and other receivables	17	140.6	117.4
Cash and cash equivalents	18	27.3	20.6
		168.4	**138.4**
Total assets		**281.5**	**182.1**
Equity and liabilities			
Equity			
Share capital	19	12.3	12.2
Share premium	20	18.9	15.7
Other reserves	20	8.7	9.6
Retained earnings		146.0	95.1
Equity attributable to equity holders		**185.9**	**132.6**
Non-current liabilities			
Borrowings	21	0.3	0.6
Provisions	25	-	0.1
		0.3	**0.7**
Current liabilities			
Borrowings	21	0.3	0.3
Trade and other payables	24	95.0	48.4
Provisions	25	-	0.1
		95.3	**48.8**
Total liabilities		**95.6**	**49.5**
Total equity and liabilities		**281.5**	**182.1**

The Company reported a profit for the financial year ended 31 December 2017 of €74.4 million (2016: €39.6 million).

The financial statements were approved by the Board of Directors on 7 March 2018 and signed on its behalf by:

Eamonn Rothwell
Director

David Ledwidge
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share Capital €m	Share Premium €m	Capital Reserve €m	Share Options Reserve €m	Retained Earnings €m	Total €m
Balance at 1 January 2017	**12.2**	**15.7**	**7.2**	**2.4**	**95.1**	**132.6**
Profit for the financial year	-	-	-	-	74.4	74.4
Other comprehensive income	-	-	-	-	0.1	0.1
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**74.5**	**74.5**
Share issue	0.1	3.2	-	-	-	3.3
Dividends	-	-	-	-	(22.2)	(22.2)
Employee share-based payments expense	-	-	-	0.4	-	0.4
Transferred to retained earnings on exercise of share options	-	-	-	(1.6)	1.6	-
Movement related to share options granted to employees in subsidiaries	-	-	-	0.3	-	0.3
Settlement of equity plans through market purchase of shares	-	-	-	-	(3.0)	(3.0)
	0.1	**3.2**	**-**	**(0.9)**	**50.9**	**53.3**
Balance at 31 December 2017	**12.3**	**18.9**	**7.2**	**1.5**	**146.0**	**185.9**
Analysed as follows:						
Share capital						12.3
Share premium						18.9
Other reserves						8.7
Retained earnings						146.0
						185.9

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Analysed as follows:	
Share capital	12.2
Share premium	15.7
Other reserves	9.6
Retained earnings	95.1
	132.6

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €m	2016 €m
Net cash inflow from operating activities	33	**71.8**	**82.1**
Cash flow from investing activities			
Interest received		-	0.1
Proceeds on disposal of property, plant and equipment		44.7	1.3
Purchases of property, plant and equipment		(17.0)	(56.7)
Purchases of intangible assets		-	(0.3)
Net cash inflow / (outflow) from investing activities		**27.7**	**(55.6)**
Cash flow from financing activities			
Dividends paid to equity holders of the Company		(22.2)	(21.0)
Repayments of borrowings		(77.7)	(13.0)
Repayments of obligations under finance leases		(0.7)	(1.1)
Proceeds on issue of ordinary share capital		3.3	2.7
New bank loans raised (net of origination fees)		49.0	25.0
Settlement of equity plans through market purchase of shares		(3.0)	(0.4)
Net cash outflow from financing activities		**(51.3)**	**(7.8)**
Net increase in cash and cash equivalents		48.2	18.7
Cash and cash equivalents at beginning of year		42.2	25.0
Effect of foreign exchange rate changes		(0.1)	(1.5)
Cash and cash equivalents at end of year	18	**90.3**	**42.2**

COMPANY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Notes	2017 €m	2016 €m
Net cash (outflow) / inflow from operating activities	33	**(39.0)**	**30.7**
Cash flow from investing activities			
Dividend received from subsidiaries		75.0	40.0
Purchases of property, plant and equipment		(7.1)	(31.8)
Purchases of intangible assets		-	(0.2)
Net cash inflow from investing activities		**67.9**	**8.0**
Cash flow from financing activities			
Dividends paid to equity holders of the Company		(22.2)	(21.0)
Repayments of obligations under finance leases		(0.3)	(0.3)
Proceeds on issue of ordinary share capital		3.3	2.7
Settlement of equity plans through market purchase of shares		(3.0)	(0.4)
Net cash outflow from financing activities		**(22.2)**	**(19.0)**
Net increase in cash and cash equivalents		6.7	19.7
Cash and cash equivalents at beginning of year		20.6	0.9
Cash and cash equivalents at end of year	18	**27.3**	**20.6**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. General information
Irish Continental Group plc (ICG) is a public limited company incorporated in Ireland (Company registration number: 41043). The addresses of its registered office and principal places of business are disclosed on the inside back cover of the Annual Report.

The Group carries passengers and cars, RoRo freight and container LoLo freight, on routes between Ireland, the United Kingdom and Continental Europe. The Group also operates container terminals in the ports of Dublin and Belfast.

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

2. Summary of accounting policies
Statement of Compliance
The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and as applied in accordance with the Companies Act 2014.

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

Basis of preparation
The financial statements have been prepared on the going concern and the historical cost convention except for the measurement of certain financial assets and financial liabilities at fair value.

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

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

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company:
- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its return.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

2. Summary of accounting policies - continued

New standards and interpretations

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

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

Title	Effective date – periods beginning on or after
IAS 7 (Amendments) Statement of Cash Flows	1 January 2017
IAS 12 (Amendments) Income taxes	1 January 2017

The following standards have been endorsed by the EU and are effective from 1 January 2018. The Group has not adopted these standards early and instead have applied them from 1 January 2018.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 is a converged standard from the IASB and the Financial Accounting Standards Board (FASB) on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in Financial Statements globally. The Group has not adopted this standard early and instead intends to apply it from the effective date 1 January 2018. The full impact of this standard is currently under review.

IFRS 9 – Financial Instruments

This standard replaces the guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Group has not adopted this standard early and instead intends to apply it from the effective date 1 January 2018. The full impact of this standard is currently under review.

The following standards and interpretations are not yet endorsed by the EU. The potential impact of these standards on the Group is under review.

Title	Issued date
IFRS 17 Insurance Contracts	IASB effective date 1 January 2021
IFRIC 22 — Foreign Currency Transactions and Advance Consideration	Issued on 8 December 2016
IFRIC 23 — Uncertainty over Income Tax Treatments	Issued on 7 June 2017
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	Issued on 20 June 2016
Amendments to IAS 40 Transfers of Investment Property	Issued on 8 December 2016
Amendments to IFRS 9 Prepayments features with Negative Compensation	Issued on 12 October 2017
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	Issued on 12 October 2017
Annual improvements to IFRS Standards 2015-2017 Cycle	Issued on 12 December 2017
Amendments to IAS 19 Plan Amendment, Curtailment of Settlement	Issued on 7 February 2018

2. Summary of accounting policies - continued

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

Title	Effective date – periods beginning on or after
IFRS 16 Leases	1 January 2019

IFRS 16 – Leases

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

Accounting policies applied in preparation of the financial statements for the financial year ended 31 December 2017;

Revenue recognition

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

Passenger ticket revenue is recognised at the date of travel. Unused tickets which are non-refundable once the booked travel date has passed are treated as revenue in accordance with the Group's terms and conditions of sale. Freight revenue is recognised at the date of transportation. Proceeds from passenger tickets sold before the year end for a travel date after the year end are included in the Statement of Financial Position in current liabilities under the caption 'Trade and other payables'. Sale of passenger tickets which result in future discounts for customers are accounted for as multiple element revenue transactions and the fair value of the consideration received is allocated between the original tickets supplied and the future travel discount granted. The consideration allocated to the future travel discount is measured by reference to its fair value, the amount for which the reduction being the future sales value could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction but is deferred and recognised as revenue when the future travel discount is granted and the Group's obligations have been fulfilled.

Cash and credit card revenue from on-board sales is recognised immediately.

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

Finance Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

2. Summary of accounting policies - continued

Leasing

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

The Group as lessee

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The capital element of future lease rentals is treated as a liability and is included in the Consolidated Statement of Financial Position as a finance lease obligation.

The interest element of lease payments is charged to the Consolidated Income Statement over the period of the lease in proportion to the balance outstanding.

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

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

The Group as lessor

Under IAS 17 Leases, the Group treats long term bareboat hire purchase sale agreements in relation to disposal of vessels as finance leases. The sales proceeds recognised at the commencement of the lease term by the Group is the fair value of the asset. The carrying amount of the asset is offset against the sales proceeds and the net amount is recognised as the profit / loss on disposal, which is recognised in the Consolidated Income Statement. Costs incurred by the Group in connection with negotiating and arranging a finance lease are recognised as an expense at the commencement of the lease term.

Amounts due from lessees under the finance lease are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is included in Revenue and is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the lease asset and recognised on a straight-line basis over the lease term.

Concession and Licence agreements

Revenue received in relation to a concession agreement is recognised in the Consolidated Income Statement as earned under the terms of the agreement.

Payments made under concession agreements where the Group is the operator are charged to the Consolidated Income Statement as incurred under the terms of the arrangement.

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

2. Summary of accounting policies - continued

Foreign currencies

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

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlements of monetary items and on the retranslation of monetary items, are included in the Consolidated Income Statement for the financial year.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are expressed in Euro using exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used.

Exchange differences arising on the translation of foreign currency subsidiaries, if any, are recognised in the Consolidated Statement of Comprehensive Income and accumulated in equity in the translation reserve. On disposal of a foreign subsidiary the cumulative translation difference for that foreign subsidiary is transferred to the Consolidated Income Statement as part of the gain or loss on disposal.

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and on borrowings and other currency instruments of such investments, are recognised in other comprehensive income and accumulated in equity.

Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, gains and losses on hedging instruments that are recognised in the Consolidated Income Statement and the unwinding of discounts on provisions.

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

The interest expense component of finance lease payments is recognised in the Consolidated Income Statement using the effective interest rate method.

The net interest cost on defined benefit obligations is recognised in the Consolidated Income Statement under finance costs in accordance with IAS 19 Employee Benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

2. Summary of accounting policies - continued

Retirement benefit schemes

Defined benefit obligations

For defined benefit obligations, the cost of providing benefits and the liabilities of the schemes are determined using the projected unit credit method with assets valued at bid price and actuarial valuations being carried out by independent and professionally qualified actuaries at each statement of financial position date. Current service costs, past service cost, or credit, and net interest expense or income are recognised in the Consolidated Income Statement. Adjustments in respect of a settlement, a curtailment and past service cost, or credit, are recognised in the Consolidated Income Statement in the period of a plan amendment. Remeasurement comprising, actuarial gains and losses is reflected in the Statement of Financial Position with a charge or credit recognised in the Consolidated Statement of Comprehensive Income in the period in which they occur.

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

In addition to the pension schemes operated by the Group, certain employees are included in the Merchant Navy Officers Pension Fund (MNOPF). As the Group has no control over the calls for contributions made from the MNOPF, it has determined that the fund should be accounted for as a defined benefit obligation and its liability recognised accordingly. The Group's share of the MNOPF deficit as advised by the trustees is included with the other Group schemes.

The retirement benefit obligation recognised in the Consolidated Statement of Financial Position represents the deficit or surplus in the Group's defined benefit obligations. Any surplus resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Defined contribution pension schemes

Payments to defined contribution pension schemes are recognised as an expense as they fall due. Any contributions outstanding at the period end are included as an accrual in the Consolidated Statement of Financial Position.

Taxation

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

A proportion of the Group's profits fall within the charge to tonnage tax, under which regime taxable profits are relieved to an amount based on the tonnage of vessels employed during the year. In accordance with the IFRIC guidance on IAS 12 Income Taxes, the tonnage tax charge is included within other operating expenses in the Consolidated Income Statement.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

2. Summary of accounting policies - continued

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

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax laws and rates that have been enacted at the statement of financial position date. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited directly to the Consolidated Statement of Comprehensive Income or is dealt with in equity.

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

Property, plant and equipment

Vessels

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

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

In considering residual values of ships, the Directors have taken into account the valuation of the scrap value of the ships per light displacement tonne. Residual values are reviewed annually and updated if required. Estimations of economic life and residual values of ships are a key accounting judgement and estimate in the financial statements. Any change in estimates are accounted for prospectively.

The estimated economic useful lives of vessels is as follows;

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

2. Summary of accounting policies - continued

Drydocking

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

Other assets

Property, plant and equipment, other than passenger ships and freehold land, are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is stated at cost and is not depreciated. The carrying values of other assets are reviewed for impairment when there is any indication that the carrying values may not be recoverable in which case the assets are written down to their recoverable amount. Cost comprises purchase price and directly attributable costs.

The amount initially recognised in respect of an item of other assets is allocated to its significant parts and each such part is depreciated separately. In respect of stevedoring equipment related costs are allocated between structural frame and machinery.

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

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

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the lease term, taking into account the time period over which benefits from the leased assets are expected to accrue to the Group.

Assets under construction, the construction of which takes a substantial period of time are recorded at the cost incurred to date less any impairment loss and no depreciation is charged on these amounts. Depreciation commences when the assets are ready for their intended use. Cost includes borrowing costs capitalised in accordance with the Group's accounting policies. Borrowing costs directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of the assets up to the date of substantial completion.

Gains or losses on the disposal of property, plant and equipment represent the difference between the net proceeds and the carrying value at the date of sale. Income is accounted for when there is an unconditional exchange of contracts, or when all necessary terms and conditions have been fulfilled.

Intangible assets

Computer Software

Costs incurred on the acquisition of computer software are capitalised, as are costs directly associated with developing computer software programmes, if it is probable that the expected future economic benefits that are attributable to these assets will flow to the Group and the cost of these assets can be measured reliably. Computer software costs recognised as assets are written off on a straight-line basis over their estimated useful lives, which is normally 5 years.

Investments in subsidiaries
Investments in subsidiaries held by the Company are carried at cost less any accumulated impairment losses. Equity settled share based payments granted by the Company to employees of subsidiary companies are accounted for as an increase or decrease in the carrying value of the investment in subsidiary companies and the share options reserve.

Government grants
Grants of a capital nature are treated as deferred income and are released to the Consolidated Income Statement at the same rates as the related assets are depreciated. Grants of a revenue nature are credited to the Consolidated Income Statement in the same periods as the related expenditure is charged. Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Impairment of property, plant and equipment and intangible assets
At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets (cash generating units) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost represents suppliers' invoiced cost net of any related discounts etc. determined on a first in, first out basis. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution.

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

The Company held no treasury shares in the current or prior financial year.

The Capital Redemption reserve represents the nominal value of share capital repurchased.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

2. Summary of accounting policies - continued

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

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

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

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

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

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at fair value, net of transaction costs incurred. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for in the profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Bank borrowings are classified as financial liabilities and are measured subsequently at amortised cost using the effective interest rate method.

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

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

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

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

2. Summary of accounting policies - continued

Derivative financial instruments and hedge accounting – continued

Derivative financial instruments are held in the Consolidated Statement of Financial Position at their fair value. Changes in the fair value of derivative financial instruments that are designated, and are effective, as hedges of changes in future cash flows are recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. When the cash flow hedge of a firm commitment or forecasted transaction subsequently results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that was previously recognised in other comprehensive income and accumulated in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts accumulated in equity are recognised in the Consolidated Income Statement in the same period in which the hedged item affects profit or loss.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Income Statement as they arise.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument accumulated in equity is retained in equity until the forecasted transactions occur. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss accumulated in equity is transferred to the Consolidated Income Statement in the period.

Contingent liability

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Provisions

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

Financial guarantee contracts

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

Share-based payments

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

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

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Employee benefits expense

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by the employees of the Group. A liability for a termination benefit is recognised at the earlier of when an entity can no longer withdraw the offer of the termination benefit and the entity recognises any related restructuring costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

2. Summary of accounting policies - continued

Distributions
Distributions are accounted for when they are approved, through retained earnings. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably). Dividends received from fellow subsidiaries are eliminated on consolidation.

Operating profit
Operating profit is stated after non-trading items arising from continuing operations. Non-trading items are material non-recurring items that derive from an event or transaction that falls outside the ordinary activities of the Group and which individually or, if of a similar type, in aggregate are separately disclosed by virtue of their size or incidence but before investment income and finance costs.

Adjusted earnings per share
Adjusted earnings per share, is earnings per share adjusted to exclude non-trading items and the net interest cost on defined benefit obligations and non-trading items.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these amounts. The estimates and underlying assumptions are reviewed on an on-going basis.

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

Estimates

Post-employment benefits
The Group's and Company's total obligation in respect of defined benefit obligations is calculated by independent, qualified actuaries, updated at least annually. The size of the obligation is sensitive to actuarial assumptions. These include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used. The size of the scheme assets is also sensitive to asset return levels and the level of contributions from the Group and Company. Further details are set out in note 31.

The Group and Company is a participating employer in the Merchant Navy Officer Pension Fund (MNOPF), a multi-employer defined benefit obligations. The MNOPF is in deficit. Under the rules of the fund all employers are jointly and severally liable for the deficit. The deficit included in the Financial Statements for the Group and Company represents an apportionment of the overall scheme deficit based on notification received from the trustees which is currently 1.53% for the Group and 0.51% for the Company, less any deficit payments made. Should other participating employers default on their obligations, the Group and Company will be required to absorb a larger share of the scheme deficit calculated in the same manner as the current apportionment.

Useful lives for property, plant and equipment and Intangible assets
Long-lived assets comprising primarily of property, plant and equipment and intangible assets represent a significant portion of total assets. The annual depreciation and amortisation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of residual values. Management regularly reviews these lives and change them if necessary to reflect current conditions. In determining these useful lives management considers technological change, patterns of consumption, physical condition and expected economic utilisation of the asset. Changes in the useful lives or residual values may have a significant impact on the annual depreciation and amortisation charge. Details of the useful lives are included in the accounting policy headed property, plant and equipment. Further details are set out in note 13.

3. Critical accounting judgements and key sources of estimation uncertainty - continued

Critical accounting judgements

Impairment

The Group assessed its property, plant and equipment and intangible assets to determine if there were any indications of impairment. Factors considered in identifying whether there were any indications of impairment included the economic performance of assets, technological developments, new rules and regulations, shipbuilding costs and carrying value versus market capitalisation of the Group. No internal or external indications of impairment were identified for other assets and consequently no impairment review was performed.

Going concern

The Directors have satisfied themselves that the Group and Company are going concerns having adequate financial resources to continue in operational existence for the foreseeable future. In forming their view the Directors have taken into consideration the future financial requirements of the Group and Company and the existing suite of financing agreements which were concluded during 2017.

4. Segmental information

Revenue

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

	2017 €m	2016 €m
Ferries	212.1	209.8
Container & Terminal	131.9	123.9
Inter-segment	(8.9)	(8.3)
Total	**335.1**	**325.4**

Business segments

The Board is deemed the chief operating decision maker within the Group. For management purposes, the Group is currently organised into two operating segments; Ferries and Container & Terminal. These segments are the basis on which the Group reports internally and are the only two revenue generating segments of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

4. Segmental information – continued

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

	Ferries €m	Container & Terminal €m	Inter- segment €m	Total €m
Revenue				
2017				
External revenue	204.4	130.7	-	335.1
Inter-segment revenue	7.7	1.2	(8.9)	-
Total	**212.1**	**131.9**	**(8.9)**	**335.1**
2016				
External revenue	202.7	122.7	-	325.4
Inter-segment revenue	7.1	1.2	(8.3)	-
Total	**209.8**	**123.9**	**(8.3)**	**325.4**

Inter-segment revenue is at prevailing market prices. The inter-segment revenue in the Ferries Division in 2017 of €7.7 million (2016: €7.1 million) primarily relates to the container vessels MV Elbtrader, MV Elbcarrier and MV Elbfeeder which are on time charter to the Group's container shipping subsidiary Eucon.

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

	2017 €m	2016 €m
Passenger	117.9	117.3
Freight	209.8	199.4
Chartering and other	7.4	8.7
Total	**335.1**	**325.4**

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

4. Segmental information – continued

	Ferries		Container & Terminal		Total	
	2017 €m	2016 €m	2017 €m	2016 €m	2017 €m	2016 €m
Profit for the financial year						
Operating profit	49.1	52.3	11.2	10.3	60.3	62.6
Finance income	-	0.1	-	-	-	0.1
Finance costs	(1.2)	(2.2)	(0.1)	(0.1)	(1.3)	(2.3)
Non-trading items	28.7	-	-	-	28.7	-
Profit before tax	76.6	50.2	11.1	10.2	87.7	60.4
Income tax expense	(3.5)	(0.9)	(0.9)	(0.7)	(4.4)	(1.6)
Profit for the financial year	**73.1**	**49.3**	**10.2**	**9.5**	**83.3**	**58.8**
Statement of Financial Position						
Assets						
Segment assets	251.3	202.1	51.7	47.3	303.0	249.4
Cash and cash equivalents	81.2	37.2	9.1	5.0	90.3	42.2
Consolidated total assets	**332.5**	**239.3**	**60.8**	**52.3**	**393.3**	**291.6**
Liabilities						
Segment liabilities	95.3	44.1	23.5	23.0	118.8	67.1
Borrowings	49.8	78.9	0.9	1.2	50.7	80.1
Consolidated total liabilities	**145.1**	**123.0**	**24.4**	**24.2**	**169.5**	**147.2**
Other segment information						
Capital additions	78.7	51.4	2.9	5.6	81.6	57.0
Depreciation and amortisation	18.2	18.4	2.5	2.5	20.7	20.9

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

4. Segmental information – continued

Geographic analysis of revenue by origin of booking

Revenue	2017 €m	2016 €m
Ireland	162.8	163.2
United Kingdom	65.5	66.7
Netherlands	57.9	53.4
Belgium	27.6	26.5
France	7.4	7.6
Other	13.9	8.0
Total	**335.1**	**325.4**

Geographic analysis of location of property, plant and equipment

Property, plant and equipment	2017 €m	2016 €m
Vessels at sea / assets in transit / under construction		
Vessels	218.3	170.9
Containers	3.8	5.0
	222.1	175.9
On Shore		
Ireland	26.6	27.3
Other	0.8	1.1
	27.4	28.4
Carrying amount at 31 December	**249.5**	**204.3**

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

5. Employee benefits expense

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

	2017 Number	2016 Number
Ferries	215	214
Container & Terminal	93	96
	308	310
The number of employees at the financial year-end was	**308**	**302**

Aggregate costs of employee benefits were as follows:

	2017 €m	2016 €m
Wages and salaries	17.8	18.0
Social insurance costs	1.7	1.8
Defined benefit obligations - current service cost (note 31a vii)	1.8	1.9
Defined contribution pension scheme – pension cost (note 31a)	0.1	0.1
Share-based payment expense (note 30)	1.1	0.2
Total employee benefit expense	**22.5**	**22.0**

There were no employees in the Company during the financial year ended 31 December 2017 (2016: nil). Costs of €3.6 million (2016: €3.2 million) were recharged to the Company from subsidiary companies in relation to management services.

Staff costs of €0.1 million were capitalised during the financial year (2016: €nil) for the Group. Staff costs of €nil were capitalised in the Company (2016: €nil).

6. Finance income

	2017 €m	2016 €m
Interest on bank deposits	-	0.1
Total finance income	**-**	**0.1**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

7. Finance costs

	2017 €m	2016 €m
Interest on bank overdrafts and loans	1.0	2.1
Interest on obligations under finance leases	0.1	0.2
Net interest cost on defined benefit obligations (note 31a vii)	0.2	-
Total finance costs	**1.3**	**2.3**

8. Income tax expense

	2017 €m	2016 €m
Current tax	6.5	2.0
Deferred tax (note 23)	(2.1)	(0.4)
Total income tax expense for the financial year	**4.4**	**1.6**

The Company and its Irish tax resident subsidiaries have elected to be taxed under the Irish tonnage tax scheme. Under the tonnage tax scheme, taxable profit on eligible activities is calculated on a specified notional profit per day related to the tonnage of the ships utilised. In accordance with the IFRIC guidance on IAS 12 Income Taxes, the tonnage tax charge is not considered an income tax expense and has been included in other operating expenses in the Consolidated Income Statement.

Domestic income tax is calculated at 12.5% of the estimated assessable profit for the year for all activities which do not fall to be taxed under the tonnage tax scheme. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The income tax expense for the year includes a current tax charge of €5.6 million and a deferred tax credit of €1.8 million relating to non-trading items (note 10).

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

	2017 €m	2016 €m
Profit before tax	87.7	60.4
Tax at the domestic income tax rate of 12.5% (2016: 12.5%)	11.0	7.6
Effect of tonnage relief	(5.6)	(5.8)
Net utilisation of tax losses	(0.3)	(0.1)
Difference in effective tax rates	0.3	0.2
Other items	(1.0)	(0.3)
Income tax expense recognised in the Consolidated Income Statement	**4.4**	**1.6**

9. Profit for the financial year

	2017 €m	2016 €m
Gain on disposal of property, plant and equipment	(29.1)	(0.3)
Foreign exchange (gains) / losses	(0.1)	2.5
Fuel cost	40.3	32.2
Amortisation of intangible assets (note 14)	0.3	0.4
Depreciation of property, plant and equipment (note 13)	20.5	20.6
	20.8	21.0
Amortisation of deferred grant (note 26)	(0.1)	(0.1)
Net depreciation and amortisation expense	20.7	20.9
Group Auditors' remuneration:	€'000	€'000
- Total Group audit fee	201	193
- Audit of the subsidiary financial statements	25	25
- Other assurance services	-	-
- Tax advisory services	47	43
- Other non-audit services	-	6
	273	267
Company Auditors' remuneration:	€'000	€'000
- Total Company audit fee	16	15
- Other assurance services	-	-
- Tax advisory services	16	14
- Other non-audit services	-	2
	32	31

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

The Company's profit for the financial year determined in accordance with IFRS as adopted by the EU was €74.4 million (2016: €39.6 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

10. Non-trading items

On 17 May 2017, the Group completed the sale of the vessel MV Kaitaki to KiwiRail of New Zealand. The MV Kaitaki which was commissioned by and delivered to ICG in 1995 became surplus to ICG's operational requirements following delivery of our cruise ferry Ulysses in 2001. MV Kaitaki has been on charter outside the Group since 2002, most recently to the buyers KiwiRail who operate the vessel in New Zealand.

	2017 €m
Gain on disposal of vessel	
Consideration	45.0
Disposal costs	(0.3)
Performance pay associated with disposal	(0.6)
Net proceeds	**44.1**
NBV of vessel disposed	(15.4)
Gain on disposal	**28.7**
Tax on disposal	
Tax payable at 12.5%	5.6
Deferred tax credit on disposal of vessel	(1.8)
Tax on disposal	**3.8**

The gain on disposal of the vessel is included in the profit for the period and is disclosed on a separate line in the Consolidated Income Statement.

11. Dividends

	2017 €m	2016 €m
Final dividend of 7.760c per ICG Unit for financial year ended 31 December 2016 (2015: 7.387c)	14.6	13.8
Interim dividend of 4.01c per ICG Unit for the financial year ended 31 December 2017 (2016: 3.820c)	7.6	7.2
	22.2	21.0

The Board is proposing a final dividend of 8.15 cent per ICG Unit amounting to €15.5 million in respect of the results for the financial year ended 31 December 2017.

12. Earnings per share

	2017 '000	2016 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	188,801	187,536
Effect of dilutive potential ordinary shares: Share options	1,208	1,692
Weighted average number of ordinary shares for the purpose of diluted earnings per share	190,009	189,228

The denominator for the purposes of calculating both basic and diluted earnings per share has been adjusted to reflect shares issued during the year (note 19).

The earnings used in both the adjusted basic and adjusted diluted earnings per share are adjusted to take into account the net interest on defined benefit obligations (note 31a).

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:

	2017 €m	2016 €m
Earnings		
Earnings for the purposes of basic and diluted earnings per share -		
Profit for the financial year attributable to equity holders of the parent	83.3	58.8
Non-trading item (note 10)	(28.7)	-
Net interest cost on defined benefit obligations	0.2	-
Earnings for the purposes of adjusted basic and diluted earnings per share	54.8	58.8

	2017 Cent	2016 Cent
Basic earnings per share	44.1	31.4
Diluted earnings per share	43.8	31.1
Adjusted basic earnings per share	29.0	31.4
Adjusted diluted earnings per share	28.8	31.1

Diluted earnings per ordinary share

Diluted earnings per Ordinary Share is calculated by adjusting the weighted average number of Ordinary Shares outstanding to assume the exercise of all vested share option awards at 31 December. Share option awards which have not yet satisfied the required performance conditions for vesting are excluded from the calculation. The dilutive effect of vested share options is calculated as the difference in the average market value during the period and the option price expressed as a percentage of the average market value. Share options outstanding at 31 December are set out in note 30. Of the 1,714,000 (2016: 2,866,500) vested options at 31 December 2017, the dilutive effect is 1,208,000 ordinary shares (2016: 1,692,000 ordinary shares).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

13. Property, plant and equipment

Group	Assets under Construction €m	Vessels €m	Plant and Equipment €m	Vehicles €m	Land and Buildings €m	Total €m
Cost						
At 1 January 2016	-	327.7	57.5	1.1	25.2	411.5
Additions	31.8	21.0	2.3	0.3	1.3	56.7
Exchange differences	-	(0.5)	(0.6)	-	-	(1.1)
Disposals	-	(6.0)	(2.7)	(0.4)	-	(9.1)
At 1 January 2017	31.8	342.2	56.5	1.0	26.5	458.0
Additions	71.7	8.7	0.6	0.2	0.4	81.6
Exchange differences	-	(0.3)	(0.1)	-	-	(0.4)
Disposals	-	(63.9)	(1.8)	(0.3)	-	(66.0)
At 31 December 2017	**103.5**	**286.7**	**55.2**	**0.9**	**26.9**	**473.2**
Accumulated depreciation						
At 1 January 2016	-	192.0	40.2	0.8	8.5	241.5
Depreciation charge for the financial year	-	17.1	3.0	0.2	0.3	20.6
Eliminated on disposals	-	(6.0)	(1.8)	(0.3)	-	(8.1)
Exchange difference	-	-	(0.3)	-	-	(0.3)
At 1 January 2017	-	203.1	41.1	0.7	8.8	253.7
Depreciation charge for the financial year	-	17.0	2.9	0.2	0.4	20.5
Eliminated on disposals	-	(48.3)	(1.8)	(0.3)	-	(50.4)
Exchange difference	-	-	(0.1)	-	-	(0.1)
At 31 December 2017	**-**	**171.8**	**42.1**	**0.6**	**9.2**	**223.7**
Carrying amount						
At 31 December 2016	31.8	139.1	15.4	0.3	17.7	204.3
At 31 December 2017	**103.5**	**114.9**	**13.1**	**0.3**	**17.7**	**249.5**

Security comprising statutory mortgages securing amounts outstanding under an amortising term loan facility was released during the year following repayment of that loan facility. At 31 December 2017 no mortgages had been granted over any of the Group's assets.

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

The carrying amount of the Group's plant and equipment includes an amount of €1.8 million (2016: €2.3 million) in respect of assets held under finance leases.

13. Property, plant and equipment - continued

Company

	Assets under Construction €m	Plant And Equipment €m	Vehicles €m	Land and Buildings €m	Total €m
Cost					
At 1 January 2016	-	6.8	0.1	0.1	7.0
Additions	29.6	2.2	-	-	31.8
Disposals	-	(1.7)	-	-	(1.7)
At 1 January 2017	29.6	7.3	0.1	0.1	37.1
Additions	69.9	1.8	-	-	71.7
Disposals	-	(2.1)	-	-	(2.1)
At 31 December 2017	**99.5**	**7.0**	**0.1**	**0.1**	**106.7**
Accumulated depreciation					
At 1 January 2016	-	5.3	0.1	0.1	5.5
Depreciation charge for the financial year	-	2.7	-	-	2.7
Eliminated on disposals	-	(1.7)	-	-	(1.7)
At 1 January 2017	-	6.3	0.1	0.1	6.5
Depreciation charge for the financial year	-	2.4	-	-	2.4
Eliminated on disposals	-	(2.1)	-	-	(2.1)
At 31 December 2017	**-**	**6.6**	**0.1**	**0.1**	**6.8**
Carrying amount					
At 31 December 2016	29.6	1.0	-	-	30.6
At 31 December 2017	**99.5**	**0.4**	**-**	**-**	**99.9**

The carrying amount of the Company's plant and equipment includes an amount of €0.5 million (2016: €0.8 million) in respect of assets held under finance leases.

In accordance with IAS 16, the property, plant and equipment of the Group and Company has been reviewed in relation to the residual values used for the purpose of depreciation calculations. In considering residual values of passenger ships, the Directors have taken into consideration the valuation of the scrap value of the ships per light displacement tonne. Residual values are reviewed annually and updated if required.

Estimates of economic life and residual values of ships are a key judgemental estimate in the financial statements. A 10% increase / decrease in residual values of ships would have a €0.2 million (2016: €0.2 million) decrease / increase on depreciation in the Consolidated Income Statement and a €0.2 million (2016: €0.2 million) increase / decrease on the carrying value of property, plant and equipment in the Statement of Financial Position. In relation to the remaining estimated economic life of the ships, a one year increase / decrease would have a €1.5 million (2016: €1.4 million) decrease / €1.9 million (2016: €1.8 million) increase in depreciation in the Consolidated Income Statement, and a €1.5 million (2016: €1.4 million) increase / €1.9 million (2016: €1.8 million) decrease on the carrying value of property, plant and equipment in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

13. Property, plant and equipment - continued

At the balance sheet date, the Company's asset under construction relates to the new build MV W.B. Yeats and comprises payments of €34.2 million, an accrual reflecting value of work completed not yet payable of €64.6 million, capitalised interest of €0.6 million and staff costs of €0.1 million. During the year ended 31 December 2017, interest costs of €0.4 million and staff costs of €0.1 million were capitalised.

Group assets under construction also include payments under other contracts to deliver certain items of property, plant and equipment.

14. Intangible assets

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Cost				
At 1 January	10.5	10.2	9.8	9.6
Disposals	(0.3)	-	-	-
Additions	-	0.3	-	0.2
At 31 December	**10.2**	**10.5**	**9.8**	**9.8**
Amortisation				
At 1 January	9.7	9.3	9.1	8.8
Eliminated on disposals	(0.3)	-	-	-
Charge for the financial year	0.3	0.4	0.3	0.3
At 31 December	**9.7**	**9.7**	**9.4**	**9.1**
Carrying amount				
At 1 January	0.8	0.9	0.7	0.8
At 31 December	**0.5**	**0.8**	**0.4**	**0.7**

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

15. Investment in subsidiaries

Company	2017 €m	2016 €m
Investment in subsidiaries at beginning of the financial year	11.7	11.7
Movement related to share options allocated to employees in subsidiaries	0.3	-
Investment in subsidiaries at end of the financial year	12.0	11.7

The composition of the Group and the Company's principal subsidiaries at 31 December 2017 is as follows:

Name of subsidiary	Country of incorporation and operation	Proportion of ownership in ordinary share capital	Proportion of voting power held	Principal activity
Irish Ferries Limited	Ireland	100%	100%	Ferry operator
Eucon Shipping & Transport Limited	Ireland	100%	100%	Container shipping services
Irish Continental Line Limited	Ireland	100%	100%	Ship leasing
Irish Ferries Services Limited	Ireland	100%	100%	Administration services
Belfast Container Terminal (BCT) Limited	Northern Ireland	100%	100%	Container handling
Irish Ferries (U.K.) Limited	United Kingdom	100%	100%	Shipping & forwarding agents
Eurofeeders Limited	United Kingdom	100%	100%	Shipping & forwarding agents
Irish Ferries (U.K.) Services Limited	United Kingdom	100%	100%	Administration services
Zatarga Limited	Isle of Man	100%	100%	Ship leasing
Contarga Limited	Ireland	100%	100%	Ship leasing
Irish Ferries Finance DAC	Ireland	100%	100%	Administration services

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

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

The registered office for Irish Ferries (U.K.) Limited and Irish Ferries (U.K.) Services Limited is The Plaza, Suite 4D – 4th Floor, 100 Old Hall Street, Liverpool L3 9QJ, England.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

16. Inventories

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Fuel and lubricating oil	2.5	2.1	0.1	0.1
Catering and other stocks	0.2	0.2	0.4	0.3
	2.7	2.3	0.5	0.4

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

Cost of inventories recognised as an expense in the Consolidated Income Statement amounted to €47.1 million during the financial year (2016: €39.0 million).

17. Trade and other receivables

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Trade receivables	38.2	35.1	1.3	1.1
Allowance for doubtful debts	(1.5)	(1.4)	-	-
	36.7	33.7	1.3	1.1
Prepayments	4.7	4.8	0.2	0.2
Amounts due from subsidiary companies	-	-	138.9	115.7
Other receivables	0.8	1.1	0.2	0.4
	42.2	39.6	140.6	117.4

Credit risk

The Group and Company review all receivables that are past their agreed credit terms and assesses whether any amounts are irrecoverable, determined by reference to past default experience, together with any particular risk factor applicable to an individual customer.

The Group and Company extend credit to certain trade customers after conducting a credit risk assessment. Year-end trade receivables represent 42 days sales at 31 December 2017 (2016: 39 days).

17. Trade and other receivables - continued

The Group's trade receivables are analysed as follows:

	Gross value 2017 €m	Impairment 2017 €m	Net value 2017 €m	Gross value 2016 €m	Impairment 2016 €m	Net value 2016 €m
Not past due						
- Within terms	35.5	(1.2)	34.3	32.7	(1.1)	31.6
Past due						
- Within 3 months	1.9	(0.2)	1.7	1.9	(0.2)	1.7
- After 3 months	0.8	(0.1)	0.7	0.5	(0.1)	0.4
	38.2	**(1.5)**	**36.7**	**35.1**	**(1.4)**	**33.7**

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

Movement in the allowance for doubtful debts

	Group 2017 €m	Group 2016 €m
Balance at beginning of the financial year	1.4	1.4
Increase in allowance during the financial year	0.1	-
Balance at end of the financial year	1.5	1.4

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

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

The amounts for prepayments, amounts due from subsidiary companies and other receivables are neither past due nor impaired at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

18. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows:

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Cash and cash equivalents	**90.3**	**42.2**	**27.3**	**20.6**

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

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

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Ireland	88.1	40.5	27.3	20.6
United Kingdom	0.1	0.2	-	-
Europe	2.1	1.5	-	-
Total	90.3	42.2	27.3	20.6

The cash and cash equivalents figure of €90.3 million at 31 December 2017 includes a deposit of €1.9 million (2016: €1.4 million) which the Group has granted a charge in favour of the Irish Ferries Pension Trustee Limited as continuing security for amounts due under a deficit funding agreement concluded with the Trustee on behalf of the Irish Ferries Limited Pension Scheme.

19. Share capital

Group and Company

Authorised	2017 Number	2017 €m	2016 Number	2016 €m
Ordinary shares of par value €0.065 each	450,000,000	29.3	450,000,000	29.3
Redeemable shares of par value €0.00001 each	4,500,000,000	0.0	4,500,000,000	0.0
		29.3		**29.3**

19. Share capital- continued

Allotted, called up and fully paid	2017 Number	2017 €m	2016 Number	2016 €m
Ordinary shares				
At beginning of the financial year	188,309,390	12.2	186,471,890	12.1
Share issue	1,685,000	0.1	1,837,500	0.1
At end of the financial year	189,994,390	12.3	188,309,390	12.2

The Company has one class of share unit, an ICG Unit, which at 31 December 2017 comprised one ordinary share and nil redeemable shares. The share unit, nor any share therein, carries no right to fixed income.

The number of ICG Units issued during the year was 1,685,000 (2016: 1,837,500) and total consideration received amounted to €3.3 million (2016: €2.7 million). These ICG Units were issued under the Company's share option plans.

Holders of ordinary shares are entitled to such dividend that may be declared from time to time on such shares and are entitled to attend, speak and vote at the Annual General Meeting of the Company. On return of capital on a winding up, the holder of ordinary shares is entitled to participate in a distribution of surplus assets of the Company.

Redeemable shares do not entitle holders to any dividend nor any right to participate in the profit or assets of the Company other than to the repayment of a sum equal to the nominal value of 0.001 cent per share on a winding up of the Company. Redeemable shares do not entitle the holder to attend, speak or vote at the Annual General Meeting. At the General Meeting of the Company on 22 May 2014, shareholders approved redemption at par and the cancellation of all of the Company's issued Redeemable Shares which was implemented on 6 June 2014.

20. Analysis of Equity

Group and Company

Share premium

The share premium account comprises the excess of monies received in respect of share capital over the nominal value of shares issued.

Capital reserves

This consists of reserves arising on consolidation and the capital redemption reserve.

Reserves arising on consolidation relate to the acquisition of a subsidiary. At 31 December 2017 the reserve balance stands at €0.1 million. The balance is unchanged from 1 January 2016 and 1 January 2017.

The capital redemption reserve represents the nominal value of share capital repurchased. At 31 December 2017 the reserve balance stands at €7.2 million (2016: €7.2 million).

Share options reserve

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

20. Analysis of Equity - continued

Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments arising from effective cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in the Income Statement only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Translation reserve

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

21. Borrowings

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Bank loans	-	77.7	-	-
Private placement loan notes	50.0	-	-	-
Origination fees	(1.0)	-	-	-
Finance lease liabilities	1.7	2.4	0.6	0.9
	50.7	80.1	0.6	0.9
The borrowings are repayable as follows:				
On demand or within one year	0.7	78.4	0.3	0.3
In the second year	0.5	0.7	0.3	0.3
In the third year	0.2	0.6	-	0.3
In the fourth year	-	0.3	-	-
Fifth year and after	49.3	0.1	-	-
	50.7	80.1	0.6	0.9
Less: Amount due for settlement within 12 months	(0.7)	(78.4)	(0.3)	(0.3)
Amount due for settlement after 12 months	50.0	1.7	0.3	0.6

Obligations under the Group borrowing facilities have been cross guaranteed by certain subsidiaries but are otherwise unsecured, except for finance lease obligations which are secured by the lessors' title to the leased assets.

The currency profile of the Group's borrowings are set out in note 22 (iii).

Company lease obligations at 31 December 2017 of €0.6 million (2016: €0.9 million) are denominated in Euro.

21. Borrowings – continued

Group finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017 €m	2016 €m	2017 €m	2016 €m
Amounts payable under finance leases:				
Within one year	0.8	0.8	0.7	0.6
In the second to fifth years inclusive	1.1	1.9	1.0	1.8
	1.9	2.7	1.7	2.4
Less: future finance charges	(0.2)	(0.3)	-	-
Present value of lease obligations	1.7	2.4	1.7	2.4
Less: amount due for settlement within 12 months	(0.7)	(0.7)	(0.7)	(0.7)
Amount due for settlement after 12 months	1.0	1.7	1.0	1.7

Company finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017 €m	2016 €m	2017 €m	2016 €m
Amounts payable under finance leases:				
Within one year	0.3	0.3	0.3	0.3
In the second to fifth years inclusive	0.4	0.7	0.3	0.6
	0.7	1.0	0.6	0.9
Less: future finance charges	(0.1)	(0.1)	-	-
Present value of lease obligations	0.6	0.9	0.6	0.9
Less: amount due for settlement within 12 months	(0.3)	(0.3)	(0.3)	(0.3)
Amount due for settlement after 12 months	0.3	0.6	0.3	0.6

It is the Group’s policy to lease certain of its plant and equipment under finance leases. Lease terms vary from 3 to 7 years. For the financial year ended 31 December 2017, the average effective lease borrowing rate was 5.5% (2016: 5.5%) in the Group and 5.6% (2016: 5.6%) in the Company. Interest rates are fixed at the contract date, and thus expose the Group and Company to fair value interest rate risk. All leases are on a fixed repayment basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

21. Borrowings – continued
Borrowing facilities

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Overdraft and trade guarantee facility:				
Amounts utilised – bank overdraft	-	-	-	-
Amounts utilised – trade guarantee	0.6	0.7	-	-
Amounts undrawn	15.4	14.3	15.4	14.3
	16.0	15.0	15.4	14.3
Committed Loan facilities:				
Amounts drawn	50.0	77.7	-	-
Amounts undrawn	150.0	-	75.0	-
	200.0	77.7	75.0	-
Uncommitted Loan facilities:				
Amounts undrawn	229.3	-	-	-

At 31 December the Group had total committed facilities of €216.0 million (2016: €92.7 million) which comprised of amounts utilised of €50.6 million (2016: €78.4 million) and amounts undrawn of €165.4 million (2016: €14.3 million), of which €75.0 million is available for drawing on 11 June 2018 subject to satisfaction of certain conditions precedent related to the project for the construction of the MV W.B Yeats. Uncommitted facilities relate to bank and private placement shelf agreements which are available for drawing at the discretion of the relevant lender. All borrowings at 31 December 2017 were unsecured and cross guaranteed by certain subsidiaries within the Group.

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

	Group 2017	Group 2016	Company 2017	Company 2016
Bank overdrafts	0.6%	0.7%	0.6%	0.7%
Bank loans	2.3%	2.9%	-	-

21. Borrowings – continued

The Group has the following borrowing facilities available;

1. A bank overdraft and trade guarantee facility with permitted drawing amounts of €16.0 million. At 31 December 2017, €0.6 million (2016: €0.7 million) was utilised on this facility by way of trade guarantees and €nil was utilised as an overdraft. Interest rates are calculated by reference to the lenders prime rate plus a fixed margin. This facility, available for drawing by the Company and certain subsidiaries, is reviewed annually and is repayable on demand.
2. A multicurrency revolving credit facility with permitted drawing amounts of €75.0 million, which may be increased to €125.0 million in total at the discretion of the lenders on application. At 31 December 2017, €nil (2016: €40.0 million under an expired facility) was drawn under this facility. Interest rates are arranged at floating rates, calculated by reference to EURIBOR or LIBOR settings depending on currency drawn plus an agreed margin which varies with the Group's net debt to EBITDA ratio, which creates a cash flow interest rate risk. This facility is available for drawing by the Company and certain subsidiaries and matures on 30 September 2022, but is extendable for further periods of up to two years at the discretion of the lenders on application.
3. An amortising term loan agreement with the European Investment Bank available for drawing after 11 June 2018 subject to certain conditions precedent relating to the completion of the vessel W.B Yeats. The facility consists of a drawing amount of up to €75.0 million and is repayable in equal instalments over a ten year period commencing 11 December 2020. A contractual fixed interest rate was agreed with the lender post year-end.
4. Multicurrency loan note agreements agreed with a number of investors with a total uncommitted investment amount of €229.3 million. These amounts are available for drawing at the discretion of investors for an initial period up to 6 October 2020. Interest rates are set at each drawing date and maturity may extend for up to 15 years. On 30 November 2017, Irish Ferries Finance DAC issued loan notes for a total amount of €50.0 million with a seven year bullet maturity of 30 November 2024.
5. An amortising term loan facility with an outstanding balance at 31 December 2016 of €37.7 million was repaid during the year and all security released. An associated derivative financial instrument whereby floating rate EURIBOR had been swapped for a fixed interest rate was also settled.

The Group's financing facilities contain provisions that where there is a change in control of the company, lenders may cancel the facilities and declare all utilisations immediately due and payable. A change of control is where any person or group of persons acting in concert becomes the owner of more than fifty per cent of the voting share capital of the Company.

In the opinion of the Directors, the Group and Company are in compliance with the covenants contained in its borrowing agreements as of 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

22. Financial instruments and risk management

The Group's activities expose it to a variety of financial risks including market risk (such as interest rate risk, foreign currency risk, commodity price risk), liquidity risk and credit risk. The Group's funding, liquidity and exposure to interest and foreign exchange rate risks are managed by the Group's treasury and accounting departments. A combination of derivative financial instruments and treasury management techniques are used to manage these underlying risks.

(i) Categories of financial instruments
Financial assets and liabilities

2017	Loans and receivables at amortised cost €m	Cash flow hedges at fair value €m	Financial liabilities at amortised cost €m	Carrying value €m	Fair value €m
Trade and other receivables	42.2	-	-	42.2	42.2
Cash and cash equivalents	90.3	-	-	90.3	90.3
Borrowings	-	-	50.7	50.7	50.4
Trade and other payables	-	-	112.4	112.4	112.4

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

Fair value hierarchy

The fair value of financial assets and financial liabilities that are carried in the Statement of Financial Position at fair value, are classified within Level 2 (2016: Level 2) of the fair value hierarchy as market observable inputs (forward rates and yield curves) which are used in arriving at fair values.

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

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

22. Financial instruments and risk management – continued

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

Trade and other receivables / payables

For trade receivables and trade payables, with average settlement periods of 42 days (2016: 39 days) and 69 days (2016: 72 days) respectively, the carrying value less allowance for doubtful debts, where appropriate, is estimated to reflect fair value.

Cash and cash equivalents

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

Borrowings

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

Derivative financial instruments

Derivative financial instruments are measured in the Statement of Financial Position at fair value. The fair values of derivative financial instruments which comprised interest rate swaps is based on the movement in the market cost of credit derivatives between the commencement and the balance sheet date. The fair value of derivative financial instruments was €nil as at 31 December 2017 (2016: a liability of €0.2 million) and consisted entirely of interest rate swaps.

(ii) Interest rate risk

At 31 December 2017, interest rates on short term bank deposits were contracted for terms of less than three months at average effective rates of 0.0% (2016: 0.1%).

The interest rates on Group borrowings at 31 December 2017 comprising loan notes and finance lease obligations have been fixed at a contracted rate at the date of drawdown with the relevant lender eliminating exposure to interest rate risk on borrowings. The average effective interest rate at 31 December 2017 was 1.53%. At 31 December 2016, 50% of Group borrowings were at fixed rates at an average effective rate of 3.5%.

Sensitivity

The Group has prepared calculations to measure the estimated change to the Consolidated Income Statement and Equity of either an instantaneous increase or decrease of 100 basis points (1%) in market interest rates or a 10% strengthening or weakening in Euro against all other currencies, from the rates applicable at 31 December 2017, for each class of financial instruments with all other variables remaining constant. The sensitivity analysis excludes the impact of market risks on net post-employment benefit obligations and taxation. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation. The interest rate sensitivity analysis is based on the assumption that changes in market interest rates affect the interest income or expense of variable financial instruments. No account has been taken of the effect of interest rate changes on derivative financial instruments as the exposure to these at 31 December 2017 and 31 December 2016 was immaterial. The amounts generated from the sensitivity analysis are estimates of the impact of market risks assuming that specified changes occur. Actual results in the future may differ materially from these results due to developments in the global financial markets which may cause fluctuations in interest and exchange rates to vary from the hypothetical amounts disclosed below, which therefore should not be considered a projection of likely future events and losses.

Under these assumptions, as all interest rates on borrowings at 31 December 2017 were at contracted fixed rates until maturity, a one percentage point increase or decrease in market interest rates on Group borrowings and derivative financial instruments would have decreased or increased profit before tax and equity by approximately €nil (2016: €0.4 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

22. Financial instruments and risk management - continued

(iii) Foreign currency risk management

The Group publishes its consolidated financial statements in Euro and conducts business in different foreign currencies. As a result, it is subject to foreign exchange risk due to exchange rate movements which will affect the Group's transaction costs and the translation of the results and underlying net assets of its foreign operations.

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

Sensitivity

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

Under the assumptions; (i) a 10% strengthening in Euro exchange rates against all currencies, profit before tax would have increased by €1.3 million (2016: €1.1 million) and equity (before tax effects) would have decreased by €0.5 million (2016: €0.3 million); (ii) a 10% weakening in Euro exchange rates against all currencies, profit before tax would have decreased by €1.5 million (2016: €1.4 million) and equity (before tax effects) would have increased by €0.5 million (2016: €0.4 million).

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

2017	Euro €m	Sterling €m	US Dollar €m	Total €m
Trade and other receivables[1]	35.3	8.2	0.2	43.7
Cash and cash equivalents	78.4	11.8	0.1	90.3
Total assets	113.7	20.0	0.3	134.0
Trade and other payables	98.0	11.0	3.4	112.4
Bank loans	49.0	-	-	49.0
Finance leases	1.7	-	-	1.7
Total liabilities	148.7	11.0	3.4	163.1
Net (liabilities) / assets	**(35.0)**	**9.0**	**(3.1)**	**(29.1)**

1. Excludes allowance for doubtful debts

22. Financial instruments and risk management - continued

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

1. Excludes allowance for doubtful debts

(iv) Commodity price risk

In terms of commodity price risk the Group's vessels consume heavy fuel oil (HFO), marine diesel / gas oil (MDO/MGO) and lubricating oils, all of which continue to be subject to price volatility. The Group must also manage the risks inherent in changes to the specification of fuel oil which are introduced under international and EU law from time to time.

The Group's policy has been to purchase these commodities in the spot markets and to remain unhedged. Bunker costs of the Container & Terminal division are offset to a large extent by the application of prearranged price-adjustments with our customers. Similar arrangements are in place with freight customers in the Ferries division. In the passenger sector, changes in bunker costs are included in the ticket price to the extent that market conditions will allow.

(v) Liquidity risk

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

- monitors credit ratings of institutions with which the Group and Company maintains cash balances;
- limits maturity of cash balances; and
- borrows the bulk of its debt needs under committed bank lines or other term financing and by policy maintains a minimum level of undrawn committed facilities.

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

	Group		Company	
	2017 €m	2016 €m	2017 €m	2016 €m
Cash and cash equivalents	90.3	42.2	27.3	20.6
Committed undrawn facilities	165.4	14.3	90.4	14.3
Liquidity reserve	255.7	56.5	117.7	34.9

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

22. Financial instruments and risk management - continued

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

Liquidity analysis

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

Liquidity Table **2017**	Weighted average period until maturity	Carrying amount	Contractual amount	Less than 1 year	Between 1 – 2 years	Between 2 – 5 years	More than 5 years
	Years	€m	€m	€m	€m	€m	€m
Liabilities							
Trade and other payables		112.4	112.4	112.4	-	-	-
Bank loans	6.9	49.0	55.0	0.7	0.7	2.1	51.5
Finance leases	1.5	1.7	1.9	0.7	0.6	0.6	-
Total liabilities		**163.1**	**169.3**	**113.8**	**1.3**	**2.7**	**51.5**

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

(vi) Credit risk

The Group and Company monitors its credit exposure to its counterparties via their credit ratings (where applicable) and limits its exposure to any one party to ensure that there are no significant concentrations of credit risk. The notional amounts of financial instruments used in interest rate and foreign exchange management do not represent the credit risk arising through the use of these instruments. The immediate credit risk of these instruments is generally estimated by the fair value of contracts with a positive value. Credit risk in relation to trade and other receivables and cash and cash equivalents has been discussed in notes 17 and 18 respectively. The maximum exposure to credit risk is represented by the carrying amounts in the Statement of Financial Position.

22. Financial instruments and risk management - continued

(vii) Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the overall cost of capital.

No changes were made in the objectives, policies or processes for managing capital during the financial years ended 31 December 2017 and 31 December 2016.

The capital structure of the Group consists of net cash (borrowings as detailed in note 21 offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in notes 19 and 20).

The Group is not subject to any externally imposed capital requirements.

In managing its capital structure, the primary focus of the Group is the ratio of consolidated net debt as a multiple of EBITDA. Maximum levels for this ratio are set under Board approved policy so as to ensure compliance with banking covenants under the Group's borrowing agreements. These policy requirements were achieved at 31 December 2017 and 31 December 2016. At 31 December 2017, the Group was in a net cash position. The ratio of consolidated net debt as a multiple of EBITDA (reported basis) in 2016 was 0.5 times.

(viii) Derivative financial instruments

The fair value of derivative financial instruments at 31 December 2017 was €nil (2016: €0.2 million). All cash flow hedges were effective and fair value losses of €nil (2016: losses of €0.1 million) were recorded in other comprehensive income and net settlements amounted to €0.2 million (2016: €0.4 million).

The Group utilised interest rate swaps during the year 31 December 2017. The Group entered into an agreement whereby it swapped its EURIBOR floating interest rate exposure from 1 January 2013 under the expired amortising term loan facility for fixed interest rates. The derivative financial instrument was settled on repayment of the term loan facility. The estimated fair value of this derivative based on quoted market prices for equivalent instruments at 31 December 2017 was €nil (2016: €0.2 million).

The interest rates on Group borrowings at 31 December 2017 has been fixed at a contracted rate.

The Company did not utilise any other interest rate swaps during the years ended 31 December 2017 and 31 December 2016.

The Group and Company utilises currency derivatives to hedge short term future cash flows in the management of its exchange rate exposures. At 31 December 2017 and 31 December 2016, there were no outstanding forward foreign exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

23. Deferred tax liabilities

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

In both the Group and the Company taxable losses in excess of expected future reversing taxable temporary differences, have been incurred that are available for offset against future taxable profits. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. A deferred tax asset has not been recognised in respect of these losses where suitable taxable profits are not expected to arise. The Group estimates the probable amount of future taxable profits, using assumptions consistent with those employed in the Group's financial planning process, and taking into consideration applicable tax legislation in the relevant jurisdiction. These calculations require the use of estimates.

The Group has not provided deferred tax in relation to temporary differences applicable to investments in subsidiaries on the basis that the Group can control the timing and realisation of these temporary differences and it is probable that the temporary difference would be immaterial and will not reverse in the foreseeable future.

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

Group 2017	Accelerated tax depreciation €m	Retirement benefit obligation €m	Total €m
At beginning of the financial year	2.6	0.1	2.7
Credit to the Consolidated Income Statement	(2.1)	-	(2.1)
Debit to the Consolidated Statement of Comprehensive Income	-	0.2	0.2
At end of the financial year	0.5	0.3	0.8

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

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

23. Deferred tax liabilities - continued

Company

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

Unrecognised deferred tax assets – Group and Company

The estimated value of the deferred tax asset not recognised is €0.1 million (2016: €0.1 million) in the Group and €0.1 million (2016: €0.1 million) in the Company. Deferred tax assets are not recognised as it is not probable that taxable profits will be available against which deductible temporary differences can be utilised. These amounts are analysed as follows:

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Tax losses carried forward	0.1	0.1	0.1	0.1
Other temporary differences	-	-	-	-
	0.1	0.1	0.1	0.1

24. Trade and other payables

Within 1 year	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Trade payables and accruals	43.5	43.2	4.9	3.8
Asset under construction (note 13)	64.6	–	64.6	–
Payroll taxes	1.4	1.3	0.1	0.1
Social insurance cost	0.5	0.4	-	-
Value added tax	2.4	1.8	0.2	0.1
Amounts due to subsidiary companies	-	-	25.2	44.4
	112.4	46.7	95.0	48.4

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

The average trade credit period outstanding was 69 days at 31 December 2017 (2016: 72 days). Certain suppliers reserve the right to charge interest on balances past their due date.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

25. Provisions

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Claims provision				
At beginning of the financial year	1.2	1.0	0.2	0.2
Utilisation of provision	(0.2)	-	(0.2)	-
Increase in provision	-	0.2	-	-
At end of the financial year	1.0	1.2	-	0.2
Analysed as follows:				
Current liabilities	0.5	0.6	-	0.1
Non-current liabilities	0.5	0.6	-	0.1
	1.0	1.2	-	0.2

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

26. Deferred grant

Group	2017 €m	2016 €m
At beginning of the financial year	0.4	0.5
Amortisation	(0.1)	(0.1)
At end of the financial year	0.3	0.4
Analysed as follows:		
Current liabilities	0.1	0.1
Non-current liabilities	0.2	0.3
	0.3	0.4

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

27. Commitments

	Group 2017 €m	Group 2016 €m
Commitments for the acquisition of property, plant and equipment		
Approved and contracted	281.0	122.2
Less accrued at 31 December (note 13)	(64.6)	–
Approved and contracted for not accrued	216.4	122.2

28. Operating lease agreements

	Group 2017 €m	Group 2016 €m
Minimum lease payments under operating leases recognised as an expense during the financial year	14.3	12.8

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

	Group 2017 €m	Group 2016 €m
Within one year	10.8	11.0
In the second to fifth years inclusive	7.7	15.6
After five years	63.5	64.2
	82.0	90.8

Group
Operating lease payments represent rentals payable by the Group for certain of its properties, for the charter of vessels and for the hire of containers and other equipment. Excluding the lease with Dublin Port, which has an outstanding term of 105 years, the outstanding terms of the operating leases within the Group at 31 December 2017 range from less than 1 month to 5 years. Property rentals are fixed for periods ranging from 1 to 7 years.

29. Operating lease income

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

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Within one year	0.3	4.1	0.3	0.3
In the second to fifth years inclusive	-	8.2	0.7	0.7
	0.3	12.3	1.0	1.0

The Group charters vessels under operating leases to third parties and the Company leases certain assets under an operating lease to a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

30. Share-based payments

The Group and Company operates a number of equity settled share option schemes under which certain employees of the Group and Company have been issued with share options.

On 17 May 2017 the Company in general meeting approved the adoption of the Performance Share Plan ("PSP"), which is now the active plan under which option awards may be granted. Details of the award and vesting conditions are set out in the Report of the Remuneration Committee. Vesting is contingent on market conditions such as total shareholder return and non-market conditions such as Earnings per Share, free cash flow and return on average capital employed. During the year 1,076,000 options were granted under the PSP with a vesting period of 3 years.

In addition to the PSP there are two legacy option schemes. The 1998 Share Option Plan expired during the year following the exercise of the remaining previously vested options by participants.

The 2009 Share Option Plan remains in place with respect to any outstanding grants made prior to 2016 but no new grants will be made following the adoption of the PSP. During the year grants of second tier options granted on 26 March 2012 and basic tier options granted on 1 September 2014 were determined to have vested.

The number of shares over which options may be granted may not exceed 10% of the shares of the Company in issue.

Options are forfeited where the grantee ceases employment with the Group or Company unless retention, for a maximum period of 12 months, is permitted by the Remuneration Committee under good leaver rules. The Scheme Rules allow for the early exercise of outstanding options upon a change in control of the Company.

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

	2017		2016	
	Number of share options	Weighted average exercise price €	Number of share options	Weighted average exercise price €
Outstanding at 1 January	6,281,500	2.42	8,385,000	2.22
Granted during the year	1,076,000	0.065	-	-
Exercised during the year	(2,505,000)	2.01	(1,948,500)	1.48
Forfeited during the year	-	-	(155,000)	3.36
Outstanding at 31 December	4,852,500	2.11	6,281,500	2.42
Exercisable at 31 December	1,714,000	1.68	2,866,500	1.95
Weighted average share price at date of exercise of options		5.75		5.38
Weighted average remaining contractual life of options outstanding at year-end		5.1 years		4.9 years

In settlement of the 2,505,000 options exercised during the year the Company issued 1,685,000 new ICG units with the balance of 820,000 sourced through market purchase.

30. Share-based payments - continued

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

	2017 Options	2016 Options	Price €
Exercisable:			
1998 Share Option Plan			
Basic Options (1)	-	890,000	2.132
Super Options (2)	-	1,050,000	2.132
2009 Share Option Plan			
Basic Tier Options (3)	726,500	926,500	1.570
Second Tier Options (4)	850,000	-	1.570
Basic Tier Options (3)	137,500	-	2.970
Exercisable at 31 December	**1,714,000**	**2,866,500**	
Not Yet Exercisable:			
2009 Share Option Plan			
Second Tier Options (4)	-	1,200,000	1.570
Basic Tier Options (3)	-	152,500	2.970
Second Tier Options (4)	152,500	152,500	2.970
Basic Tier Options (3)	955,000	955,000	3.580
Second Tier Options (4)	955,000	955,000	3.580
Performance Share Plan (5)	1,076,000	-	0.065
Total outstanding at 31 December	**4,852,500**	**6,281,500**	

1. Basic options under the 1998 Share Option Plan were only exercisable if Earnings Per Share growth between the financial year immediately preceding the financial year in which an option is granted and the financial year immediately preceding the financial year in which the option is exercised is at least 2% above the increase in the Consumer Price Index compounded per annum over such period.
2. Super options under the 1998 Share Option Plan were only exercisable if the Earnings Per Share growth over any period of five financial years since the financial year immediately preceding the financial year in which the option was granted is such as to place the Company in the top quartile of companies in the Irish Stock Exchange Index ("ISEQ Index") by reference to Earnings Per Share growth over the same period and during that period the annual Earnings Per Share growth is at least 10% above the increase in the Consumer Price Index compounded per annum over such period.
3. Basic Tier Options under the 2009 Share Option Plan will vest and become exercisable three years after the date of grant once Earnings Per Share growth over any period of three consecutive financial years commencing at the financial year immediately preceding the date of grant is at least 2% above the increase in the Consumer Price Index compounded per annum over such period.
4. Second Tier Options will vest and become exercisable from the fifth anniversary of grant once (i) Earnings Per Share growth over any period of five consecutive financial years commencing at the financial year immediately preceding the date of grant place the Company in the top quartile of companies either (a) listed on the Irish Stock Exchange or (b) included in the London Stock Exchange FTSE 250, by reference to Earnings Per Share growth over the same period and (ii) over that period the Earnings Per Share growth is at least 10% above the increase in the Consumer Price Index compounded per annum over such period.
5. Vesting of options under the Performance Share Plan are contingent on the achievement of certain market and non-market performance hurdles set out in the Report of the Remuneration Committee.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

30. Share-based payments – continued

Under Group equity-settled share based payment schemes the maximum life of a share option is up to ten years .These are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Binomial option pricing model. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

On 1 January 2016 (start of comparative period) outstanding options had been granted on 13 April 2005, 18 September 2006, 19 December 2007, 26 March 2012, 1 September 2014, 5 March 2015 and 23 May 2017. The estimated fair values of the options are as follows:

Year of Grant	2017	2015 Basic Tier	2015 Second Tier	2014 Basic Tier	2014 Second Tier
Fair value of option	€3.67	€0.4528	€0.5581	€0.2992	€0.4449

Year of Grant	2012 BasicTier	2012 Second Tier	2007	2006	2005
Fair value of option	€0.324	€0.368	€0.922	€0.443	€0.401

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

Year of Grant	2017	2015 Basic Tier	2015 Second Tier	2014 Basic Tier	2014 Second Tier
At date of grant:					
Weighted average share price	€5.400	€3.580	€3.580	€2.970	€2.970
Weighted average exercise price	€5.400	€3.580	€3.580	€2.970	€2.970
Expected volatility	22%	29%	31%	27%	30%
Expected life	8 years	7 years	9 years	7 years	9 years
Risk free rate	0.023%	0.090%	0.299%	0.439%	0.765%
Expected dividend yield	4.61%	5.16%	4.72%	5.83%	4.89%

Year of Grant	2012 Basic Tier	2012 Second Tier	2007	2006	2005
Weighted average share price	€1.570	€1.570	€2.132	€1.067	€1.000
Weighted average exercise price	€1.570	€1.570	€2.132	€1.067	€1.000
Expected volatility	34%	33%	35%	35%	36%
Expected life	7 years	9 years	10 years	10 years	10 years
Risk free rate	1.323%	1.799%	4.260%	3.765%	3.293%
Expected dividend yield	4.97%	4.41%	1.64%	1.87%	1.69%

30. Share-based payments – continued

Expected volatility was determined by calculating the historical volatility of the Company's share price. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest, and adjusted for the effect of non-market based vesting conditions.

In 2017, the share-based payment expense recognised in the Consolidated Income Statement was €1.1 million (2016: €0.2 million) and in the Income Statement of the Company was €0.4 million (2016: €0.1 million).

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

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Employee benefits expense	1.1	0.2	0.4	0.1

A share-based payment expense of €359,000 (2016: €32,000) relates to the Directors of the Group. The balance on the share option reserve in the Consolidated Statement of Financial Position at 31 December 2017 is €1.5 million (2016: €2.4 million). The balance on the share option reserve in the Company Statement of Financial Position at 31 December 2017 is €1.5 million (2016: €2.4 million).

31. Retirement benefit schemes

(a) Group retirement benefit schemes

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

Defined Contribution Scheme

The Group operates a defined contribution pension scheme, which provides retirement and death benefits for all recently hired employees. The total cost charged in the Consolidated Income Statement of €0.1 million (2016: €0.1 million) represents employer contributions payable to the externally administered defined contribution pension scheme at rates specified in the rules of the scheme. There was €nil in outstanding contributions included in trade and other payables at 31 December 2017 (2016: €nil).

Defined Benefit Obligations

(i) Group sponsored schemes

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

31. Retirement benefit schemes – continued
The pension contributions paid in the year ended 31 December 2017 amounted to €2.9 million (2016: €3.7 million) while the current service cost charged to the Consolidated Income Statement amounted to €1.8 million (2016: €1.9 million). At 31 December 2017, there were 763 pensioners in receipt of pension payments from the Group's schemes (2016: 783).

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

The pension charges and payments in respect of the schemes are in accordance with the advice of professionally qualified actuaries. The latest actuarial valuation reports for these schemes, which are not available for public inspection, are dated between 1 April 2015 and 1 October 2015. The valuations employed for disclosure purposes have been based on the most recent funding valuations for each scheme adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2017 and to take account of financial conditions at this date. The present value of the defined benefit obligation, and the related current service cost and past service credit, were measured using the projected unit credit method and assets have been valued at bid value.

(ii) Merchant Navy Officers Pension Fund (MNOPF)
In addition to the pension schemes operated by the Group, the Group has obligations in respect of past service of certain employees who are members of the MNOPF, an industry wide multi-employer scheme and which is closed to future accrual. The latest actuarial valuation of the scheme, which is available for public inspection, is dated 31 March 2015 and disclosed a funding shortfall of GBP 5.0 million. The Group's share of the MNOPF obligations, as most recently advised by the trustees, is 1.53% (2016: 1.53%). The valuation at 31 December 2017 is based on the actuarial deficit contribution demands notified to the Group and which remains outstanding at the reporting date.

On this basis the share of the overall deficit in the MNOPF estimated by the Company attributable to the Group at 31 December 2017 is €nil (2016: €nil). During the year the Group made payments of €nil (2016: €0.5 million) to the trustees.

(iii) Principal risks and assumptions
The Group is exposed to a number of actuarial risks as set out below:

Investment risk
The pension schemes hold investments in asset classes such as equities which are expected to provide higher returns than other asset classes over the long-term, but may create volatility and risk in the short-term. The present value of the defined benefit obligations liability is calculated using a discount rate by reference to high quality corporate bond yields; if the future achieved return on scheme assets is below this rate, it will create a deficit. IAS 19 Employee Benefits provides that the discount rate used to value retirement benefits should be determined by reference to market yields on high quality corporate bonds consistent with the duration of the liabilities. Due to a narrow bond universe the Group defines high quality bonds as those rated AA or higher by at least two rating agencies.

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

31. Retirement benefit schemes – continued

Life expectancy risk

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

Inflation risk

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

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

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

	Sterling Liabilities		Euro Liabilities	
	2017	2016	2017	2016
Discount rate	2.35%	2.50%	1.80%	1.70%
Inflation rate	3.40%	3.45%	1.60%	1.60%
Rate of annual increase of pensions in payment	3.10%	3.15%	0.70% - 0.80%	0.70% - 0.80%
Rate of increase of pensionable salaries	0.95%	1.00%	0.00% - 1.00%	0.00% - 1.00%

The Euro and Sterling discount rates have been determined in consultation with the Group's independent actuary, who have devised proprietary models referencing market yields at the balance sheet date on high quality corporate bonds consistent with the duration of the liabilities. For 31 December 2017 the high quality corporate bond population include those rated AA or higher by at least two rating agencies. In 2016 the Euro corporate bond population included corporate bonds rated AA or higher by at least one rating agency. This change in Euro bond population selection is consistent with the independent actuary's in-house approach and would not have affected the determination of the 2016 Euro discount rate.

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

	2017		2016	
	Male	Female	Male	Female
Current retirees	26.3 years	29.0 years	26.1 years	28.9 years
Future retirees	28.6 years	31.2 years	28.5 years	30.8 years

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

31. Retirement benefit schemes – continued

Sensitivity of pension liability judgemental assumptions

The Group's total obligation in respect of defined benefit obligations is calculated by independent, qualified actuaries, updated at least annually and totals €278.7 million at 31 December 2017 (2016: €288.3 million). At 31 December 2017, the Group also has scheme assets totalling €283.4 million (2016: €274.8 million), giving a net pension surplus of €4.7 million (2016: deficit of €13.5 million). The size of the obligation is sensitive to actuarial assumptions. The sensitivity analyses below are based on a change in an assumption while holding all other assumptions constant with the exception of the rate of inflation assumption which impacts other inflation linked assumptions. The sensitivity analyses intends to provide assistance in understanding the sensitivity of the valuation of pension liabilities to market movements on discount rates, inflation rates and mortality assumptions for scheme beneficiaries. The analyses are for illustrative purposes only as in practice assumptions rarely change in isolation. There has been no change from the prior year in the methods and assumptions used in preparing the sensitivity analyses below.

Assumption	Change in assumption	Impact on Euro schemes liabilities	Impact on Sterling scheme liabilities	Combined impact on liabilities
Discount rate	0.5% increase in discount rate	7.3% decrease in liabilities	8.4% decrease in liabilities	7.3% decrease in liabilities
Rate of inflation*	0.5% increase in price inflation	6.8% increase in liabilities	5.4% increase in liabilities	6.8% increase in liabilities
Rate of mortality	Members assumed to live 1 year longer	3.3% increase in liabilities	3.9% increase in liabilities	3.3% increase in liabilities

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

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

(iv) Retirement benefit assets and liabilities

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

	Schemes with liabilities in sterling		Schemes with liabilities in euro	
	2017	2016	2017	2016
	€m	€m	€m	€m
Equities	10.5	9.4	117.6	124.7
Bonds	13.8	14.9	95.2	93.7
Diversified funds	-	-	24.9	11.6
Property	0.3	0.3	18.7	18.0
Other	1.3	1.0	1.1	1.2
Fair value of scheme assets	25.9	25.6	257.5	249.2
Present value of scheme liabilities	(23.8)	(23.9)	(254.9)	(264.4)
Surplus / (deficit) in schemes	2.1	1.7	2.6	(15.2)

31. Retirement benefit schemes – continued

Three of the defined benefit obligations accounted for by the Group are in a net surplus position and are shown in non-current assets in the Consolidated Statement of Financial Position. One of the defined benefit obligations accounted for by the Group is in a net deficit position and is shown in non-current liabilities.

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

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

	2017 €m	2016 €m
Non-current assets – retirement benefit surplus	8.1	2.4
Non-current liabilities – retirement benefit obligation	(3.4)	(15.9)
Net surplus / (deficit) in pension schemes	4.7	(13.5)

(v) Movements in retirement benefit assets

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

2017	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of the financial year	25.6	249.2	274.8
Interest income	0.6	4.2	4.8
Actuarial gains	1.1	10.8	11.9
Exchange difference	(0.9)	-	(0.9)
Employer contributions	0.4	2.5	2.9
Contributions from scheme members	0.1	0.3	0.4
Benefits paid	(1.0)	(9.5)	(10.5)
At end of the financial year	25.9	257.5	283.4

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

31. Retirement benefit schemes – continued

(vi) Movement in retirement benefit liabilities

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

2017	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of the financial year	23.9	264.4	288.3
Service cost	0.3	1.5	1.8
Interest cost	0.6	4.4	5.0
Contributions from scheme members	0.1	0.3	0.4
Actuarial loss / (gain)	0.6	(6.2)	(5.6)
Exchange difference	(0.7)	-	(0.7)
Benefits paid	(1.0)	(9.5)	(10.5)
At end of the financial year	23.8	254.9	278.7

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

(vii) Amounts recognised in the Consolidated Income Statement

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

	2017 €m	2016 €m
Charges to employee benefits expense		
Current service cost	1.8	1.9
	1.8	1.9

31. Retirement benefit schemes – continued

	2017 €m	2016 €m
Charges to finance costs		
Interest income on scheme assets	(4.8)	(6.2)
Interest on scheme liabilities	5.0	6.2
Net interest cost on defined benefit obligations (note 7)	0.2	-

The estimated amounts of contributions expected to be paid to the schemes during 2018 is €2.9 million based on current funding agreements.

(viii) Amounts recognised in the Consolidated Statement of Comprehensive Income

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

Actuarial gains and losses

	2017 €m	2016 €m
Actual return on scheme assets	16.7	21.6
Interest income on scheme assets	(4.8)	(6.2)
Return on scheme assets (excluding amounts included in net interest cost)	11.9	15.4
Remeasurement adjustments on scheme liabilities:		
- Gains and losses arising from changes in demographic assumptions	0.6	0.3
- Gains and losses arising from changes in financial assumptions	3.7	(27.3)
- Gains and losses arising from experience adjustments	1.3	2.0
Actuarial gain / (loss) recognised in the Consolidated Statement of Comprehensive Income	17.5	(9.6)

Exchange movement:

	2017 €m	2016 €m
Exchange (loss) on scheme assets	(0.9)	(4.0)
Exchange gain on scheme liabilities	0.7	3.4
Net exchange loss recognised in the Consolidated Statement of Comprehensive Income	(0.2)	(0.6)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

31. Retirement benefit schemes - continued
(b) Company retirement benefit schemes

(i) Company sponsored / Group affiliated schemes

Certain employees of the Company are members of a defined benefit scheme which is sponsored by another Group Company, Irish Ferries Limited. The stated policy between the sponsoring entity and the Company does not require the Company to recognise the net defined benefit in its individual financial statements. Consequently the Company recognises a retirement benefit cost in its Income Statement in respect of this scheme equal to its contribution payable for the year. Detailed information in respect of this scheme is given within part (a) of this note. Other employees are members of the Ex Merchant Navy Officers Pension Fund (Ex MNOPF), of which the Company is the sponsoring employer.

The contributory defined benefit schemes sponsored by the Company and the Group provide retirement and death benefits for employees. The defined benefit schemes provide benefits to members in the form of a guaranteed level of pension payable for life, the level of the benefits depend on the member's length of service and salary. The assets of these schemes are held separately from those of the Company and Group in schemes under the control of trustees. The trustees are responsible for ensuring the schemes are run in accordance with the applicable trust deeds and the pension laws of the relevant jurisdiction. The pensions charge and payments in respect of the schemes are in accordance with the advice of professionally qualified actuaries.

The latest actuarial valuation report for the Ex MNOPF Scheme, which is not available for public inspection, is dated 29 June 2015. The valuation employed for disclosure purposes has been based on the most recent funding valuations for the schemes adjusted by the independent actuaries to allow for the accrual of liabilities up to 31 December 2017 and to take account of financial conditions at this date.

The present value of the defined benefit obligation, and the related current service cost and past service credit, were measured using the projected unit credit method and assets have been valued at bid value.

(ii) Merchant Navy Officers Pension Fund (MNOPF)

In addition to the pension schemes operated by the Company, certain employees are members of the MNOPF, an industry wide multi-employer scheme. The latest actuarial valuation of the scheme, which is available for public inspection, is dated 31 March 2015. The Group's share of the MNOPF obligations, as most recently advised by the trustees, is 0.51% (2016: 0.51%).

The valuation at 31 December 2017 is based on the actuarial deficit contribution demands notified to the Group and which remains outstanding at the reporting date.

The share of the overall deficit in the MNOPF apportioned to the Company is €nil at 31 December 2017 (2016: €nil). During the year the Company made payments of €nil (2016: €0.2 million) to the Trustees.

31. Retirement benefit schemes - continued

(iii) Principal risks and assumptions

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

The Company's total obligation in respect of the defined benefit schemes is calculated by independent, qualified actuaries, updated at least annually and totals €0.9 million at 31 December 2017 (2016: €0.9 million). At 31 December 2017, the Company also has scheme assets totalling €1.7 million (2016: €1.6 million) giving a net pension surplus of €0.8 million (2016: €0.7 million). The size of the obligation is sensitive to actuarial assumptions.

(iv) Retirement benefit assets and liabilities

The amount recognised in the Statement of Financial Position in respect of the Company's defined benefit schemes, including an apportionment in respect of the Sterling based MNOPF are as follows:

	Schemes with liabilities in Sterling		Schemes with Liabilities in Euro	
	2017 €m	2016 €m	2017 €m	2016 €m
Equities	-	-	1.3	1.2
Bonds	-	-	0.2	0.2
Property	-	-	0.1	0.1
Other	-	-	0.1	0.1
Fair value of scheme assets	-	-	1.7	1.6
Present value of scheme liabilities	-	-	(0.9)	(0.9)
Surplus in schemes	-	-	0.8	0.7

The retirement benefit scheme sponsored by the Company is in a net surplus position. In addition, the Company's share of the deficit in the industry wide scheme, the MNOPF, based on the last actuarial valuation as at 31 March 2015, is €nil (2016: €nil). The total surplus of €0.8 million (2016: €0.7 million) is shown under non-current assets in the Statement of Financial Position.

The Company is exposed to a number of actuarial risks, these include demographic assumptions covering mortality and longevity, and economic assumptions covering price inflation, benefit and salary increases together with the discount rate used. The size of the scheme assets is also sensitive to asset return levels and the level of contributions from the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

31. Retirement benefit schemes - continued

(v) Movement in retirement benefit assets

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

2017	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of the financial year	-	1.6	1.6
Actuarial gains	-	0.1	0.1
At end of the financial year	-	1.7	1.7

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

(vi) Movement in retirement benefit liabilities

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

2017	Schemes in Sterling €m	Schemes in Euro €m	Total €m
At beginning of the financial year	-	0.9	0.9
Actuarial losses	-	-	-
At end of the financial year	-	0.9	0.9

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

The present value of scheme liabilities at the financial year ended 31 December 2017 and 31 December 2016 relate to wholly funded plans.

31. Retirement benefit schemes - continued

(vii) Amounts recognised in the Company Income Statement

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

	2017 €m	2016 €m
Charged to Finance costs		
Interest income on scheme assets	-	-
Interest cost on scheme liabilities	-	-
Net interest cost on defined benefit obligations	-	-

The estimated amounts of contributions expected to be paid by the Company to the schemes during 2018 is €nil based on current funding agreements.

(viii) Amounts recognised in the Company Statement of Comprehensive Income

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

Actuarial gains and losses:

	2017 €m	2016 €m
Actual return on scheme assets	0.1	0.1
Interest income on scheme assets	-	-
Return on scheme assets (excluding amounts included in net interest cost)	0.1	0.1
Remeasurement adjustments on scheme liabilities:		
- Gains and losses arising from changes in demographic assumptions	-	-
- Gains and losses arising from changes in financial assumptions	-	-
- Gains and losses arising from experience adjustments	-	(0.1)
Actuarial gain recognised in Statement of Comprehensive Income	0.1	-

32. Related party transactions

During the financial year, Group entities incurred costs of €0.2 million (2016: €0.3 million) through provision of administration and accounting services to Irish Ferries Limited Pension Scheme and Irish Ferries (UK) Limited Pension Scheme, related parties that are not members of the Group. These related parties provide pension benefits to employees of the Group.

As at the statement of financial position date, Catherine Duffy, non-executive Director of the Company, is Chairman at law firm A&L Goodbody ("ALG"). During the year ended 31 December 2017, expenses of €0.3 million of which €50,000 relates to Catherine's remuneration for her role as non - executive Director (2016: €0.2 million of which €40,000 relates to Catherine's remuneration for her role as non - executive Director) were incurred for services received from ALG in their capacity as legal advisors to the Group. All services have been provided on an arm's length basis at the standard commercial terms of ALG.

The Company chartered a vessel from a subsidiary Company during the year. It also advanced and received funds to and from certain subsidiaries. Net funds advanced to subsidiaries during the financial year amounted to €42.4 million (2016: €25.8 million received from subsidiaries). The Company has provided Letters of Financial Support for certain of its other subsidiaries as disclosed in note 34.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

32. Related party transactions - continued
During the financial year the Company received dividends of €75.0 million (2016: €40.0 million) from subsidiary companies.

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

	2017 €m	2016 €m
Amounts due from subsidiary companies (note 17)	138.9	115.7
Amounts due to subsidiary companies (note 24)	(25.2)	(44.4)
	113.7	71.3

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. There are no set terms and conditions attached to the amounts outstanding.

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

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

	Group 2017 €m	Group 2016 €m
Short-term benefits	4.9	4.1
Post-employment benefits	0.2	0.3
Share-based payment expense	0.7	0.1
	5.8	4.5

Short-term benefits comprise salary, performance pay and other short-term employee benefits. Post-employment benefits comprise the past and current service cost calculated in accordance with IAS 19 Employee Benefits. Share-based payment expense represents the cost charged in respect of equity-settled share-based payments. The remuneration of Directors and key management is determined by the Remuneration Committee having regard to the performance of individuals, market trends and the performance of the Group and Company.

There were no key management employed by the Company during the financial year ended 31 December 2017 (2016: nil). Costs of €0.3 million (2016: €0.2 million) were recharged to the Company from subsidiary companies in relation to management services.

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

32. Related party transactions - continued

Dividends

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

	Group 2017 €m	Group 2016 €m	Company 2017 €m	Company 2016 €m
Dividends	3.4	3.2	3.3	3.1

Share options

Share options exercised by the Company's Directors are set out in the Report of the Remuneration Committee on page 82.

33. Net cash from operating activities

		2017 €m		2016 €m
Operating activities				
Profit for the year		83.3		58.8
Adjustments for:				
Finance costs (net)		1.3		2.2
Income tax expense		4.4		1.6
Retirement benefit obligations – current service cost	1.8		1.9	
Retirement benefit obligations – payments	(2.9)		(3.7)	
Pension payments in excess of service costs		(1.1)		(1.8)
Depreciation of property, plant and equipment		20.5		20.6
Amortisation of intangible assets		0.3		0.4
Amortisation of deferred income		(0.1)		(0.1)
Share-based payment expense		1.1		0.2
Gain on disposal of property, plant and equipment		(29.1)		(0.3)
(Decrease) / increase in provisions		(0.2)		0.2
Operating cash flows before movements in working capital		**80.4**		**81.8**
Increase in inventories	(0.4)		(0.4)	
(Increase) / decrease in receivables	(2.6)		1.4	
Increase in payables	1.1		3.7	
Working capital movements		(1.9)		4.7
Cash generated from operations		**78.5**		**86.5**
Income taxes paid		(5.6)		(2.1)
Interest paid		(1.1)		(2.3)
Net cash inflow from operating activities		**71.8**		**82.1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 - CONTINUED

33. Net cash from operating activities - continued

Company	2017 €m	2016 €m
Operating activities		
Profit for the financial year	74.4	39.6
Adjustments for:		
Finance costs (net)	0.1	0.2
Retirement benefit obligations – payments	-	(0.2)
Dividend income	(75.0)	(40.0)
Depreciation of property, plant and equipment	2.4	2.7
Amortisation of intangible assets	0.3	0.3
Share-based payment expense	0.4	0.1
Decrease in provisions	(0.2)	-
Operating cash flows before movements in working capital	**2.4**	**2.7**
Increase in inventories	(0.1)	-
(Increase) / decrease in receivables	(23.2)	2.0
(Decrease) / increase in payables	(18.0)	26.2
Cash generated by operations	**(38.9)**	**30.9**
Interest paid	(0.1)	(0.2)
Net cash (outflow) / inflow from operating activities	**(39.0)**	**30.7**

34. Contingent liabilities

The Group has issued counter indemnities to Allied Irish Banks plc in relation to bonds required by regulatory authorities and suppliers, amounting to €0.6 million (2016: €0.7 million). The Group regards these financial guarantee contracts as insurance contracts and accordingly the accounting treatment applied is that applicable to insurance contracts. No claims have been notified to the Group in respect of these contracts, therefore no provision is warranted.

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

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

Pursuant to the provision of Section 357 of the Companies Act 2014, the Company has guaranteed the liabilities of its Irish subsidiaries for the financial year ended 31 December 2017. Details of the Group's principal subsidiaries have been included in note 15 which includes the Irish subsidiaries of the Group covered by the Section 357 exemption. The Company has fair valued these guarantees at €nil at 31 December 2017 (2016: €nil) based on projected cash flows.

35. Events after the Reporting Period

The Board is proposing a final dividend of 8.15 cent per ICG Unit in respect of the results for the financial year ended 31 December 2017. On 2 January 2018, ICG announced that it had entered into an agreement with the German company Flensburger Schiffbau-Gesselschaft & Co.KG ("FSG") whereby FSG has agreed to build a cruise ferry for ICG at a contract price of €165.2 million and is scheduled for delivery during 2020. ICG announced on 30 January 2018 that it has entered into a Memorandum of Agreement ("MOA") for the sale of the High Speed Craft Jonathan Swift to Balearia Eurolineas Maritimas S.A for an agreed consideration of €15.5 million. This vessel will be delivered to the buyer in April 2018.

There have been no other material events affecting the Group since 31 December 2017.

36. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2018.

OTHER INFORMATION

INVESTOR INFORMATION

ICG Units
An ICG Unit consists of one Ordinary Share and nil Redeemable Shares at 31 December 2017 and 31 December 2016. The shares comprising a unit are not separable for sale or transfer purposes.

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

At 7 March 2018, an ICG Unit consisted of one Ordinary share and nil Redeemable shares.

Payments to Shareholders
Shareholders are offered the option of having any distributions paid in Euro or Sterling and made by way of cheque payment or electronic transfer. Shareholders should contact the Company's Registrar for further information.

The Company is obliged to deduct Dividend Withholding Tax (DWT) at the standard rate of income tax in Ireland (currently 20%) from dividends paid to its shareholders, unless a shareholder is entitled to an exemption from DWT and has returned a declaration form to the Company's Registrar claiming such entitlement.

ICG Unit price data (€)

	High	Low	Year end
Year ended 31 December 2017	5.980	4.450	5.760
Year ended 31 December 2016	5.676	4.020	4.500

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

ICG's ISIN code is IE00BLP58571.

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

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

Telephone: +353 1 607 5628
Fax: +353 1 855 2268
Email: investorrelations@icg.ie

Registrar

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

Shareholders should contact the Registrar in order to:

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

The registrar also offers a share dealing service to shareholders.

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

Telephone: +353 1 447 5483
Fax: +353 1 447 5571
Email: webqueries@computershare.ie

Financial calendar 2018

Announcement of Preliminary Statement of Results to 31 December 2017	8 March 2018
Annual General Meeting	10 May 2018
Proposed final dividend payment date	8 June 2018
Half year results announcement	30 August 2018

Travel discounts for Shareholders

Registered shareholders of 1,000 or more ICG shares can avail of a discount when travelling with Irish Ferries. The availability of the discount, the conditions applicable and the level of discount are subject to review and are varied from time to time. The principal features of the scheme at 7 March 2018 are:

- 20% discount on passenger and car ferry services between Ireland and Britain;
- 10% discount on passenger and car ferry services between Ireland and France (direct sailings only); and
- 5% discount on Irish Ferries inclusive package holidays (incorporating travel with Irish Ferries).

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

For further information please contact Irish Ferries Customer Support in Dublin on + 353 1 607 5700 or email shareholders@ irishferries.com.

INVESTOR INFORMATION
- CONTINUED

Other information

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

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

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NOTES

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