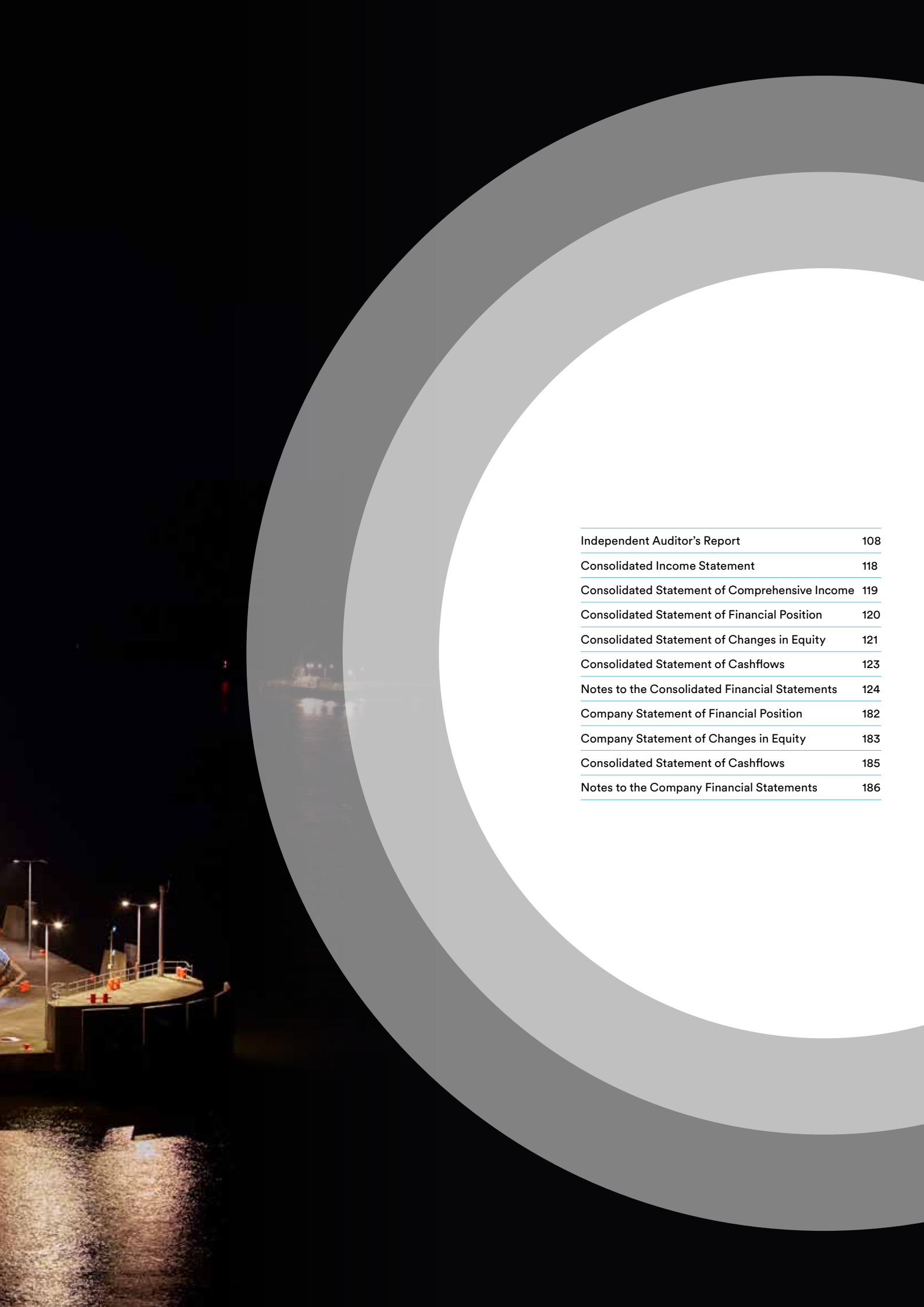


Financial Statements



Reliability underpinned by major investment in tonnage and maintenance of quality assets ensuring the high levels of schedule integrity demanded by our customers.



| | |
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| Independent Auditor's Report | 108 |
| Consolidated Income Statement | 118 |
| Consolidated Statement of Comprehensive Income | 119 |
| Consolidated Statement of Financial Position | 120 |
| Consolidated Statement of Changes in Equity | 121 |
| Consolidated Statement of Cashflows | 123 |
| Notes to the Consolidated Financial Statements | 124 |
| Company Statement of Financial Position | 182 |
| Company Statement of Changes in Equity | 183 |
| Consolidated Statement of Cashflows | 185 |
| Notes to the Company Financial Statements | 186 |

Independent Auditor's Report to the Members of Irish Continental Group plc

Report on the audit of the financial statements

Opinion on the financial statements of Irish Continental Group plc (the "Company")

In our opinion, the Group and parent Company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group and parent Company as at 31 December 2019 and of the profit of the Group 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:

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;
- the related notes 1 to 37, including a summary of significant accounting policies as set out in note 2 to the financial statements.

the parent Company financial statements:

- the Company Statement of Financial Position;
- the Company Statement of Changes in Equity;
- the Company Cash Flow Statement;
- the related notes 38 to 56, including a summary of significant accounting policies as set out in note 38 to the financial statements.

The relevant financial reporting framework that has been applied in the preparation of the Group financial statements is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework"). The relevant financial reporting framework that has been applied in the preparation of the parent Company financial statements is the Companies Act 2014 and FRS 101 "Reduced Disclosure Framework" issued by the Financial Reporting Council.

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 parent 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 (IAASA), 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 | <p>The key audit matters that we identified in the current year are as follows:</p> <ul style="list-style-type: none"> • appropriateness of the useful lives and residual values of vessels used in the determination of the depreciation charge; • appropriateness of key assumptions used to determine retirement benefit liabilities; and • cut-off of revenue recognised in the current year <p>There have been no significant changes to the key audit matters since the prior financial year report.</p> |
| Materiality | <p>The materiality that we used in the current year for the Group was €2.8m which was determined on the basis of profit before tax and non- trading items.</p> <p>The materiality that we used in the current year for the parent Company was €1.96m which was determined on the basis of net assets.</p> |
| Scoping | <p>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 fifteen components. Five of these were subject to a full scope audit, a further five components were subject to audits of specified account balances and the remaining five entities were subject to analytical procedures.</p> |
| Significant changes in our approach | <p>There were no significant changes in our audit approach in the current year, the activities of the Group remained consistent year on year.</p> |

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 ISA (Ireland) or the Listing Rules require us to report to you whether we have anything material to report, add or draw attention to:

- the directors' confirmation in the annual report on page 67 that they have carried out a robust assessment of the principal and emerging risks facing the Group and the parent Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 52 to 57 to the annual report that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' statement on page 66 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 parent 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 6.1.82(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation on page 67 in the annual report as to how they have assessed the prospects of the Group and parent 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 parent 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 Auditor's Report to the Members of Irish Continental Group plc

Report on the audit of the financial statements – 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 €429.10m of vessels, as at 31 December 2019.

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 83 (Audit Committee Report), page 133 (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. As part of this, we performed sensitivity analysis on the key assumptions to assess the impact of various changes on the annual depreciation charge for the year.

We benchmarked management's assumptions against information available from external independent market sources, such as:

- market data relating to the value of scrap metal;
- market data relating to the sale of similar ships;
- market data relating to the lives of ships that were scrapped during the financial year.

We evaluated and assessed the adequacy of the disclosures made in the financial statements, including the disclosure of the key assumptions and the sensitivity of the depreciation charge to changes in the underlying assumptions.

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 undertook.

Appropriateness of key assumptions used to determine retirement benefit liabilities

Key audit matter description *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 at the year end amount to €8.8m consisting of pensions assets of €12.5m and deficits of €3.7m.

There is a high degree of estimation and judgement in the calculation of the pension liabilities, particularly in the determination of appropriate actuarial assumptions in respect of the discount, mortality and inflation rates.

We identified the discount rate as the being most volatile key assumption where a small movement can have a significant impact on the calculation of the pension liabilities.

Please also refer to page 83 (Audit Committee Report), page 132 (Accounting Policy – Retirement Benefit Schemes), and note 3 – Critical accounting judgements and estimates

How the scope of our audit responded to the key audit matter

The following audit procedures were performed in order to assess the Group's valuation of its retirement benefit liabilities, 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.
- utilised Deloitte Actuarial Specialists as part of our team to assist us in understanding, evaluating and challenging the appropriateness of the discount rate and other key assumptions;
- made inquiries with both management and the Group's external pension advisors to understand their processes in determining the discount rate and other key assumptions used in calculating retirement benefit liabilities;
- benchmarked the discount rate and other 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; and
- assessed whether the disclosures made 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 discount rate and other assumptions used by management in the actuarial valuations for pension liabilities are within a range we consider reasonable.

Independent Auditor's Report to the Members of Irish Continental Group plc

Report on the audit of the financial statements – continued

Cut-off of revenue recognized in the current year

Key audit matter description *There is a risk that revenues are manipulated through recording of future revenues prematurely to achieve performance targets.*

When making our assessment of the potential risk of fraud in relation to revenue recognition, we considered the nature of the transactions across the Group. The Group recognises revenue in respect of its various streams over the performance period of the underlying contract obligations.

We have therefore pinpointed the significant risk across the Group to the proper cutoff of revenue recorded at year end.

Please also refer to page 128 (Accounting Policy – Revenue Recognition), note 4 segmental information.

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.

We performed testing of relevant internal controls over the Group's significant revenue processes including operational controls in place around passenger numbers and freight volumes to ensure that revenue was recognised where the date of travel or transportation had occurred.

We tested on a sample basis, revenue recognised around year end for the various revenue streams across the Group to assess if the performance obligations were met in line with the underlying contractual arrangements with customers for the associated revenue recognised to ensure that it was recognised appropriately.

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 €2.8m, which is approximately 6% of profit before tax and non-trading items. 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 and it excludes the effect of volatility (for example, separately disclosed non-trading items) from our determination. We determined materiality for the parent Company to be €1.96m which is approximately 1.1% of net assets, as the most significant driver of the parent Company financial statements is the capital and reserves balance.

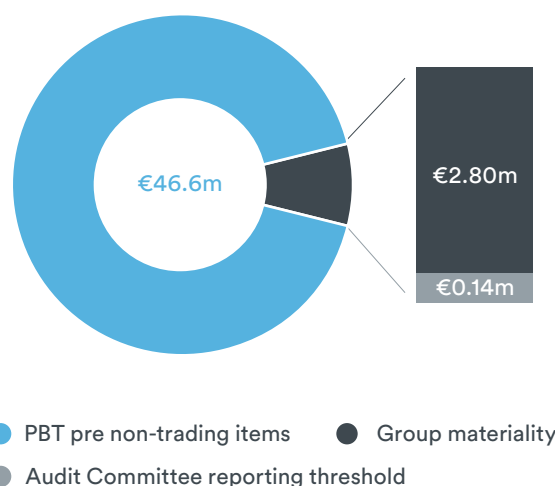
We have considered quantitative and qualitative factors, such as understanding the entity and its environment, history of misstatements, complexity of the Group and reliability of the control environment.

We agreed with the Audit Committee that we would report to them all audit differences in excess of €140,000 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 fifteen components. Five of these were subject to a full scope audit and 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. The remaining five entities were subject to analytical procedures at the Group level.

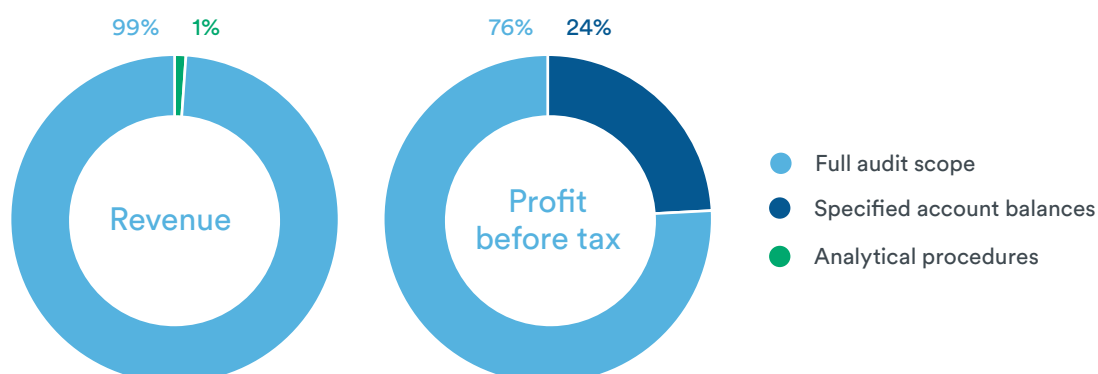


These components were selected based on coverage achieved and to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the fifteen components was executed at levels of materiality applicable to each individual unit which were lower than Group materiality and ranged from €1.40m to €2.52m.

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 Group audit team attended planning meetings for all components. In addition to our planning meetings, we sent detailed instructions to our component audit teams, included them in our team briefings, discussed their risk assessment, attended client planning and closing meetings, and reviewed their audit working papers.

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



Independent Auditor's Report to the Members of Irish Continental Group plc

Report on the audit of the financial statements – 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.

114

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 parent Company's position and 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 6.1.85 and Listing Rule 6.1.86 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 parent 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 parent 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 parent 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 parent 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 (consolidated) 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.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may be reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Independent Auditor's Report to the Members of Irish Continental Group plc

Report on the audit of the financial statements – continued

116

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 parent Company were sufficient to permit the financial statements to be readily and properly audited;
- The parent 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.

Corporate Governance Statement

We report, in relation to information given in the Corporate Governance Report on pages 70 to 82 that:

- In our opinion, based on the work undertaken during the course of the audit, the information given in the Corporate Governance Statement pursuant to subsections 2(c) and (d) of section 1373 of the 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 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 Corporate Governance Statement contains the information required by Regulation 6(2) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 (as amended); and
- 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 parent 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 Euronext Dublin 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 October 1988 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 31 years, covering the years ending 31 October 1988 and 31 December 2019.

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 Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2

6 March 2020

Consolidated Income Statement

for the financial year ended 31 December 2019

118

| | Notes | 2019 €m | 2018 €m |
|--|-------|-------------|-------------|
| Revenue | 4 | 357.4 | 330.2 |
| Depreciation and amortisation | 9 | (36.8) | (22.1) |
| Employee benefits expense | 5 | (23.8) | (22.8) |
| Other operating expenses | 9 | (246.8) | (239.0) |
| | | 50.0 | 46.3 |
| Non-trading item | 10 | 14.9 | 13.7 |
| Operating profit | | 64.9 | 60.0 |
| Finance income | 6 | 0.1 | 0.2 |
| Finance costs | 7 | (3.5) | (1.0) |
| Profit before tax | | 61.5 | 59.2 |
| Income tax expense | 8 | (1.3) | (1.4) |
| Profit for the financial year: all attributable to equity holders of the parent | 9 | 60.2 | 57.8 |
| Earnings per share – expressed in euro cent per share | | | |
| Basic | 12 | 31.7c | 30.4c |
| Diluted | 12 | 31.5c | 30.2c |

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2019

| | Notes | 2019 €m | 2018 €m |
|--|---------|-------------|-------------|
| Profit for the financial year | | 60.2 | 57.8 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Currency translation adjustment | | 1.2 | (0.1) |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Actuarial gain / (loss) on defined benefit obligations | 33 viii | 9.0 | (8.1) |
| Deferred tax on defined benefit obligations | 25 | - | 0.1 |
| Other comprehensive income/ (expense) for the financial year | | 10.2 | (8.1) |
| Total comprehensive income for the financial year: all attributable to equity holders of the parent | | 70.4 | 49.7 |

Consolidated Statement of Financial Position

for the financial year ended 31 December 2019

120

| | Notes | 2019 €m | 2018 €m |
|--|-------|--------------|--------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 317.1 | 307.7 |
| Intangible assets | 14 | 0.4 | 0.4 |
| Right of use assets | 15 | 36.0 | - |
| Retirement benefit surplus | 33 iv | 12.5 | 2.5 |
| Long-term receivables | 16 | 19.4 | - |
| | | 385.4 | 310.6 |
| Current assets | | | |
| Inventories | 17 | 3.1 | 3.3 |
| Trade and other receivables | 18 | 92.4 | 75.7 |
| Cash and cash equivalents | 19 | 110.9 | 124.7 |
| | | 206.4 | 203.7 |
| Total assets | | 591.8 | 514.3 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 20 | 12.2 | 12.4 |
| Share premium | 21 | 19.5 | 19.4 |
| Other reserves | 21 | (7.3) | (10.8) |
| Retained earnings | | 263.5 | 231.9 |
| Equity attributable to equity holders of the parent | | 287.9 | 252.9 |
| Non-current liabilities | | | |
| Borrowings | 22 | 200.3 | 204.7 |
| Lease liabilities | 23 | 27.6 | - |
| Deferred tax liabilities | 25 | 0.7 | 0.6 |
| Provisions | 27 | 0.7 | 0.4 |
| Retirement benefit obligation | 33 iv | 3.7 | 4.2 |
| | | 233.0 | 209.9 |
| Current liabilities | | | |
| Borrowings | 22 | 3.6 | 0.3 |
| Lease liabilities | 23 | 8.4 | - |
| Trade and other payables | 26 | 57.4 | 49.7 |
| Current income tax liabilities | | 0.2 | 0.2 |
| Provisions | 27 | 1.3 | 1.3 |
| | | 70.9 | 51.5 |
| Total liabilities | | 303.9 | 261.4 |
| Total equity and liabilities | | 591.8 | 514.3 |

The financial statements were approved by the Board of Directors on 4 March 2020 and signed on its behalf by:

Eamonn Rothwell
Director

David Ledwidge
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

| | Share Capital €m | Share Premium €m | Capital Reserve €m | Share Options Reserve €m | Translation Reserve €m | Retained Earnings €m | Total €m |
|--|------------------------|------------------------|--------------------------|-----------------------------------|------------------------------|----------------------------|--------------|
| Balance at 1 January 2019 | 12.4 | 19.4 | 7.3 | 3.8 | (21.9) | 231.9 | 252.9 |
| Profit for the financial year | - | - | - | - | - | 60.2 | 60.2 |
| Other comprehensive income | - | - | - | - | 1.2 | 9.0 | 10.2 |
| Total comprehensive income for the financial year | - | - | - | - | 1.2 | 69.2 | 70.4 |
| Employee share-based payments expense | - | - | - | 2.1 | - | - | 2.1 |
| Share issue | - | 0.1 | - | - | - | - | 0.1 |
| Share buyback | (0.2) | - | 0.2 | - | - | (12.9) | (12.9) |
| Dividends paid | - | - | - | - | - | (24.7) | (24.7) |
| Reserve movements in the year | (0.2) | 0.1 | 0.2 | 2.1 | 1.2 | 31.6 | 35.0 |
| Balance at 31 December 2019 | 12.2 | 19.5 | 7.5 | 5.9 | (20.7) | 263.5 | 287.9 |

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

122

| | Share Capital €m | Share Premium €m | Capital Reserve €m | Share Options Reserve €m | Translation Reserve €m | Retained Earnings €m | Total €m |
|---|------------------------|------------------------|--------------------------|-----------------------------------|------------------------------|----------------------------|--------------|
| Balance at 1 January 2018 | 12.3 | 18.9 | 7.3 | 1.5 | (21.9) | 205.7 | 223.8 |
| Adjustment in relation to IFRS 15 | - | - | - | - | - | (0.1) | (0.1) |
| Restated balance at 1 January 2018 | 12.3 | 18.9 | 7.3 | 1.5 | (21.9) | 205.6 | 223.7 |
| Profit for the financial year | - | - | - | - | - | 57.8 | 57.8 |
| Other comprehensive expense | - | - | - | - | - | (8.1) | (8.1) |
| Total comprehensive income for the financial year | - | - | - | - | - | 49.7 | 49.7 |
| Employee share-based payments expense | - | - | - | 2.4 | - | - | 2.4 |
| Share issue | 0.1 | 0.5 | - | - | - | - | 0.6 |
| Dividends paid | - | - | - | - | - | (23.5) | (23.5) |
| Transferred to retained earnings on exercise of share options | - | - | - | (0.1) | - | 0.1 | - |
| Reserve movements in the year | 0.1 | 0.5 | - | 2.3 | - | 26.3 | 29.2 |
| Balance at 31 December 2018 | 12.4 | 19.4 | 7.3 | 3.8 | (21.9) | 231.9 | 252.9 |

Consolidated Statement of Cashflows

For the year ended 31 December 2019

| | Notes | 2019 €m | 2018 €m |
|--|-------|---------------|----------------|
| Net cash inflow from operating activities | 35 | 84.8 | 61.5 |
| Cash flow from investing activities | | | |
| Cash flow from investing activities | | | |
| Proceeds on disposal of property, plant and equipment | | 1.8 | 17.4 |
| Purchases of property, plant and equipment | | (53.9) | (176.1) |
| Purchases of intangible assets | | (0.2) | (0.1) |
| Net cash outflow from investing activities | | (52.3) | (158.8) |
| Cash flow from financing activities | | | |
| Dividends paid to equity holders of the Company | | (24.7) | (23.5) |
| Share buyback | | (12.9) | - |
| Repayment of finance lease obligations | | - | (0.7) |
| Repayments of leases liabilities | | (9.0) | - |
| Proceeds on issue of ordinary share capital | | 0.1 | 0.6 |
| New bank loans raised (net of origination fees) | | - | 155.0 |
| Net cash (outflow) / inflow from financing activities | | (46.5) | 131.4 |
| Net (decrease) / increase in cash and cash equivalents | | (14.0) | 34.1 |
| Cash and cash equivalents at beginning of year | | 124.7 | 90.3 |
| Effect of foreign exchange rate changes | | 0.2 | 0.3 |
| Cash and cash equivalents at end of year | 19 | 110.9 | 124.7 |

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019

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 charters vessels and is 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 and as regards the Consolidated Financial Statements Article 4 of the IAS Regulations.

Basis of preparation

The financial statements have been prepared on the going concern basis and the historical cost convention.

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

Basis of consolidation

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

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.

2. Summary of accounting policies – continued

New standards and interpretations

The Group and Company adopted the new and amended International Financial Reporting Standards (“IFRS”) and Interpretations in the year set out below.

- **New Standards**
 - IFRS 16: Leases
- **Amended Standards**
 - Amendment to IAS 19: Plan Amendment, Curtailment or Settlement
 - Amendments to IAS 28: Long-term interests in Associates Ventures
 - Annual Improvements to IFRS Standards 2015 – 2017 Cycle
 - IFRS 3: Business Combinations
 - IFRS 11: Joint Arrangements
 - IAS 12: Income Taxes
 - IAS 23: Borrowing Costs
 - Amendments to IFRS 9: Prepayment Features with Negative Compensation
- **Interpretations**
 - IFRIC 23: Uncertainty over Income Tax Treatments

The impact of these is set out below.

IFRS 16 – Leases

IFRS 16: Leases was applied for the first time with a date of initial application of 1 January 2019.

IFRS 16 replaces IAS 17: Leases and related interpretations setting out the principle for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor. A significant change arising from the application of IFRS 16 for lessees is that leases previously defined as operating leases under IAS 17 and treated as “off-balance sheet” are now required to be recognised in the Statement of Financial Position as a “right of use” asset and a related lease liability. There have been no significant changes in accounting by lessors.

The Group has decided to apply IFRS 16 using the modified retrospective approach as permitted by the standard. Under the modified retrospective approach the Group as lessee has not restated comparative information and has instead recognised the cumulative effect in opening retained earnings.

The Group has availed of the following practical expedients as permitted by the standard;

- i) Short-term leases where the lease term is or the remaining lease term at date of adoption was 12 months or less,
- ii) Leases where the underlying asset is of low value,
- iii) Adoption of a portfolio approach to individual containers leased under a master agreement,
- iv) Non separation of the non-lease components from the lease component attaching to short term vessel leases.

The Group recognises the lease payments associated with those leases at (i) and (ii) above as an expense on a straight line basis over the lease term.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

126

2. Summary of accounting policies – continued

The majority of leases held by the Group in terms of contractual commitment relate to property and vessel charters all of which were previously classified as operating leases. At 1 January 2019, the principal property leases related to leases of property with outstanding terms of between 77 and 103 years with 7 year rent reviews. Vessel charters included short term time charters and a bareboat charter of a ro-pax vessel. These leases, after allowing for the practical expedients availed of, were recognised as a lease liability at the date of adoption measured at the present value of the remaining lease payments discounted using the Group's incremental borrowing rate. The Group also recognised a right of use asset equal to the lease liability, adjusted for rentals prepaid or accrued which were not material.

In relation to the bareboat charter of the ro-pax vessel, the Group assessed the contractual terms and determined that the future lease rentals applying to an extension option should be added to the contractual commitments previously disclosed under IAS 17 as the Group was reasonably certain to exercise that option based on the conditions which existed as at 1 January 2019.

The Group does not classify that element of a contract as a lease where the right to control the use of an identified asset for a period of time is based on variable consideration based on activity levels. In these circumstances any variable consideration is expensed to Income Statement as the right is consumed. For lease terms up to ten years, which includes all leases other than land leases at Dublin Port the incremental borrowing rate was estimated based on the expected interest rates which would be charged under the Group's revolving credit facility being the contracted loan margin plus the market cost of fixed interest funds in the relevant currency for the applicable lease term. The current revolving facility expires in September 2024, with a reasonable expectation that it will be renewed on no worse terms for a further period of 5 years. The incremental borrowing rate for the land leases which extend for between 77 and 103 years was estimated based on a consideration of longer-term property yields and extrapolation of corporate bond yields for an equivalent duration of the underlying lease.

The effects from adopting the standard were;

- On the opening statement of Consolidated Financial Position at 1 January 2019; an increase in the carrying value of right of use assets of €32.2 million, a transfer in the carrying value of property, plant and equipment of €1.2 million, an increase in lease obligations of €31.0 million and a net nil adjustment to equity attributable to shareholders.
- In the financial year ended 31 December 2019: a reduction in operating expenses of €9.4 million, an increase in depreciation of €8.6 million, an increase in finance costs of €1.0 million giving a net reduction in profit before tax of €0.2 million.
- The effect on 2019 basic and diluted EPS from the reduction in profit before tax in 2019 of €0.2 million is 0.1 cent.
- Net Debt at 1 January 2019 redefined to including obligations relating to right of use assets was €111.3 million compared to €80.3 million previously reported at 31 December 2019.

The adoption of IFRS 16 has not affected the Group's lessor accounting in respect of charter revenues receivable. In accordance with IFRS 16 the deferred consideration receivable in relation to bareboat hire purchase sale agreement pertaining to the disposal of the Oscar Wilde in April 2019 has been treated as a finance lease receivable at an amount equivalent to the net investment in the lease.

Other Standards and interpretations effective from 1 January 2019

The amendments to and interpretations of the previously issued standards effective from 1 January 2019 did not have any material impact on these financial statements.

IFRS 17: Insurance Contracts will be effective from 1 January 2021. The Group is currently evaluating the impact IFRS 17 may have on the Group financial statements which is currently not expected to be material.

2. Summary of accounting policies – continued

Standards effective from 1 January 2020 or later

There are a number of new standards and amendments to standards applicable to the Group which have been issued and effective but which have not been applied in preparing the Group Consolidated Financial Statements for the year ended 31 December 2019. A listing of these is set out below.

| Title | Latest Adoption Date (financial year commencing) |
|--|---|
| New Standards | |
| IFRS 17: Insurance Contracts | 1 January 2021 |
| Amended Standards | |
| Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |
| Amendments to the Conceptual Framework for Financial Reporting, including amendments to references to the Conceptual Framework in IFRS Standards | 1 January 2020 |
| Amendments to IFRS 3 - Definition of a Business | 1 January 2020 |
| Amendments to IAS 1 and IAS 8 - Definition of Material | 1 January 2020 |
| Amendments to IAS 1 - Classification of liabilities as current or non-current | 1 January 2020 |
| Amendments to IAS 39, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform | 1 January 2020 |

The impact of the amendments noted above with an adoption date of 1 January 2020 has been assessed as not having a material impact on the Group and Company. The impact of IFRS 17 Insurance Contracts with an effective date of 1 January 2021 is currently being reviewed but is not expected to have a material impact on adoption by the Group and Company.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

2. Summary of accounting policies – continued

Accounting policies applied in preparation of the financial statements for the financial year ended 31 December 2019

128

Revenue recognition

Revenue is measured based on the consideration specified in a contract concluded with a customer and excludes any amounts collected on behalf of third parties including taxes.

The principal activities from which the Group generates its revenue are set out below.

Ferries division

| Product or Service | Nature and satisfaction of performance obligation |
|----------------------------|---|
| Passenger Transport | <p>Passenger revenue is recognised over time as services are provided. Contracts are concluded during the booking process with a high degree of probability of collection of the sales proceeds. Sales proceeds are recognised as deferred revenue until the single performance obligations to transport the passenger from departure point to destination point is satisfied. The price is fixed at the time of booking. Where a customer is eligible to participate in loyalty programmes, the price is allocated based on the relative stand-alone selling price or expected selling price based on company data.</p> <p>Deferred revenue is reduced for any refund paid to a customer where the Company is unable to complete the performance obligation. Ticket breakage, i.e. deferred untravelling revenue for no shows, is recognised in full once the original booked travel date has expired based on a no refund policy.</p> |
| RoRo freight | <p>RoRo freight revenue is recognised over time as services are provided. Contracts are concluded during the booking process with a high degree of probability of collection of the sales proceeds. Sales proceeds are recognised as deferred revenue until the single performance obligation to transport the freight unit from departure point to destination point is satisfied. The price is fixed at the time of booking or is otherwise variable if the customer has an active rebate arrangement. The contract price less the estimates of the most probable rebate amount is allocated to the performance obligation with the rebate amount retained in deferred revenue until paid.</p> |
| On Board Sales | <p>Revenue from sales in bars and restaurants is recognised at the time of sale. The Group recognises a single contract for all goods and services in a transaction basket at the time of transaction with payment received at the same time. There is a single identifiable obligation to transfer title with the price fixed at the time of transaction.</p> |
| Retail Concessions | <p>Revenues earned from retail concessions is recognised over time based on declarations received up to the reporting date. For each concession the Group recognises a single contract involving the grant of a licence or creation of a right to provide services on board vessels creating a single identifiable obligation. The price is treated as variable based on a percentage of sales.</p> |

2. Summary of accounting policies – continued

Container and Terminal division

| Product or Service | Nature and satisfaction of performance obligation |
|---------------------------|---|
| Container Shipping | LoLo container shipping revenue is recognised over time based on effort expended on each activity (collection, shipping and delivery) undertaken in fulfilment of obligations. Contracts are concluded during the booking process with a high degree of probability of collection of the sales proceeds. Sales proceeds are recognised as deferred revenue until the single performance obligation to transport the container from collection point to delivery point is satisfied. The price is fixed at the time of booking. |
| Stevedoring | Stevedoring revenue is recognised over time in line with the number of containers loaded or discharged onto vessels in fulfilment of obligations. Contracts are concluded with customers covering services to be provided over time with a high degree of probability of collection of the sales proceeds. Sales proceeds are recognised once the performance obligations are satisfied i.e. the loading or discharge of a vessel. The price is fixed at the time of contract or is otherwise variable if the customer has an active rebate arrangement. The contract price less the best estimate of the most probable rebate amount is allocated to the performance obligation with the rebate amount retained in deferred revenue. As rebates are paid to customers amounts included in deferred revenue are released with experience adjustments included as revenue. |

Leasing

The Group and Company has applied IFRS 16: Leases effective from 1 January 2019 and has applied the below policy at (i) in respect of recognition and measurement of right of use assets and related lease liabilities in respect of financial year 2019. The prior period has not been restated. In prior periods accounting for leases was performed as set out in IAS 17: Leases as per the policy set out at (ii) below.

(i) Lease accounting policy effective from 1 January 2019

Identifying a lease

Where a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration it is treated as a lease.

(a) As Lessee

Where the Group acts as a lessee the Group recognises a right of use asset and lease liability at the lease commencement date, which is the date the underlying asset is available for our use.

Right of use assets are initially measured at cost, and subsequently measured at cost less any accumulated depreciation and impairment losses (if any), and adjusted for certain remeasurement of lease liabilities. The recognised right of use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term. Right of use assets are subject to impairment under IAS 36 'Impairment of assets'. Right of use assets are presented as a separate line item in the Statement of Financial Position.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. In the Consolidated Cash Flow Statement the payments made are separated into the principal portion (presented within financing activities), and interest (presented in operating activities). It is remeasured if there is a change in future lease payments, a change in the lease term, or as appropriate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonable certain not to be exercised.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

2. Summary of accounting policies – continued

(b) As Lessor

The Group treats bareboat hire purchase sale agreements in relation to the disposal of vessels as finance leases where it transfers substantially all the risks and rewards incidental to ownership of the underlying vessel to the charterer. The sales proceeds recognised at the commencement of the lease term by the Group is that implied by the fair value of the asset, which together with any initial direct costs equal the net investment in the lease and is presented as a receivable in the Statement of Financial Position. Following initial measurement finance lease income is recognised in Revenue and is allocated to accounting periods so as to reflect a constant periodic rate of return on the outstanding net investment.

Lease payments receivable arising from the grant of a right to use vessel which does not meet the requirement of a finance lease are recognised as revenue on a straight line basis over the term of the relevant charter. The provision of operation and maintenance services is recognised on a daily basis at the applicable daily rate under the terms of the charter.

(ii) Lease accounting policy effective prior to 1 January 2019

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.

Concession and Licence agreements

Payments made under concession arrangements, where the Group benefits from the use of an asset or right and the obligation to make the payments has not been recognised in the Statement of Financial Position as a lease obligation, are charged to the Consolidated Income Statement as the rights conferred under the terms of the arrangement are consumed.

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.

The Group does not classify that element of a contract as a lease where the right to control the use of an identified asset for a period of time is based on variable consideration based on activity levels. In these circumstances any variable consideration is expensed to the Income Statement as the right is consumed.

2. Summary of accounting policies – continued

Non-trading items

The Group treats material items either individually or, if of a similar type, in aggregate, that derive from events or transactions that fall outside the ordinary activities of the Group as non-trading items. Non-trading items are presented separately on the face on the Consolidated Income Statement, separately disclosing any tax effects.

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.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

2. Summary of accounting policies – continued

The interest expense component of lease payments relating to lease obligations as a lessee are recognised in the Consolidated Income Statement using the effective interest rate method.

132

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.

Interest 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.

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 (MNOFF). As the Group has no control over the calls for contributions made from the MNOFF, 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 MNOFF 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.

2. Summary of accounting policies – continued

A proportion of the Group's profits fall within the charge to tonnage tax, under which regime taxable profits are relieved to an amount based on the tonnage of vessels employed during the year. 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.

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 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 Ro-pax 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.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

2. Summary of accounting policies – continued

The estimated economic useful lives of vessels are as follows;

Hull and Machinery

| | |
|-----------------------------|---------------|
| • Conventional Ro-pax 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.

Drydocking

Costs incurred in renewing the vessel certificate are capitalised as a separate component under vessels in tangible fixed assets and depreciated over the period to the next expected dry-docking required for certificate renewal. 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 and right of use assets where ownership is transferred at the end of the lease term 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 Equipment and vehicles | 4% - 25% |

Right of use assets held under leases where ownership is not transferred at the end of the lease term are depreciated over the shorter of their expected useful lives or the lease term.

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.

2. Summary of accounting policies – continued

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

Costs incurred on the acquisition and commissioning 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.

Impairment of property, plant and equipment and intangible assets

At each statement of financial position date, the Group performs a review to ascertain whether there are any indications of impairment which may affect carrying amounts of its property, plant and equipment and intangible assets. If any such indications exist, the recoverable amount of the asset is estimated in order to determine whether the affected assets have actually suffered an impairment loss. Where an 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 or 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.

Where shares are cancelled an amount equivalent to the nominal value of the cancelled shares is transferred from retained earnings to the capital redemption reserve.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – 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 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.

For awards where vesting will be determined by market based vesting conditions, those granted prior to 1 January 2019 were fair value measured using a binomial pricing model. Monte-carlo modelling was used for awards granted after 1 January 2019.

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.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

2. Summary of accounting policies – continued

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.

Distributions

Distributions are accounted for when they are paid, 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.

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 33.

The Group and Company is a participating employer in the Merchant Navy Officer Pension Fund (MNOFF), a multi-employer defined benefit pension scheme. The MNOFF 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

Long-lived assets comprising primarily of property, plant and equipment 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 any material asset and consequently no impairment review was performed.

Leases – non-cancellable lease term and incremental borrowing rate

The Group has applied judgement in determining the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised. The Group also applies judgement in estimating the incremental borrowing rate applicable to a lease.

Leases – incremental borrowing rate

The Group has applied judgement in estimating the incremental borrowing rate applicable to long-term land leases with terms ranging from 77 to 103 years, periods significantly beyond normal borrowing periods available to the Group and in the market generally. In these circumstances the incremental borrowing rate was estimated through a combination of consideration of longer-term property yields and extrapolation of corporate bond yields for an equivalent duration of the underlying lease.

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 available financial resources comprising cash and available undrawn loan facilities.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

4. Segmental information

Business segments

The Executive 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.

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

| | Ferries €m | Container & Terminal €m | Inter- segment €m | Total €m |
|-----------------------|---------------|-------------------------------|-------------------------|--------------|
| Revenue | | | | |
| 2019 | | | | |
| External revenue | 204.2 | 153.2 | - | 357.4 |
| Inter-segment revenue | 8.2 | 1.2 | (9.4) | - |
| Total | 212.4 | 154.4 | (9.4) | 357.4 |
| 2018 | | | | |
| External revenue | 188.1 | 142.1 | - | 330.2 |
| Inter-segment revenue | 8.1 | 1.2 | (9.3) | - |
| Total | 196.2 | 143.3 | (9.3) | 330.2 |

Inter-segment revenue is at prevailing market prices. The inter-segment revenue in the Ferries division in 2019 of €8.2 million (2018: €8.1 million) primarily relates to container vessels which are on time charter to the Group's container shipping subsidiary Eucon.

Revenue has been disaggregated into categories which reflect how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. As revenues are recognised over short time periods of no more than days, a key determinant to categorising revenues is whether they principally arise from a business to customer (passenger contracts) or a business to business relationship (freight and charter contracts) as this impacts directly on the uncertainty of cash flows.

| | Ferries | | Container & Terminal | | Total | |
|----------------------|--------------|--------------|----------------------|--------------|--------------|--------------|
| | 2019 €m | 2018 €m | 2019 €m | 2018 €m | 2019 €m | 2018 €m |
| Revenue | | | | | | |
| Passenger | 112.7 | 109.2 | - | - | 112.7 | 109.2 |
| Freight | 86.2 | 76.8 | 153.2 | 142.1 | 239.4 | 218.9 |
| Chartering and other | 5.3 | 2.1 | - | - | 5.3 | 2.1 |
| Total | 204.2 | 188.1 | 153.2 | 142.1 | 357.4 | 330.2 |

4. Segmental information – continued

For the year ended 31 December 2019 €338.8 million was recognised over time (2018: €312.0 million) and €18.6 million was recognised at a point in time (2018: €18.2 million). No single external customer in the current or prior financial year amounted to 10 per cent or more of the Group's revenues.

| | Ferries | | Container & Terminal | | Total | |
|--|--------------|--------------|----------------------|-------------|--------------|--------------|
| | 2019 €m | 2018 €m | 2019 €m | 2018 €m | 2019 €m | 2018 €m |
| Result | | | | | | |
| Operating profit | 36.4 | 34.2 | 13.6 | 12.1 | 50.0 | 46.3 |
| Finance income | 0.1 | 0.2 | - | - | 0.1 | 0.2 |
| Finance costs | (2.0) | (0.6) | (1.5) | (0.4) | (3.5) | (1.0) |
| Non-trading items | 14.9 | 13.7 | - | - | 14.9 | 13.7 |
| Profit before tax | 49.4 | 47.5 | 12.1 | 11.7 | 61.5 | 59.2 |
| Income tax expense | (0.4) | (0.5) | (0.9) | (0.9) | (1.3) | (1.4) |
| Profit for the financial year | 49.0 | 47.0 | 11.2 | 10.8 | 60.2 | 57.8 |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Segment assets | 391.1 | 334.4 | 89.8 | 55.2 | 480.9 | 389.6 |
| Cash and cash equivalents | 79.8 | 94.5 | 31.1 | 30.2 | 110.9 | 124.7 |
| Consolidated total assets | 470.9 | 428.9 | 120.9 | 85.4 | 591.8 | 514.3 |
| Liabilities | | | | | | |
| Segment liabilities | 34.6 | 31.9 | 29.4 | 24.5 | 64.0 | 56.4 |
| Borrowings | 183.3 | 204.3 | 56.6 | 0.7 | 239.9 | 205.0 |
| Consolidated total liabilities | 217.9 | 236.2 | 86.0 | 25.2 | 303.9 | 261.4 |
| Other segment information | | | | | | |
| Capital additions | 43.8 | 79.1 | 2.0 | 3.5 | 45.8 | 82.6 |
| Right of use asset additions | - | - | 12.5 | - | 12.5 | - |
| Depreciation and amortisation | 30.8 | 19.4 | 6.0 | 2.7 | 36.8 | 22.1 |

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

4. Segmental information – continued

142

| | Ferries | | Container & Terminal | | Total | |
|------------------------------|--------------|--------------|----------------------|--------------|--------------|--------------|
| | 2019 €m | 2018 €m | 2019 €m | 2018 €m | 2019 €m | 2018 €m |
| Operating expenses | | | | | | |
| Fuel | 34.7 | 33.7 | 14.6 | 14.5 | 49.3 | 48.2 |
| Labour costs | 25.1 | 24.4 | 7.5 | 6.7 | 32.6 | 31.1 |
| Port costs | 41.9 | 39.7 | 30.9 | 29.4 | 72.8 | 69.1 |
| Other costs | 25.6 | 27.6 | 75.9 | 72.3 | 101.5 | 99.9 |
| Intersegment costs | (1.2) | (1.2) | (8.2) | (8.1) | (9.4) | (9.3) |
| Total operating costs | 126.1 | 124.2 | 120.7 | 114.8 | 246.8 | 239.0 |

Geographic analysis of revenue by origin of booking

| | 2019 €m | 2018 €m |
|----------------|--------------|--------------|
| Revenue | | |
| Ireland | 177.9 | 156.7 |
| United Kingdom | 66.7 | 64.3 |
| Netherlands | 63.8 | 60.8 |
| Belgium | 32.8 | 29.9 |
| France | 5.8 | 6.3 |
| Other | 10.4 | 12.2 |
| Total | 357.4 | 330.2 |

Geographic analysis of location of property, plant and equipment

| | 2019 €m | 2018 €m |
|--|--------------|--------------|
| Property, plant and equipment | | |
| Vessels at sea/ assets in transit/ under construction | | |
| Vessels | 283.9 | 272.6 |
| Containers | 4.4 | 5.8 |
| | 288.3 | 278.4 |
| On Shore | | |
| Ireland | 28.1 | 28.6 |
| Other | 0.7 | 0.7 |
| | 28.8 | 29.3 |
| Carrying amount at 31 December | 317.1 | 307.7 |

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

| | 2019 | 2018 |
|--|------------|------------|
| The average number of employees during the financial year was as follows: | | |
| Ferries | 218 | 218 |
| Container & Terminal | 91 | 92 |
| | 309 | 310 |
| The number of employees at the financial year-end was | 307 | 311 |

| | 2019 | 2018 |
|--|-------------|-------------|
| | €m | €m |
| Aggregate costs of employee benefits were as follows: | | |
| Wages and salaries | 18.7 | 17.8 |
| Social insurance costs | 1.8 | 1.7 |
| Defined benefit obligations – current service cost (note 33 vii) | 1.5 | 1.7 |
| Defined benefit obligations – curtailment gain (note 33 vii) | (0.1) | (0.5) |
| Defined contribution pension scheme – pension cost (note 33) | 0.4 | 0.2 |
| Share-based payment expense (note 32) | 2.1 | 2.4 |
| Total employee benefit costs incurred | 24.4 | 23.3 |
| Wages and salaries costs capitalised | (0.1) | (0.5) |
| Total employee benefit expensed in the Income Statement | 24.3 | 22.8 |

Staff costs of €0.1 million were capitalised during the financial year (2018: €0.5 million) in relation to management and supervision of the contracts for the construction of new vessels. Of the total employee expense of €24.3 million, €0.5 million comprising €0.3 million wages and salaries and €0.2 million share based payment expense was included within the non-trading item (note 10).

6. Finance income

| | 2019 | 2018 |
|--|------------|------------|
| | €m | €m |
| Interest on bank deposits | 0.1 | 0.1 |
| Net interest income on defined benefit obligations (note 33 vii) | - | 0.1 |
| Total Finance income | 0.1 | 0.2 |

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

7. Finance costs

| | 2019 | 2018 |
|--|------------|------------|
| | €m | €m |
| Interest on bank overdrafts and loans | 2.5 | 0.9 |
| Interest on lease obligations | 1.0 | 0.1 |
| Net interest cost on defined benefit obligations (note 33 vii) | - | - |
| Total finance costs | 3.5 | 1.0 |

8. Income tax expense

| | 2019 | 2018 |
|--|------------|------------|
| | €m | €m |
| Current tax | 1.2 | 1.5 |
| Deferred tax (note 25) | 0.1 | (0.1) |
| Total income tax expense for the financial year | 1.3 | 1.4 |

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 clarification of tonnage taxes issued May 2009 the tonnage tax charge is not considered an income tax expense under IAS 12 Income Taxes, 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 €1.2 million and a deferred tax expense of €0.1 million.

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

| | 2019 | 2018 |
|---|------------|------------|
| | €m | €m |
| Profit before tax | 61.5 | 59.2 |
| Tax at the domestic income tax rate of 12.5% (2018: 12.5%) | 7.7 | 7.4 |
| Effect of tonnage relief | (6.8) | (5.6) |
| Net utilisation of tax losses | - | (0.1) |
| Difference in effective tax rates | 0.3 | 0.4 |
| Other items | 0.1 | (0.7) |
| Income tax expense recognised in the Consolidated Income Statement | 1.3 | 1.4 |

9. Profit for the year

| | 2019 | 2018 |
|---|--------------|--------------|
| | €m | €m |
| Profit for the year arrived at after charging: | | |
| Depreciation of property, plant and equipment (note 13) | 27.5 | 21.9 |
| Amortisation of intangible assets (note 14) | 0.2 | 0.2 |
| Depreciation of right to use assets (note 15) | 9.1 | - |
| Net depreciation cost | 36.8 | 22.1 |
| Fuel | 49.3 | 48.2 |
| Labour charges | 32.6 | 31.1 |
| Port charges | 72.8 | 69.1 |
| Other operating costs | 92.1 | 90.6 |
| Operating costs | 246.8 | 239.0 |
| Gains on disposal of property, plant and equipment | | |
| Disclosed as non-trading item | (14.9) | (13.7) |
| Disclosed as operating cost | (0.1) | (1.4) |
| Foreign exchange (gains)/ losses | (0.2) | 0.3 |
| Expenses relating to lease payments not included in the measurement of the lease liability | | |
| Short term leases | 6.1 | - |
| Variable lease payments | 0.6 | - |
| Group Auditors' remuneration: | €'000 | €'000 |
| Total Group audit fee | 222.0 | 215.0 |
| Audit of the subsidiary financial information | 26.5 | 26.5 |
| Tax advisory services | 35.0 | 47.0 |
| Other non-audit services | 1.5 | 1.5 |
| | 285.0 | 290.0 |

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

146

10. Non-trading items

On 11 April 2019, the Company announced it entered into a hire purchase agreement for the sale of the vessel Oscar Wilde, which had become surplus to operational requirements, to buyers MSC Mediterranean Shipping Company SA for an agreed consideration of €28.9 million, payable in instalments over 6 years. The vessel was delivered to the buyer on 25 April 2019.

The gross consideration of €28.9 million is receivable over 72 months. This amount less related commissions has been discounted to estimated present value of €24.5 million at a discount rate of 4.0% and has been treated as a finance lease receivable (note 16).

In the prior period the Group sold the fastcraft Jonathan Swift. As both vessels had been used in the Group's Irish tonnage tax trade, no tax arose on either disposal.

These gains on disposal of the vessels are included in the profit for the period and are disclosed as non-trading items in the Consolidated Income Statement.

| | 2019 €m | 2018 €m |
|---|-------------|-------------|
| Consideration | | |
| Gross consideration | 28.9 | 15.5 |
| Gain on disposal of vessel | | |
| Consideration (net of commissions) | 28.2 | 15.1 |
| Effect of discounting | (3.7) | - |
| Present value of net consideration (note 16) | 24.5 | 15.1 |
| Disposal costs | (0.5) | (0.1) |
| Employee benefit costs associated with disposal | (0.5) | (0.2) |
| Net proceeds | 23.5 | 14.8 |
| NBV of vessel disposed of | (8.6) | (1.1) |
| Gain on disposal | 14.9 | 13.7 |

The total amount included in the Consolidated Cashflow Statement in respect of the disposal of the Oscar Wilde in the period ended 31 December 2019 is €1.6 million. This comprises instalments received net of leasing income of €2.4 million (note 16) less disposal costs of €0.5 million and the cash element of the employee benefit cost €0.3 million. In the prior period the full net proceeds relating to the sale of the Jonathan Swift of €14.8 million were received in the period.

11. Dividends

| | 2019 €m | 2018 €m |
|--|------------|------------|
| Final dividend of 8.56c per ICG Unit for financial year ended 31 December 2018 (2017: 8.15c) | 16.3 | 15.5 |
| Interim dividend of 4.42c per ICG Unit for the financial year ended 31 December 2019 (2018:4.21 c) | 8.4 | 8.0 |
| | 24.7 | 23.5 |

The Board is proposing a final dividend of 8.99 cent per ICG Unit amounting to €16.8 million in respect of the results for the financial year ended 31 December 2019.

12. Earnings per share

| | 2019 '000 | 2018 '000 |
|--|--------------|--------------|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 189,797 | 190,037 |
| Effect of dilutive potential ordinary shares: Share options | 1,143 | 1,405 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 190,940 | 191,442 |

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 20).

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 33) and the effect of non-trading items after tax.

The prior year reported adjusted basic earnings per share and adjusted diluted earnings per share has been represented to include the tax effect on non-trading items.

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:

| | 2019 €m | 2018 €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 | 60.2 | 57.8 |
| Non-trading item after tax (note 10) | (14.9) | (13.7) |
| Net interest cost on defined benefit obligations (note 33 vii) | - | (0.1) |
| Earnings for the purposes of adjusted basic and diluted earnings per share | 45.3 | 44.0 |

| | 2019 Cent | 2018 Cent |
|-------------------------------------|--------------|--------------|
| Basic earnings per share | 31.7 | 30.4 |
| Diluted earnings per share | 31.5 | 30.2 |
| Adjusted basic earnings per share | 23.8 | 23.1 |
| Adjusted diluted earnings per share | 23.7 | 23.0 |

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. Share options outstanding at 31 December are set out in note 32. Of the 2,496,500 (2018: 2,399,000) vested options at 31 December 2019, the dilutive effect is 1,143,000 ordinary shares (2018: 1,405,000 ordinary shares).

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

13. Property, plant and equipment

148

| | Assets under Construction €m | Vessels €m | Plant Equipment and Vehicles €m | Land and Buildings €m | Total €m |
|--|---------------------------------|---------------|------------------------------------|--------------------------|--------------|
| Cost | | | | | |
| At 1 January 2018 | 103.5 | 286.7 | 56.1 | 26.9 | 473.2 |
| Additions | 61.5 | 16.4 | 4.1 | 0.6 | 82.6 |
| Reclassification | (4.0) | - | 4.0 | - | - |
| Disposals | - | (24.8) | (0.8) | (1.6) | (27.2) |
| Currency adjustment | - | (0.2) | - | - | (0.2) |
| At 31 December 2018 | 161.0 | 278.1 | 63.4 | 25.9 | 528.4 |
| Adjustment on application of IFRS 16 (note 30) | - | - | (4.7) | - | (4.7) |
| Additions | 2.8 | 40.6 | 2.3 | 0.1 | 45.8 |
| Reclassification | (156.9) | 156.9 | - | - | - |
| Disposals | - | (47.5) | (0.8) | - | (48.3) |
| Currency adjustment | - | 1.0 | 0.2 | - | 1.2 |
| At 31 December 2019 | 6.9 | 429.1 | 60.4 | 26.0 | 522.4 |
| Accumulated depreciation | | | | | |
| At 1 January 2018 | - | 171.8 | 42.7 | 9.2 | 223.7 |
| Depreciation charge for the financial year | - | 18.3 | 3.2 | 0.4 | 21.9 |
| Eliminated on disposals | - | (23.4) | (0.8) | (0.7) | (24.9) |
| Currency adjustment | - | - | - | - | - |
| At 31 December 2018 | - | 166.7 | 45.1 | 8.9 | 220.7 |
| Adjustment on application of IFRS 16 (note 30) | - | - | (3.5) | - | (3.5) |
| Depreciation charge for the financial year | - | 24.1 | 3.0 | 0.4 | 27.5 |
| Eliminated on disposals | - | (38.9) | (0.8) | - | (39.7) |
| Currency adjustment | - | 0.2 | 0.1 | - | 0.3 |
| At 31 December 2019 | - | 152.1 | 43.9 | 9.3 | 205.3 |
| Carrying amount | | | | | |
| At 31 December 2019 | 6.9 | 277.0 | 16.5 | 16.7 | 317.1 |
| At 31 December 2018 | 161.0 | 111.4 | 18.3 | 17.0 | 307.7 |

Assets previously designated as held under finance leases under the previous leasing standard were reclassified as right of use assets on the initial application of IFRS 16: Leases at 1 January 2019. Further information is provided at note 30.

13. Property, plant and equipment – continued

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 where the Directors consider the latest estimates of residual value estimates would lead to a significant change in depreciation charges.

Estimations of economic life and residual values of ships are a key judgemental estimate in the financial statements. A 10% increase/ decrease in residual values of ships would have a €0.2 million (2018: €0.2 million) decrease/ increase on depreciation in the Consolidated Income Statement and a €0.2 million (2018: €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 €0.8 million (2018: €1.6 million) decrease/ €1.0 million (2018: €2.3 million) increase in depreciation in the Consolidated Income Statement, and a €0.8 million (2018: €1.6 million) increase/ €1.0 million (2018: €2.3 million) decrease on the carrying value of property, plant and equipment in the Statement of Financial Position.

Assets under construction at 31 December 2019 amounted to €6.9 million of which €6.4 million relates to a vessel under construction and the balance relates to other works. Deposits paid for the construction or delivery of assets in excess of work completed at the Statement of Financial Position date are treated as prepayments and included in Trade and other receivables.

During the year the vessel W.B. Yeats, which had been delivered to the Group in December 2018, completed final certifications entering service on 22 January 2019. Costs related to this vessel of €156.9 million were reclassified from Assets under Construction to Vessels on final certification.

During the year ended 31 December 2019 additions to assets under construction included staff costs of €0.1 million (2018: €0.5 million) and interest costs of €1.4 million (2018: €1.6 million).

14. Intangible assets

| | 2019 | 2018 |
|-------------------------------|-------------|-------------|
| | €m | €m |
| Cost | | |
| At 1 January | 10.3 | 10.2 |
| Additions | 0.2 | 0.1 |
| At 31 December | 10.5 | 10.3 |
| Amortisation | | |
| At 1 January | 9.9 | 9.7 |
| Charge for the financial year | 0.2 | 0.2 |
| At 31 December | 10.1 | 9.9 |
| Carrying amount | | |
| At 31 December | 0.4 | 0.4 |
| At 1 January | 0.4 | 0.5 |

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.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

15. Right of use assets

150

| | Vessels €m | Plant and Equipment €m | Land and Buildings €m | Total €m |
|---|---------------|------------------------------|-----------------------------|-------------|
| Cost | | | | |
| At 31 December 2018 | - | - | - | - |
| Re-classed from property, plant and equipment | - | 4.7 | - | 4.7 |
| Initial application of IFRS 16 | 10.9 | 1.8 | 18.3 | 31.0 |
| At 1 January 2019 | 10.9 | 6.5 | 18.3 | 35.7 |
| Additions | - | 1.7 | 10.8 | 12.5 |
| Currency adjustment | - | - | 0.4 | 0.4 |
| At 31 December 2019 | 10.9 | 8.2 | 29.5 | 48.6 |
| Accumulated depreciation | | | | |
| At 31 December 2018 | - | - | - | - |
| Re-classed from property, plant and equipment | - | 3.5 | - | 3.5 |
| Initial application of IFRS 16 | - | - | - | - |
| At 1 January 2019 | - | 3.5 | - | 3.5 |
| Charge for period | 5.7 | 1.2 | 2.2 | 9.1 |
| At 31 December 2019 | 5.7 | 4.7 | 2.2 | 12.6 |
| Carrying amount | | | | |
| At 31 December 2019 | 5.2 | 3.5 | 27.3 | 36.0 |
| At 31 December 2018 | - | - | - | - |

The Group's applied IFRS: 16 Leases with effect from 1 January 2019 as set out at note 2 Accounting Policies. At initial application, the Group recognised right of use assets and related lease liabilities by adjusting the opening balances brought forward from the Statement of Financial Position reported at 31 December 2018. The impact of the application of IFRS 16 is set at note 30.

Right of use assets are depreciated on a straight line basis over the lease term. Vessels include a lease contract expiring in November 2020 over which the Group retains an option to renew for a further year which at 31 December 2019, it was not reasonably certain that this option would be exercised. Plant and equipment mainly relates to containers used in the Group's container fleet leased under various master agreements with an average remaining term of 3.1 years. Land and buildings comprised (i) leased land at Dublin Port from which the Group operates a container terminal where the average remaining lease term was 95 years and (ii) a concession agreement at Belfast Harbour from which the Group operates a container terminal where the average remaining lease term was 6.7 years.

16. Lease receivable

| | 2019 | 2018 |
|----------------------------------|-------------|----------|
| | €m | €m |
| At 1 January 2019 | - | - |
| Sale of vessel (note 10) | 24.5 | - |
| Amounts received | (2.9) | - |
| Net benefit recognised in period | 0.5 | - |
| At 31 December 2019 | 22.1 | - |

During the period, the Group entered into a bareboat hire purchase sale agreement for the disposal of the vessel Oscar Wilde (note 10). Legal title to the vessel transfers to the lessor only on payment of the final instalment. The deferred consideration has been treated as a finance lease receivable at an amount equivalent to the net investment in the lease.

Amounts received less the net benefit recognised in the period, a total of €2.4 million has been recognised in the Consolidated Statement of Cashflows as proceeds on disposal of property, plant and equipment (see note 10).

The amounts receivable under the agreement at 31 December were as follows;

| | 2019 | 2018 |
|--|-------|------|
| | €m | €m |
| Within one year | 3.6 | - |
| Between 1 and 2 years | 3.6 | - |
| Between 2 and 3 years | 3.6 | - |
| Between 3 and 4 years | 3.6 | - |
| Between 4 and 5 years | 3.6 | - |
| Greater than 5 years | 7.3 | - |
| Undiscounted payments receivable | 25.3 | - |
| Unearned income | (3.2) | - |
| Present value of payments receivable / Net investment in the lease | 22.1 | - |
| Analysed as: | | |
| Current finance lease receivable | 2.7 | - |
| Non – current finance lease receivable | 19.4 | - |
| | 22.1 | - |

The Group is not exposed to foreign currency risk as a result of the lease arrangement, as it is denominated in Euro. Residual value risk on the vessel under lease is not significant, because of the existence of a secondary market in vessels.

The Directors of the Company estimate the loss allowance on the finance lease receivable at 31 December at an amount equal to lifetime expected credit losses. None of the finance lease receivable at 31 December 2019 was past due, and taking into account the historical payment experience together with the retention of legal title the Directors of the Group consider that no provision for expected credit losses is required.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

17. Inventories

| | 2019 | 2018 |
|---------------------------|------------|------------|
| | €m | €m |
| Fuel and lubricating oil | 2.8 | 2.9 |
| Catering and other stocks | 0.3 | 0.4 |
| | 3.1 | 3.3 |

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 €57.1 million during the financial year (2018: €55.0 million).

18. Trade and other receivables

| | 2019 | 2018 |
|--------------------------------------|-------------|-------------|
| | €m | €m |
| Trade receivables | 44.8 | 40.3 |
| Allowance for expected credit losses | (1.5) | (1.4) |
| | 43.3 | 38.9 |
| Prepayments | 43.4 | 35.3 |
| Finance Lease receivable (note 16) | 2.7 | - |
| Other receivables | 3.0 | 1.5 |
| | 92.4 | 75.7 |

The Group and Company extend credit to certain trade customers after conducting a credit risk assessment. Year-end trade receivables represent 46 days sales at 31 December 2019 (2018: 45 days). Prepayments includes €28.9 million relating to a €33.0 million deposit on a vessel under construction less amount recognised in property plant and equipment and further amounts of €8.1 million relating to deposits on capital works due to be carried out post year end.

18. Trade and other receivables – continued

The Group's trade receivables are analysed as follows:

| | 2019 | | | 2018 | | |
|---------------------|-------------|------------------------|-------------|-------------|------------------------|-------------|
| | Gross value | Expected Credit Losses | Net value | Gross value | Expected Credit Losses | Net value |
| | 2019 | 2019 | 2019 | 2018 | 2018 | 2018 |
| | €m | €m | €m | €m | €m | €m |
| Not past due | | | | | | |
| Within terms | 39.9 | 1.2 | 38.7 | 35.6 | (1.0) | 34.6 |
| Past due | | | | | | |
| Within 3 months | 4.4 | 0.2 | 4.2 | 3.9 | (0.3) | 3.6 |
| After 3 months | 0.5 | 0.1 | 0.4 | 0.8 | (0.1) | 0.7 |
| | 44.8 | (1.5) | 43.3 | 40.3 | (1.4) | 38.9 |

Risk of expected credit losses

The Group has applied the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. The concentration of credit risk is limited due to the exposure being spread over a large number of counterparties and customers. In measuring the expected credit losses, the trade receivables have been grouped by shared credit risk characteristics and by days past due. The expected loss rates are heavily influenced by the past rate of actual credit losses. Trade receivables are written off when there is no reasonable expectation of recovery.

Movement in the allowance for doubtful debts

| | 2019 | 2018 |
|--|------------|------------|
| | €m | €m |
| Balance at beginning of the financial year | 1.4 | 1.5 |
| Increase/(decrease) in allowance during the financial year | 0.1 | (0.1) |
| Balance at end of the financial year | 1.5 | 1.4 |

The amount included in prepayments relating to a shipyard deposit is secured through letters of credit issued by high quality insurers. In relation to the amounts paid as deposits on other capital works, significant progress on these works had been completed by the financial statement approval date. No allowance has been made for expected credit losses on prepayments and other receivables as they were assessed as not being impaired at 31 December 2019.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

19. Cash and cash equivalents

For the purposes of the statement of cashflows, 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 cashflows:

154

| | 2019 | 2018 |
|---------------------------|-------|-------|
| | €m | €m |
| Cash and cash equivalents | 110.9 | 124.7 |

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. 95% of the cash and cash equivalents were on deposit in institutions rated A2 or above by Moodys. 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:

| | 2019 | 2018 |
|----------------|--------------|--------------|
| | €m | €m |
| Ireland | 83.3 | 97.8 |
| United Kingdom | 0.2 | 0.3 |
| Europe | 27.4 | 26.6 |
| Total | 110.9 | 124.7 |

The cash and cash equivalents figure of €110.9 million at 31 December 2019 includes a deposit of €2.9 million (2018: €2.4 million) over 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.

20. Share capital

Group and Company

| Authorised | 2019 | 2019 | 2018 | 2018 |
|--|---------------|-------------|---------------|-------------|
| | Number | €m | Number | €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 |

| Allotted, called up and fully paid | 2019 | 2019 | 2018 | 2018 |
|-------------------------------------|--------------------|-------------|--------------------|-------------|
| | Number | €m | Number | €m |
| Ordinary shares | | | | |
| At beginning of the financial year | 190,264,390 | 12.4 | 189,994,390 | 12.3 |
| Share issue | 55,000 | - | 270,000 | 0.1 |
| Share buyback | (2,900,000) | (0.2) | - | - |
| At end of the financial year | 187,419,390 | 12.2 | 190,264,390 | 12.4 |

20. Share capital – continued

There were no redeemable shares in issue at 31 December 2019 or 31 December 2018.

The Company has one class of share unit, an ICG Unit, which at 31 December 2019 comprised one ordinary share and nil redeemable shares. The share unit, nor any share therein, does not carry any right to fixed income.

The number of ICG Units issued during the year was 55,000 (2018: 270,000) and total consideration received amounted to €0.1 million (2018: €0.6 million). These ICG Units were issued under the Group's and Company's share option plans.

During the year the Company bought back 2,900,000 ICG Units on the market for prices ranging between €4.20 to €4.50 per ICG Unit. Total consideration paid of €12.9 million which was charged against retained earnings. The nominal value of the shares cancelled of €0.2 million was retained in a capital redemption reserve. The buybacks were conducted in line with the Group's capital management policy at prices which the directors considered were in the best interests of the remaining shareholders.

Holders of ordinary shares are entitled to such dividends 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.

21. 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 2018 the reserve balance stands at €0.1 million. The balance is unchanged from, 1 January 2018 and 1 January 2019.

The capital redemption reserve represents the nominal value of share capital repurchased. During the year €0.2 million was transferred from retained earnings representing the nominal value of shares cancelled. At 31 December 2019 the reserve balance stands at €7.4 million (2018: €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.

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 and results of the Group's foreign currency denominated subsidiaries, from their functional currency into the Group's presentational currency, being Euro, are recognised directly in the translation reserve.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

22. Borrowings

156

| | 2019 €m | 2018 €m |
|--|--------------|--------------|
| Bank loans | 155.0 | 155.0 |
| Private placement loan notes | 50.0 | 50.0 |
| Origination fees | (1.1) | (1.0) |
| Finance leases | - | 1.0 |
| | 203.9 | 205.0 |
| On demand or within one year | 3.6 | 0.3 |
| In the second year | 15.3 | 3.9 |
| In the third year | 15.3 | 15.5 |
| In the fourth year | 15.3 | 15.4 |
| Fifth year and after | 154.4 | 169.9 |
| | 203.9 | 205.0 |
| Less: Amount due for settlement within 12 months | (3.6) | (0.3) |
| Amount due for settlement after 12 months | 200.3 | 204.7 |

Obligations under the Group borrowing facilities have been cross guaranteed by certain subsidiaries but are otherwise unsecured.

The currency profile of the Group's borrowings is set out in note 24 (iii).

Finance Leases

| | Minimum lease payments | | Present value of minimum lease payments | |
|--|------------------------|------------|---|------------|
| | 2019 €m | 2018 €m | 2019 €m | 2018 €m |
| Amounts payable under finance leases: | | | | |
| Within one year | - | 0.5 | - | 0.5 |
| In the second to fifth years inclusive | - | 0.6 | - | 0.5 |
| | - | 1.1 | - | 1.0 |
| Less future finance charges | - | (0.1) | - | - |
| Present value of lease obligations | - | 1.0 | - | 1.0 |
| Less: amount due for settlement within 12 months | - | (0.3) | - | (0.3) |
| Amount due for settlement after 12 months | - | 0.7 | - | 0.7 |

22. Borrowings – continued

Amounts outstanding at 31 December 2018 were transferred to lease liabilities on the application of IFRS 16 Leases. The average effective borrowing rate for the financial year ended 31 December 2018 was 5.5%. Interest rates had been fixed at the contract date exposing the Group to fair value interest rate risk. All leases were on a fixed interest repayment basis.

Borrowing facilities

| | 2019 | 2018 |
|--|--------------|--------------|
| | €m | €m |
| Overdraft and trade guarantee facilities | | |
| Amounts utilised – trade guarantee (note 37) | 0.6 | 0.6 |
| Amounts undrawn | 15.4 | 15.4 |
| Total committed overdraft facilities | 16.0 | 16.0 |
| Committed loan facilities | | |
| Amounts drawn | 205.0 | 205.0 |
| Amounts undrawn | 75.0 | 75.0 |
| Total committed loan facilities | 280.0 | 280.0 |
| Uncommitted Facilities | 244.8 | 240.2 |

At 31 December the Group had total committed loan and overdraft facilities of €296.0 million (2018: €296.0 million) which comprised of amounts utilised of €205.6 million (2018: €205.6 million) and amounts undrawn of €90.4 million (2018: €90.4 million). 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 2019 were unsecured and cross guaranteed by certain subsidiaries within the Group.

The Group's borrowing facilities comprise of the following;

- (i) A bank overdraft and trade guarantee facility with permitted drawing amounts of €16.0 million. At 31 December 2019, €0.6 million (2018: €0.6 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 lender's 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.
- (ii) 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 2019, €nil (2018: €nil) 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 2024, having been extended by one year during 2019.
- (iii) Amortising term loan facilities totalling €155.0 million made available by the European Investment Bank to fund the construction of two new cruise ferries one of which was delivered in December 2018 and the second being under construction. These facilities have been drawn in full and are repayable in equal instalments over a ten year period commencing December 2020 and ending during 2030. Interest rates are fixed for the duration of the term at rates ranging from 1.616% to 1.724%.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

158

22. Borrowings – continued

(iv) Multicurrency private placement loan note shelf agreements agreed with a number of investors with a potential drawing amount of €244.8 million. Loan notes for a total amount of €50.0 million with a maturity of 30 November 2024 at an interest rate of 1.40% have been issued under this facility. The remaining balance of €194.8 million total is 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.

The weighted average interest rates paid during the financial year were as follows:

| | 2019 | 2018 |
|-----------------|-------|-------|
| Bank overdrafts | 0.58% | 0.63% |
| Bank loans | 1.58% | 1.55% |

The average interest rates reflect the terms of the refinancing arrangements concluded in prior periods. No additional bank loans were drawn during 2019. Interest rates on all bank loans drawn in prior periods were fixed at date of drawdown. 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 2019.

23. Lease liabilities

| | 2019 | 2018 |
|---|-------------|----------|
| | €m | €m |
| At 31 December 2018 | - | - |
| Initial application of IFRS 16 | 32.0 | - |
| Liabilities created | 12.5 | - |
| Payments | (10.0) | - |
| Lease interest expense recognised in period | 1.0 | - |
| Currency Adjustment | 0.5 | - |
| At 31 December 2019 | 36.0 | - |
| Analysed as: | | |
| Current liabilities | 8.4 | - |
| Non-current liabilities | 27.6 | - |
| | 36.0 | - |

The Group applied IFRS 16 Leases with effect from 1 January 2019 as set out at note 2 Accounting Policies. At initial application, the Group recognised right of use assets and related lease liabilities by adjusting the opening balances brought forward from the Statement of Financial Position reported at 31 December 2018. The impact of the application of IFRS 16 is set out at note 30.

23. Lease liabilities – continued

The maturity profile of lease liabilities is set out below.

| | 2019 | 2018 |
|------------------------------|-------------|------------|
| | €m | €m |
| Committed lease obligations: | | |
| Within one year | 8.4 | 0.3 |
| Between 1 and 2 years | 2.9 | 0.7 |
| Between 2 and 3 years | 2.5 | - |
| Between 3 and 4 years | 2.3 | - |
| Between 4 and 5 years | 2.2 | - |
| Greater than 5 years | 17.7 | - |
| | 36.0 | 1.0 |

Outstanding lease terms vary from 1 to 7 years except in the case of leasehold land where the terms vary between 76 and 102 years. For the financial year ended 31 December 2019, the average incremental borrowing rate applying to lease liabilities was 3.1%. The incremental borrowing rate in the case of lease liabilities recognised on application of IFRS 16 was estimated at 1 January 2019 and in all other cases at the date of commencement of the lease. The incremental borrowing rate is estimated as that rate of interest available to the Group for borrowings over a similar term as the obligation to acquire a similar asset. The Group's obligations are secured by lessors' title to the leased assets.

All lease contracts relating to land and property contain market review clauses.

Lease obligations do not include any variable payments based on throughput of leased facilities, short term leases of less than 1 year or leases relating to low value assets. These are expensed as incurred and disclosed at note 9.

24. 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

| 2019 | Loans and receivables at amortised cost | Financial liabilities at amortised cost | Carrying value | Fair value |
|-----------------------------|---|---|----------------|------------|
| | €m | €m | €m | €m |
| Finance lease receivable | 22.1 | - | 22.1 | 22.1 |
| Trade and other receivables | 89.7 | - | 92.4 | 92.4 |
| Cash and cash equivalents | 110.9 | - | 110.9 | 110.9 |
| Borrowings | - | 203.9 | 203.9 | 214.5 |
| Lease liabilities | - | 36.0 | 36.0 | 36.0 |
| Trade and other payables | - | 57.4 | 57.4 | 57.4 |

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

24. Financial instruments and risk management – continued

160

| 2018 | Loans and receivables at amortised cost | Financial liabilities at amortised cost | Carrying value | Fair value |
|-----------------------------|---|---|----------------|------------|
| | €m | €m | €m | €m |
| Trade and other receivables | 75.7 | - | 75.7 | 75.7 |
| Cash and cash equivalents | 124.7 | - | 124.7 | 124.7 |
| Borrowings | - | 205.0 | 205.0 | 205.2 |
| Trade and other payables | - | 49.7 | 49.7 | 49.7 |

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 (2018: 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.

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 46 days (2018: 45 days) and 65 days (2018: 71 days) respectively, the carrying value less allowance for expected credit losses, 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 incremental borrowing cost used to calculate the carrying value includes a fair estimate of counterparty risk and the carrying value approximates fair value.

Derivative financial instruments

There are no derivative financial instruments outstanding at 31 December 2019 and 31 December 2018.

(ii) Interest rate risk

At 31 December 2019, interest rates on short term bank deposits were contracted for terms of less than three months at average effective rates of 0.1% (2018: 0.0%).

24. Financial instruments and risk management – continued

The interest rates on all Group borrowings at 31 December 2019 comprising loan notes and term loans has been fixed at contracted rates at the date of drawdown with the relevant lender eliminating exposure to interest rate risk on borrowings. The average interest rate at 31 December 2019 was 1.60% (2018: 1.62%) for remaining terms of between 4.9 and 11 years. At 31 December 2018 borrowings also included finance leases where interest rates had been fixed at date of inception eliminating exposure to interest rate risk on finance leases.

The interest rates on all lease liabilities at 31 December 2019 were fixed at the incremental borrowing rate at the later of the IFRS 16 effective application date of 1 January 2019 or lease commencement date eliminating exposure to interest rate risk on lease liabilities. The average interest rate at 31 December 2019 on outstanding lease liabilities was 3.1% (2018: n/a) for remaining lease terms of between 11 months and 101 years.

Sensitivity to interest rates

As all of the Group's borrowings are fixed for the full remaining borrowing terms the Group has not prepared calculations to measure the estimated effect of changes in market interest rates on the Consolidated Income Statement and Equity Review.

(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. Exchange rate exposures are managed within approved policy parameters. The Group did not utilise forward foreign exchange contracts during the year ended 31 December 2019 or 2018.

Sensitivity

The currency risk sensitivity analysis is set out below

Under the assumptions; (i) a 10% strengthening in Euro exchange rates against all currencies, profit before tax would have increased by €2.9 million (2018: increase of €0.7 million) and equity (before tax effects) would have increased by €0.7 million (2018: decrease of €1.3 million); (ii) a 10% weakening in Euro exchange rates against all currencies, profit before tax would have decreased by €3.5 million (2018: decrease of €0.9 million) and equity (before tax effects) would have decreased by €0.9 million (2018: increase of €1.6 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:

| 2019 | Euro €m | Sterling €m | US Dollar €m | Total €m |
|---------------------------|----------------|----------------|-----------------|----------------|
| Trade receivables (net) | 39.0 | 4.3 | - | 43.3 |
| Cash and cash equivalents | 91.5 | 17.9 | 1.5 | 110.9 |
| Total assets | 130.5 | 22.2 | 1.5 | 154.2 |
| Trade and other payables | 39.7 | 12.3 | 5.4 | 57.4 |
| Bank loans | 203.9 | - | - | 203.9 |
| Lease liabilities | 22.8 | 12.7 | 0.5 | 36.0 |
| Total liabilities | 266.4 | 25.0 | 5.9 | 297.3 |
| Net (liabilities) | (135.9) | (2.8) | (4.4) | (143.1) |

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

24. Financial instruments and risk management – continued

| 2018 | Euro €m | Sterling €m | US Dollar €m | Total €m |
|----------------------------------|----------------|----------------|-----------------|---------------|
| Trade receivables (net) | 34.9 | 4.0 | - | 38.9 |
| Cash and cash equivalents | 105.4 | 18.5 | 0.8 | 124.7 |
| Total assets | 140.3 | 22.5 | 0.8 | 163.6 |
| Trade and other payables | 35.5 | 10.4 | 3.8 | 49.7 |
| Bank loans | 204.0 | - | - | 204.0 |
| Finance leases | 1.0 | - | - | 1.0 |
| Total liabilities | 240.5 | 10.4 | 3.8 | 254.7 |
| Net (liabilities)/ assets | (100.2) | 12.1 | (3.0) | (91.1) |

(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. In the Container & Terminal division movements in fuel costs 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 fuel 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's rolling liquidity reserve (which comprises cash and undrawn committed facilities and which represents the amount of available cash headroom in the Group funding structure) was as follows:

| | 2019 €m | 2018 €m |
|------------------------------|--------------|--------------|
| Cash and cash equivalents | 110.9 | 124.7 |
| Committed undrawn facilities | 90.4 | 90.4 |
| Liquidity reserve | 201.3 | 215.1 |

24. 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. This process also incorporates a longer-term liquidity review to ensure refinancing risks are adequately catered for as part of the Group's strategic planning.

Liquidity analysis

The following table sets out the maturity and liquidity analysis of the Group's 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 2019 | 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 | | | | | | |
| Liabilities | | | | | | | |
| Trade and other payables | - | 57.4 | 57.4 | 57.4 | - | - | - |
| Bank loans | 5.9 | 203.9 | 223.3 | 7.0 | 18.6 | 104.1 | 93.6 |
| Lease liabilities | 41.0 | 36.0 | 81.2 | 9.4 | 3.7 | 9.2 | 58.9 |
| Total liabilities | | 297.3 | 361.9 | 73.8 | 22.3 | 113.3 | 152.5 |

| Liquidity Table 2018 | 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 | | | | | | |
| Liabilities | | | | | | | |
| Trade and other payables | - | 49.7 | 49.7 | 49.7 | - | - | - |
| Bank loans | 6.7 | 204.0 | 226.7 | 3.2 | 7.0 | 54.7 | 161.8 |
| Finance leases | 1.1 | 1.0 | 1.1 | 0.7 | 0.3 | 0.1 | - |
| Total liabilities | | 254.7 | 277.5 | 53.6 | 7.3 | 54.8 | 161.8 |

(vi) Credit risk

The Group and Company monitors its credit exposure to its counterparties via their credit ratings (where applicable) and where possible limits its exposure to any one party to ensure that there are no significant concentrations of credit risk. Notwithstanding due to the nature of the underlying transaction there is a material exposure to a single counterparty in relation to the lease receivable. Mitigation of this exposure is explained at note 16. Credit risk in relation to trade and other receivables and cash and cash equivalents has been discussed in notes 18 and 19 respectively. The maximum exposure to credit risk is represented by the carrying amounts in the Statement of Financial Position.

(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 2019 and 31 December 2018.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

24. Financial instruments and risk management – continued

The capital structure of the Group consists of net cash (borrowings as detailed in note 22 offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in notes 20 and 21).

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 2019 and 31 December 2018. At 31 December 2019, the net debt position of the Group was €129.0 million (2018: net cash of €80.3 million). The ratio of consolidated net debt as a multiple of EBITDA (before non-trading items) in 2019 was 1.5 times (2018: 1.2 times).

(viii) Derivative financial instruments

The interest rate on Group borrowings outstanding at 31 December 2019 and throughout the period and the prior period had been fixed at contracted rates with the lenders. Consequently the Group did not utilise any interest rate swaps during 2019.

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 2019 and 31 December 2018, there were no outstanding forward foreign exchange contracts.

25. Deferred tax liabilities

The Company and its subsidiaries, where appropriate, have elected to be taxed under the Irish tonnage tax scheme in respect of all eligible shipping 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.

25. Deferred tax liabilities – continued

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

| 2019 | Accelerated tax depreciation | Retirement benefit obligation | Total |
|---|------------------------------|-------------------------------|------------|
| | €m | €m | €m |
| At beginning of the financial year | 0.4 | 0.2 | 0.6 |
| Charge to the Consolidated Income Statement | 0.1 | - | 0.1 |
| At end of the financial year | 0.5 | 0.2 | 0.7 |

| 2018 | Accelerated tax depreciation | Retirement benefit obligation | Total |
|--|------------------------------|-------------------------------|------------|
| | €m | €m | €m |
| At beginning of the financial year | 0.5 | 0.3 | 0.8 |
| Credit to the Consolidated Income Statement | (0.1) | - | (0.1) |
| Credit to the Consolidated Statement of Comprehensive Income | - | (0.1) | (0.1) |
| At end of the financial year | 0.4 | 0.2 | 0.6 |

Deferred tax is recognised in the Consolidated Statement of Comprehensive Income to the extent it arises on profits or losses recognised in that statement.

26. Trade and other payables

| Within 1 year | 2019 | 2018 |
|-----------------------------|-------------|-------------|
| | €m | €m |
| Trade payables and accruals | 52.9 | 45.4 |
| Payroll taxes | 1.3 | 1.0 |
| Social insurance cost | 0.3 | 0.5 |
| Value added tax | 2.9 | 2.8 |
| | 57.4 | 49.7 |

Trade payables and accruals comprise amounts outstanding for trade purchases and on-going costs and are non-interest bearing. They also include deferred revenue amounts of €5.0 million (2018: €3.8 million) relating to cash received relating to performance obligations outstanding not yet complete by the Group.

The average trade credit period outstanding was 65 days at 31 December 2019 (2018: 71 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 Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

27. Provisions

166

| | 2019 | 2018 |
|-------------------------------------|------------|------------|
| | €m | €m |
| Claims provision | | |
| At beginning of the financial year | 1.7 | 1.0 |
| Utilisation of provision | - | (0.2) |
| Increase in provision | 0.3 | 0.9 |
| At end of the financial year | 2.0 | 1.7 |
| Analysed as follows: | | |
| Current liabilities | 1.3 | 1.3 |
| Non-current liabilities | 0.7 | 0.4 |
| | 2.0 | 1.7 |

The claims provision comprises (i) 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 (ii) ex-gratia discounts which can be claimed by customers against future travel the timing and presentation of which are uncertain.

28. Commitments

| | 2019 | 2018 |
|---|--------------|--------------|
| | €m | €m |
| Commitments for the acquisition of property, plant and equipment – approved and contracted for not accrued | | |
| Approved and contracted | 185.1 | 136.3 |
| Less accrued at 31 December (note 13) | (41.0) | - |
| Approved and contracted for not accrued | 144.1 | 136.3 |

29. Operating lease obligations

| | 2019 | 2018 |
|------------------------------|------------|-------------|
| | €m | €m |
| Within 1 year | 1.6 | 9.5 |
| In the second to fifth years | - | 5.4 |
| After 5 years | - | 56.0 |
| | 1.6 | 70.9 |

Commitments at 31 December 2019 relate to short term vessel charter and container hire obligations. An expense of €6.7 million (2018: €15.5 million) was recognised in the period under operating leases where the related rights were not recognised as a right to use asset. The 2019 operating lease expense is analysed as follows;

29. Operating lease obligations – continued

| | €m |
|--|------------|
| Short term leases of terms of less than one year | 6.1 |
| Variable lease payments not included in the measurement of lease liabilities | 0.6 |
| | 6.7 |

The Group applied IFRS 16 Leases, which replaced IAS 17, with effect from 1 January 2019 as set out at note 2 Accounting Policies. At initial application, the Group recognised right of use assets and related lease liabilities by adjusting the opening balances brought forward from the Statement of Financial Position reported at 31 December 2018. A reconciliation of previously reported operating lease commitments at 31 December 2018 is set out at note 30.

30. Impact of first time application of IFRS16: Leases

The Group's approach to the application of IFRS 16 Leases with effect from 1 January 2019 is set out at note 2 Accounting Policies. At initial application, the Group recognised right of use assets and related lease liabilities by adjusting the opening balances brought forward from the Statement of Financial Position reported at 31 December 2018. The impact of the application of IFRS 16 is set out below.

(i) Reconciliation of opening lease obligations

A reconciliation of the previously reported operating lease commitments of €70.9 million at 31 December 2018 to the opening lease obligations at Note 30 is set out below;

| | €m |
|--|-------------|
| Operating lease contractual commitments at 31 December 2018 | 70.9 |
| Commitments relating to extension options not contracted for at 31 December 2018 and assessed as reasonably certain to be exercised as at 1 January 2019 | 5.7 |
| Commitments related to leases previously classified as finance leases | 1.1 |
| Commitments relating to leases treated as short term leases | (0.7) |
| Gross lease commitments at 1 January 2019 | 77.0 |
| Effect of discounting | (45.0) |
| Lease liability at 1 January 2019 | 32.0 |
| Present value of lease commitments previously classified as finance leases | (1.0) |
| Lease liabilities recognised on adoption of IFRS 16 | 31.0 |

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

30. Impact of first time application of IFRS16: Leases – continued

(ii) Reconciliation of the opening position as per Statement of Financial Position

The effects on the opening position as per the Consolidated Statement of Financial Position were as follows;

168

| | Carrying amount at 31 December 2018 €m | Effect of IFRS 16 €m | Carrying amount at 1 January 2019 €m |
|--------------------------------|---|-------------------------|---|
| Assets | | | |
| Non-Current assets | | | |
| Property, plant and equipment | 307.7 | (1.2) | 306.5 |
| Right of use assets | - | 32.2 | 32.2 |
| Non-Current liabilities | | | |
| Borrowings | 204.7 | 22.6 | 227.3 |
| Current liabilities | | | |
| Borrowings | 0.3 | 8.4 | 8.7 |

(iii) Effect on the Income Statement from the date of adoption of IFRS 16 compared to IAS 17 in the period

The effects of the reported result for the year ended 31 December 2019 from applying the new accounting policy compared to the previous policy are set out below.

| | €m |
|--|------------|
| Reduction in operating lease expenses included in other operating costs | (9.4) |
| Reduction in depreciation of property, plant and equipment | (0.5) |
| Increase in depreciation and amortisation expense arising from depreciation of right of use assets | 9.1 |
| Increase in finance costs | 1.0 |
| Net decrease in profit before tax in the period | 0.2 |

The effect of the net decrease in profit before tax was to decrease 2019 basic earnings per share and diluted earnings per share by 0.1 cent.

(iv) Incremental borrowing rates at date of adoption

The incremental borrowing rates used to value lease liabilities relating to right to use assets recognised at the date of adoption of IFRS 16 are set out below.

| | Lease terms of between 1 and 5 years | Lease terms of between 77 and 103 years |
|-----------|--------------------------------------|---|
| Euro | 1.50% | 4.10% to 4.25% |
| Sterling | 2.65% to 2.72% | - |
| US Dollar | 4.25% to 4.32% | - |

There were no leases at the date of adoption with terms ending between 6 and 76 years.

31. Operating lease income

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

| | 2019 | 2018 |
|---------------|------|------|
| | €m | €m |
| Within 1 year | 2.7 | 0.2 |

The lease payments receivable relate to the charter of container vessels.

32. Share-based payments

The Group operates two equity settled share option schemes under which certain employees have been issued with share options as described below.

The Performance Share Plan (“PSP”) is 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 782,500 options were granted under the PSP with a vesting period of 3 years.

The 2009 Share Option Plan remains in place with respect to 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 over 152,500 ICG Units at an exercise price of €2.97 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, 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:

| | 2019 | 2019 | 2018 | 2018 |
|--|-------------------------|-----------------------------------|-------------------------|-----------------------------------|
| | Number of share options | Weighted average exercise price € | Number of share options | Weighted average exercise price € |
| Outstanding at 1 January | 5,144,285 | 1.86 | 4,852,500 | 2.11 |
| Granted during the year | 782,500 | 0.065 | 670,500 | 0.065 |
| Exercised during the year | (55,000) | 2.97 | (270,000) | 1.97 |
| Forfeited during the year | - | - | (108,715) | 1.68 |
| Outstanding at 31 December | 5,871,785 | 1.61 | 5,144,285 | 1.86 |
| Exercisable at 31 December | 2,496,500 | 2.40 | 2,399,000 | 2.41 |
| Weighted average share price at date of exercise of options | | 4.67 | | 4.45 |
| Weighted average remaining contractual life of options outstanding at year-end | | 2.8 Years | | 3.9 Years |

In settlement of the options exercised during the year the Company issued 55,000 (2018: 270,000) new ICG units with none sourced through market purchase.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

32. Share-based payments – continued

The exercise prices of options outstanding at 31 December are as follows:

| | 2019 Options | 2018 Options | Price € |
|-----------------------------------|------------------|------------------|------------|
| Exercisable: | | | |
| 2009 Share Option Plan | | | |
| Vested Options | 1,361,500 | 1,361,500 | 1.570 |
| Vested Options | 230,000 | 132,500 | 2.970 |
| Vested Options | 905,000 | 905,000 | 3.580 |
| Exercisable at 31 December | 2,496,500 | 2,399,000 | |
| Not Yet Exercisable: | | | |
| 2009 Share Option Plan | | | |
| Second Tier Options (1) | - | 152,500 | 2.970 |
| Second Tier Options (1) | 905,000 | 905,000 | 3.580 |
| Performance Share Plan (2) | 2,470,285 | 1,687,785 | 0.065 |
| Outstanding at 31 December | 5,871,785 | 5,144,285 | |

Notes on vesting conditions

- Second Tier Options under the 2009 Share Option Plan 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 Euronext Dublin 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.
- 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.

Under Group equity-settled share based payment schemes the maximum life of a share option is ten years, these are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value was measured using the Binomial option pricing model for options granted prior to 31 December 2018. For options granted after 1 January 2019, fair value has been estimated using Monte-Carlo simulation modelling. The Directors consider the change in valuation technique better reflects the underlying features of the PSP. The effect of the change on the cumulative share option expense in prior periods represented by the share option reserve at 1 January 2019 has been estimated as not material and previous estimates of fair value have not been modified. 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.

Outstanding options had been granted on 26 March 2012, 1 September 2014, 5 March 2015, 23 May 2017, 9 March 2018 and 8 March 2019. The estimated fair values of the options are as follows:

| Year of Grant | 2019 | 2018 | 2017 | 2015 | 2015 | 2014 | 2014 | 2012 | 2012 |
|----------------------|-------|-------|-------|------------|-------------|------------|-------------|------------|-------------|
| Share Plan | PSP | PSP | PSP | 2009 Plan | 2009 Plan | 2009 Plan | 2009 Plan | 2009 Plan | 2009 Plan |
| | | | | Basic Tier | Second Tier | Basic Tier | Second Tier | Basic Tier | Second Tier |
| Fair value of option | €3.53 | €4.06 | €3.67 | €0.4528 | €0.5581 | €0.2992 | €0.4449 | €0.3240 | €0.3680 |

32. Share-based payments – continued

The inputs into the model in the respective years of grant were as follows:

| Year of Grant | 2019 | 2018 | 2017 | 2015 | | 2014 | | 2012 | |
|---------------------------------|----------|---------|---------|------------|-------------|------------|-------------|------------|-------------|
| | | | | Basic Tier | Second Tier | Basic Tier | Second Tier | Basic Tier | Second Tier |
| At date of grant: | | | | | | | | | |
| Weighted average share price | €4.945 | €5.860 | €5.400 | €3.580 | €3.580 | €2.970 | €2.970 | €1.570 | €1.570 |
| Weighted average exercise price | €0.065 | €0.065 | €0.065 | €3.580 | €3.580 | €2.970 | €2.970 | €1.570 | €1.570 |
| Expected volatility | 27% | 22% | 22% | 29% | 31% | 27% | 30% | 34% | 33% |
| Expected life | 3 years | 8 years | 8 years | 7 years | 9 years | 7 years | 9 years | 7 years | 9 years |
| Risk free rate | (0.498%) | 0.023% | 0.023% | 0.090% | 0.299% | 0.439% | 0.765% | 1.323% | 1.799% |
| Expected dividend yield | 2.50% | 4.39% | 4.61% | 5.16% | 4.72% | 5.83% | 4.89% | 4.97% | 4.41% |

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 2019, the share-based payment expense recognised in the Consolidated Income Statement was €2.1 million (2018: €2.4 million) and in the Income Statement of the Company was €1.0 million (2018: €1.0 million).

The share-based payment expense has been classified in the Consolidated Income Statement as follows:

| | 2019 | 2018 |
|---------------------------|------|------|
| | €m | €m |
| Employee benefits expense | 2.1 | 2.4 |

Share-based payment expense of €901,000 (2018: €845,000) relates to the Directors of the Group. The balance on the share option reserve in the Consolidated Statement of Financial Position at 31 December 2019 is €5.9 million (2018: €3.8 million).

33. 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 €0.4 million (2018: €0.2 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 2019 (2018: €nil).

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

33. Retirement benefit schemes – continued

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.

The pension contributions paid in the year ended 31 December 2019 amounted to €2.7 million (2018: €2.8 million) while the current service cost charged to the Consolidated Income Statement amounted to €1.5 million (2018: €1.7 million) as well as a curtailment gain of €0.1 million (2018: €0.5 million). At 31 December 2019, there were 751 pensioners in receipt of pension payments from the Group's schemes (2018: 766).

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 31 March 2018 and 31 October 2018. 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 2019 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 (MNOFF)

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 MNOFF, 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 2018 and disclosed a net past service deficit of GBP 9.0 million. The Group's share of the MNOFF obligations, as most recently advised by the trustees, is 1.53% (2018: 1.53%). The valuation at 31 December 2019 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 MNOFF estimated by the Company attributable to the Group at 31 December 2019 is €nil (2018: €nil). During the year the Group made payments of €nil (2018: €nil) to the trustees.

33. Retirement benefit schemes – continued

(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 in the Eurozone as those rated AA or higher by at least one rating agency. In respect of Sterling schemes, corporate bonds must be 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.

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 participants 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 | |
|--|----------------------|-------|------------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Discount rate | 1.85% | 2.65% | 1.00% | 1.80% |
| Inflation rate | 3.20% | 3.45% | 1.30% | 1.50% |
| Rate of annual increase of pensions in payment | 2.95% | 3.15% | 0.40% - 0.50% | 0.60% - 0.70% |
| Rate of increase of pensionable salaries | 0.90% | 1.00% | 0.00% - 0.90% | 0.00% - 1.00% |

The Euro and Sterling discount rates have been determined in consultation with the Group's independent actuary, who has 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 2019 the high quality corporate bond population include those rated AA or higher by at least two rating agencies.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

33. Retirement benefit schemes – continued

The average life expectancy used in the principal Group schemes at age 60 is as follows:

| | 2019 | | 2018 | |
|----------------------|------------|------------|------------|------------|
| | Male | Female | Male | Female |
| Irish Schemes | | | | |
| Current retirees | 26.4 years | 29.3 years | 26.3 years | 29.2 years |
| Future retirees | 28.8 years | 31.4 years | 28.7 years | 31.3 years |
| UK Schemes | | | | |
| Current retirees | 27.7 years | 29.2 years | 27.0 years | 29.2 years |
| Future retirees | 29.2 years | 30.7 years | 28.8 years | 31.2 years |

Assumptions regarding life expectancies are set based on actuarial advice in accordance with published statistics and experience in each jurisdiction.

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 €289.6 million at 31 December 2019 (2018: €266.0 million). At 31 December 2019, the Group also has scheme assets totalling €298.4 million (2018: €264.3 million), giving a net pension surplus of €8.8 million (2018: deficit of €1.7 million). The size of the obligation is sensitive to actuarial assumptions. The sensitivity analysis 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 analysis 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 | 7.0% decrease in liabilities | 8.4% decrease in liabilities | 7.0% decrease in liabilities |
| Rate of inflation* | 0.5% increase in price inflation | 6.6% increase in liabilities | 6.2% increase in liabilities | 6.6% increase in liabilities |
| Rate of mortality | Members assumed to live 1 year longer | 3.5% increase in liabilities | 3.9% increase in liabilities | 3.5% 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.

33. Retirement benefit schemes – continued

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 MNOFF is as follows:

| | Schemes with liabilities in Sterling | | Schemes with liabilities in Euro | |
|--------------------------------------|--------------------------------------|------------|----------------------------------|--------------|
| | 2019 €m | 2018 €m | 2019 €m | 2018 €m |
| Equities | 11.6 | 9.2 | 105.8 | 91.2 |
| Bonds | 13.0 | 13.4 | 102.7 | 93.3 |
| Diversified funds | - | - | 41.7 | 35.3 |
| Property | 0.3 | 0.3 | 19.2 | 19.4 |
| Other | 2.9 | 1.2 | 1.2 | 1.0 |
| Fair value of scheme assets | 27.8 | 24.1 | 270.6 | 240.2 |
| Present value of scheme liabilities | (26.2) | (22.4) | (263.4) | (243.6) |
| Surplus/ (deficit) in schemes | 1.6 | 1.7 | 7.2 | (3.4) |

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 are in a net deficit position and are shown in non-current liabilities.

The overall weighted average duration of the Group's defined benefit obligations is 16.2 years (2018: 16.1 years). The weighted average duration of Euro scheme obligations was 16 years (2018: 16 years) and of Sterling scheme obligations was 17 years (2018: 17 years).

The split between the amounts shown in each category is as follows:

| | 2019 €m | 2018 €m |
|---|------------|--------------|
| Non-current assets – retirement benefit surplus | 12.5 | 2.5 |
| Non-current liabilities – retirement benefit obligation | (3.7) | (4.2) |
| Net surplus/ (deficit) in pension schemes | 8.8 | (1.7) |

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

33. Retirement benefit schemes – continued

(v) Movements in retirement benefit assets

Movements in the fair value of scheme assets in the current year were as follows:

176

| 2019 | Schemes in Sterling | Schemes in Euro | Total |
|-------------------------------------|---------------------|-----------------|--------------|
| | €m | €m | €m |
| At beginning of the financial year | 24.1 | 240.2 | 264.3 |
| Interest income | 0.6 | 4.2 | 4.8 |
| Actuarial gains | 2.2 | 35.8 | 38.0 |
| Exchange difference | 1.3 | - | 1.3 |
| Employer contributions | 0.3 | 2.4 | 2.7 |
| Contributions from scheme members | 0.1 | 0.3 | 0.4 |
| Benefits paid | (0.8) | (12.3) | (13.1) |
| At end of the financial year | 27.8 | 270.6 | 298.4 |

| 2018 | Schemes in Sterling | Schemes in Euro | Total |
|-------------------------------------|---------------------|-----------------|--------------|
| | €m | €m | €m |
| At beginning of the financial year | 25.9 | 257.5 | 283.4 |
| Interest income | 0.6 | 4.6 | 5.2 |
| Actuarial losses | (1.7) | (13.0) | (14.7) |
| Exchange difference | (0.2) | - | (0.2) |
| Employer contributions | 0.3 | 2.5 | 2.8 |
| Contributions from scheme members | 0.1 | 0.3 | 0.4 |
| Benefits paid | (0.9) | (11.7) | (12.6) |
| At end of the financial year | 24.1 | 240.2 | 264.3 |

(vi) Movement in retirement benefit liabilities

Movements in the present value of defined benefit obligations in the year were as follows:

| 2019 | Schemes in Sterling | Schemes in Euro | Total |
|-------------------------------------|---------------------|-----------------|--------------|
| | €m | €m | €m |
| At beginning of the financial year | 22.4 | 243.6 | 266.0 |
| Service cost | 0.3 | 1.2 | 1.5 |
| Curtailment gain | - | (0.1) | (0.1) |
| Interest cost | 0.6 | 4.2 | 4.8 |
| Contributions from scheme members | 0.1 | 0.3 | 0.4 |
| Actuarial gain | 2.5 | 26.5 | 29.0 |
| Exchange difference | 1.1 | - | 1.1 |
| Benefits paid | (0.8) | (12.3) | (13.1) |
| At end of the financial year | 26.2 | 263.4 | 289.6 |

33. Retirement benefit schemes – continued

| 2018 | Schemes in Sterling €m | Schemes in Euro €m | Total €m |
|-------------------------------------|------------------------------|--------------------------|--------------|
| At beginning of the financial year | 23.8 | 254.9 | 278.7 |
| Service cost | 0.3 | 1.4 | 1.7 |
| Curtailement gain | - | (0.5) | (0.5) |
| Interest cost | 0.6 | 4.5 | 5.1 |
| Contributions from scheme members | 0.1 | 0.3 | 0.4 |
| Actuarial gain | (1.3) | (5.3) | (6.6) |
| Exchange difference | (0.2) | - | (0.2) |
| Benefits paid | (0.9) | (11.7) | (12.6) |
| At end of the financial year | 22.4 | 243.6 | 266.0 |

(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:

| | 2019 €m | 2018 €m |
|---|------------|--------------|
| Charges to Employee benefits expense | | |
| Current service cost | 1.5 | 1.7 |
| Curtailement gain | (0.1) | (0.5) |
| | 1.4 | 1.2 |
| Charged to Finance costs | | |
| Interest income on scheme assets | (4.8) | (5.2) |
| Interest on scheme liabilities | 4.8 | 5.1 |
| Net interest income on defined benefit obligations (notes 6 and 7) | - | (0.1) |

The estimated amounts of employer contributions expected to be paid to the schemes during 2020 is €2.7 million based on current funding agreements.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

33. Retirement benefit schemes – continued

(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:

178

Actuarial gains and losses

| | 2019 €m | 2018 €m |
|--|------------|--------------|
| Actual total return on scheme assets | 42.8 | (9.5) |
| Interest income on scheme assets | (4.8) | (5.2) |
| Return on scheme assets (excluding amounts included in net interest cost) | 38.0 | (14.7) |
| Remeasurement adjustments on scheme liabilities: | | |
| Gains and (losses) arising from changes in demographic assumptions | 0.1 | (1.9) |
| (Losses) and gains arising from changes in financial assumptions | (25.8) | 3.9 |
| (Losses) and gains arising from experience adjustments | (3.3) | 4.6 |
| Actuarial gain/ (loss) recognised in the Consolidated Statement of Comprehensive Income | 9.0 | (8.1) |

Exchange movement

| | 2019 €m | 2018 €m |
|---|------------|------------|
| Exchange gain/ (loss) on scheme assets | 1.3 | (0.2) |
| Exchange (loss)/ gain on scheme liabilities | (1.1) | 0.2 |
| Net exchange gain recognised in the Consolidated Statement of Comprehensive Income | 0.2 | - |

34. Related party transactions

During the financial year, Group entities incurred costs of €0.2 million (2018: €0.2 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 a partner at law firm A&L Goodbody (“ALG”). During the year ended 31 December 2019, expenses of €0.8 million of which €50,000 relates to Catherine’s remuneration for her role as non-executive Director (2018: €0.4 million of which €50,000 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.

34. Related party transactions – continued

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:

| | 2019 | 2018 |
|-----------------------------|------------|------------|
| | €m | €m |
| Short-term benefits | 5.1 | 4.4 |
| Post-employment benefits | 0.2 | 0.2 |
| Share-based payment expense | 1.6 | 1.5 |
| | 6.9 | 6.1 |

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.

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.

Dividends

Amounts received by key management, including Directors, arising from dividends are as follows:

| | 2019 | 2018 |
|-----------|------|------|
| | €m | €m |
| Dividends | 4.0 | 3.7 |

Share options

Share options exercised by the Company's Directors are set out in the Report of the Remuneration Committee on pages 90 to 103.

Notes Forming Part of the Consolidated Financial Statements

For the year ended 31 December 2019 – continued

35. Net cash from operating activities

180

| | 2019 | 2018 |
|---|-------------|-------------|
| | €m | €m |
| Operating activities | | |
| Profit for the year | 60.2 | 57.8 |
| Adjustments for: | | |
| Finance costs (net) | 3.4 | 0.8 |
| Income tax expense | 1.3 | 1.4 |
| Retirement benefit obligations – current service cost | 1.5 | 1.7 |
| Retirement benefit obligations – curtailment gain | (0.1) | (0.5) |
| Retirement benefit obligations – payments | (2.7) | (2.8) |
| Pension payments in excess of service costs | (1.3) | (1.6) |
| Depreciation of property, plant and equipment | 27.5 | 21.9 |
| Amortisation of intangible assets | 0.2 | 0.2 |
| Depreciation of right to use asset | 9.1 | - |
| Share-based payment expense | 1.9 | 2.4 |
| Gain on disposal of property, plant and equipment | (15.1) | (15.1) |
| Increase in provisions | 0.3 | 0.7 |
| Operating cash flows before movements in working capital | 87.5 | 68.5 |
| Decrease / (increase) in inventories | 0.2 | (0.6) |
| Increase in receivables | (4.7) | (4.6) |
| Increase in payables | 6.5 | 1.4 |
| Working capital movements | 2.0 | (3.8) |
| Cash generated from operations | 89.5 | 64.7 |
| Income taxes paid | (1.2) | (2.2) |
| Interest paid | (3.5) | (1.0) |
| Net cash inflow from operating activities | 84.8 | 61.5 |

36. Change in financing liabilities

The changes in liabilities arising from financing activities during the year ended 31 December 2019 were as follows;

| | Bank Loans €m | Loan Notes €m | Origination Fees €m | Finance Leases €m | Lease Liabilities €m | Total €m |
|----------------------------------|------------------|------------------|---------------------------|-------------------------|----------------------------|--------------|
| At 31 December 2018 | 155.0 | 50.0 | (1.0) | 1.0 | - | 205.0 |
| Initial application of IFRS 16 | - | - | - | (1.0) | 32.0 | 31.0 |
| At 1 January 2019 | 155.0 | 50.0 | (1.0) | - | 32.0 | 236.0 |
| Changes from cashflows | - | - | (0.2) | - | (9.0) | (9.2) |
| Non Cashflow changes | | | | | | |
| • Amortisation | - | - | 0.1 | - | - | 0.1 |
| • Right of use assets recognised | - | - | - | - | 12.5 | 12.5 |
| • Currency | - | - | - | - | 0.5 | 0.5 |
| At 31 December 2019 | 155.0 | 50.0 | (1.1) | - | 36.0 | 239.9 |

Capital repayments on the bank loans drawn during 2018 do not commence until 2020. The loan notes have bullet payment terms with repayment due in 2024. The initial application of IFRS 16 increased liabilities from financing activities by €31.0 million (note 30).

37. Contingent liabilities

The Group has issued counter indemnities to Allied Irish Banks plc in relation to bonds required by regulatory authorities and suppliers, amounting to €0.6 million (2018: €0.6 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 is a participating employer in the Merchant Navy Officer Pension Fund (MNOFP), a multi-employer defined benefit pension scheme. The MNOFP 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's share of any deficit would be 1.53%. Should other participating employers' default on their obligations, the Group will be required to absorb a larger share of the scheme deficit. If the Group 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 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.

Company Statement of Financial Position

for the financial year ended 31 December 2019

182

| | Notes | 2019 €m | 2018 €m |
|--|-------|--------------|--------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 40 | 161.2 | 161.0 |
| Intangible assets | 41 | 0.2 | 0.3 |
| Right of use assets | 42 | 0.1 | - |
| Investments in subsidiaries | 43 | 14.6 | 13.4 |
| Retirement benefit surplus | 51 iv | 0.8 | 0.7 |
| | | 176.9 | 175.4 |
| Current assets | | | |
| Inventories | 44 | - | 0.6 |
| Trade and other receivables | 45 | 112.9 | 181.4 |
| Cash and cash equivalents | | 22.6 | 26.4 |
| | | 135.5 | 208.4 |
| Total assets | | 312.4 | 383.8 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 46 | 12.2 | 12.4 |
| Share premium | | 19.5 | 19.4 |
| Other reserves | | 13.3 | 11.0 |
| Retained earnings | | 139.4 | 170.4 |
| Equity attributable to equity holders | | 184.4 | 213.2 |
| Non-current liabilities | | | |
| Borrowings | | - | 0.1 |
| | | - | 0.1 |
| Current liabilities | | | |
| Borrowings | 47 | - | 0.2 |
| Lease liabilities | 48 | 0.1 | - |
| Trade and other payables | 50 | 127.9 | 170.3 |
| | | 128.0 | 170.5 |
| Total liabilities | | 128.0 | 170.6 |
| Total equity and liabilities | | 312.4 | 383.8 |

The Company reported a profit for the financial year ended 31 December 2019 of €6.5 million (2018: €47.8 million)

The financial statements were approved by the Board of Directors on 4 March 2020 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 2019

| | Share Capital €m | Share Premium €m | Capital Reserve €m | Share Options Reserve €m | Retained Earnings €m | Total €m |
|--|------------------------|------------------------|--------------------------|-----------------------------------|----------------------------|---------------|
| Balance at 1 January 2019 | 12.4 | 19.4 | 7.2 | 3.8 | 170.4 | 213.2 |
| Profit for the financial year | - | - | - | - | 6.5 | 6.5 |
| Other comprehensive income | - | - | - | - | 0.1 | 0.1 |
| Total comprehensive income for the financial year | - | - | - | - | 6.6 | 6.6 |
| Share issue | - | 0.1 | - | - | - | 0.1 |
| Dividends | - | - | - | - | (24.7) | (24.7) |
| Share buyback | (0.2) | - | 0.2 | - | (12.9) | (12.9) |
| Employee share-based payments expense | - | - | - | 0.9 | - | 0.9 |
| Movement related to share options granted to employees in subsidiaries (note 43) | - | - | - | 1.2 | - | 1.2 |
| Reserve movements in the year | (0.2) | 0.1 | 0.2 | 2.1 | (31.0) | (28.8) |
| Balance at 31 December 2019 | 12.2 | 19.5 | 7.4 | 5.9 | 139.4 | 184.4 |

Company Statement of Changes in Equity

For the financial year ended 31 December 2018

184

| | Share Capital €m | Share Premium €m | Share Capital Reserve €m | Options Reserve €m | Retained Earnings €m | Total €m |
|--|------------------------|------------------------|-----------------------------------|--------------------------|----------------------------|--------------|
| Balance at 1 January 2018 | 12.3 | 18.9 | 7.2 | 1.5 | 146.0 | 185.9 |
| Profit for the financial year | - | - | - | - | 47.8 | 47.8 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income for the financial year | - | - | - | - | 47.8 | 47.8 |
| Share issue | 0.1 | 0.5 | - | - | - | 0.6 |
| Dividends | - | - | - | - | (23.5) | (23.5) |
| Employee share-based payments expense | - | - | - | 1.0 | - | 1.0 |
| Transferred to retained earnings on exercise of share options | - | - | - | (0.1) | 0.1 | - |
| Movement related to share options granted to employees in subsidiaries (note 43) | - | - | - | 1.4 | - | 1.4 |
| Reserve movements in the year | 0.1 | 0.5 | - | 2.3 | 24.4 | 27.3 |
| Balance at 31 December 2018 | 12.4 | 19.4 | 7.2 | 3.8 | 170.4 | 213.2 |

Company Statement of Cashflows

For the financial year ended 31 December 2019

| | Notes | 2019 €m | 2018 €m |
|--|-------|---------------|----------------|
| Net cash inflow from operating activities | 53 | 40.1 | 44.9 |
| Cash flow from investing activities | | | |
| Dividend received from subsidiaries | | - | 51.0 |
| Purchases of property, plant and equipment | | (6.1) | (156.5) |
| Purchases of intangible assets | | (0.1) | (0.1) |
| Net cash outflow from investing activities | | (6.2) | (105.6) |
| Cash flow from financing activities | | | |
| Dividends paid to equity holders of the Company | | (24.7) | (23.5) |
| Market buyback of equity | | (12.9) | - |
| Repayment of finance lease obligations | | - | (0.3) |
| Repayments of lease liabilities | | (0.2) | - |
| Financing receivables | | - | 83.0 |
| Proceeds on issue of ordinary share capital | | 0.1 | 0.6 |
| Net cash (outflow) / inflow from financing activities | | (37.7) | 59.8 |
| Net increase in cash and cash equivalents | | (3.8) | (0.9) |
| Cash and cash equivalents at beginning of year | | 26.4 | 27.3 |
| Cash and cash equivalents at end of year | | 22.6 | 26.4 |

Notes Forming Part of the Company Financial Statements

For the year ended 31 December 2019

38 Company Statement of Accounting Policies

Basis of Preparation

The Company Financial Statements of Irish Continental Group plc (“the Company”) were prepared under the historical cost convention, in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with the Companies Act 2014 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the Consolidated Financial Statements of the Group are prepared in accordance with IFRS as adopted by the EU and include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 2 Share-based Payments;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments: disclosures.

The accounting policies used in the preparation of the Company Financial Statements are consistent with the accounting policies used in the preparation of the Consolidated Financial Statements set out in the Summary of Accounting Policies at note 2 on pages 124 to 138. Unless otherwise stated, these have been applied consistently to all periods presented in these Company Financial Statements. The financial statements have been prepared in Euro and are rounded to the nearest million.

IFRS 16: Leases

IFRS 16 Leases was applied for the first time with a date of initial application of 1 January 2019. Details of the changes to lease accounting arising from implementation of IFRS 16 compared to the previous standard IAS 17 are set out pages 125 to 126 of the Consolidated Financial Statements. The Company has followed the same approach as used in preparing the Consolidated Financial Statements.

The effect on the Company from the first time application of IFRS 16 was as follows;

- A transfer of existing assets from property, plant and equipment which had been financed under finance leases in accordance with IAS 17 to right of use assets. These assets with a net book value of €0.3 million comprised cost of €2.6 million less accumulated depreciation of €2.3 million.
- There was no effect on net debt
- There was no effect on the income statement during the financial year.

Accounting policies applying only to the Company Financial Statements

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.

39. Company profit for the period

The profit attributable to equity shareholders dealt with in the Financial Statements of the Company was €6.5 million (2018: €47.8 million). In accordance with section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual Income Statement to the Annual General Meeting and from filing it with the Registrar of Companies.

| Company Auditors' remuneration: | €'000 | €'000 |
|--|--------------|--------------|
| Audit of the entity financial statements | 17.0 | 17.0 |
| Other assurance services | 252.0 | 224.5 |
| Tax advisory services | 17.0 | 17.0 |
| | 286.0 | 258.5 |

Disclosure of Directors' emoluments as required by Section 305 of the Companies Act 2014, is given in the Report of the Remuneration Committee on pages 90 to 103 and is included within the financial statements by way of a cross reference.

There were no employees in the Company during the financial year ended 31 December 2019 (2018: nil). Costs of €4.3 million (2018: €4.4 million) were recharged to the Company from subsidiary companies in relation to management services.

Notes Forming Part of the Company Financial Statements

For the year ended 31 December 2019 – continued

40. Property, plant and equipment

188

| Company | Assets under Construction €m | Vessels €m | Plant Equipment and Vehicles €m | Land and Buildings €m | Total €m |
|--|------------------------------------|---------------|--|-----------------------------|--------------|
| Cost | | | | | |
| At 1 January 2018 | 99.5 | - | 7.1 | 0.1 | 106.7 |
| Additions | 61.3 | - | 1.7 | - | 63.0 |
| Disposals | - | - | (1.8) | - | (1.8) |
| At 31 December 2018 | 160.8 | - | 7.0 | 0.1 | 167.9 |
| Adjustment on application of IFRS 16 | - | - | (2.6) | - | (2.6) |
| Additions | 2.2 | 3.4 | 0.5 | - | 6.1 |
| Reclassification | (156.6) | 156.6 | - | - | - |
| Disposals | - | - | (1.6) | - | (1.6) |
| At 31 December 2019 | 6.4 | 160.0 | 3.3 | 0.1 | 169.8 |
| Accumulated depreciation | | | | | |
| At 1 January 2018 | - | - | 6.7 | 0.1 | 6.8 |
| Depreciation charge for the financial year | - | - | 1.8 | - | 1.8 |
| Eliminated on disposals | - | - | (1.7) | - | (1.7) |
| At 31 December 2018 | - | - | 6.8 | 0.1 | 6.9 |
| Adjustment on application of IFRS 16 | - | - | (2.3) | - | (2.3) |
| Depreciation charge for the financial year | - | 5.5 | 0.1 | - | 5.6 |
| Eliminated on disposals | - | - | (1.6) | - | (1.6) |
| At 31 December 2019 | - | 5.5 | 3.0 | 0.1 | 8.6 |
| Carrying amount | | | | | |
| At 31 December 2019 | 6.4 | 154.5 | 0.3 | - | 161.2 |
| At 31 December 2018 | 160.8 | - | 0.2 | - | 161.0 |

The Company has entered into a contract for the construction of a vessel of which the amount of €6.4 million represents the estimated value of work completed up to the period end. Contractual amounts paid in excess of this are classified as prepayments.

41. Intangible assets

| | 2019 | 2018 |
|-------------------------------|-------------|------------|
| | €m | €m |
| Cost | | |
| At 1 January | 9.9 | 9.8 |
| Additions | 0.1 | 0.1 |
| At 31 December | 10.0 | 9.9 |
| Amortisation | | |
| At 1 January | 9.6 | 9.4 |
| Charge for the financial year | 0.2 | 0.2 |
| At 31 December | 9.8 | 9.6 |
| Carrying amount | | |
| At 1 January | 0.3 | 0.4 |
| At 31 December | 0.2 | 0.3 |

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.

Notes Forming Part of the Company Financial Statements

For the year ended 31 December 2019 – continued

42. Right of use assets

190

| | Plant and Equipment €m |
|---|------------------------------|
| Cost | |
| At 31 December 2018 | - |
| Transfer from property, plant and equipment | 2.6 |
| At 1 January 2019 and 31 December 2019 | 2.6 |
| Accumulated depreciation | |
| At 31 December 2018 | - |
| Transfer from property, plant and equipment | 2.3 |
| At 1 January 2019 | 2.3 |
| Charge for period | 0.2 |
| At 31 December 2019 | 2.5 |
| Carrying amount | |
| At 31 December 2018 | - |
| At 1 January 2019 | 0.3 |
| At 31 December 2019 | 0.1 |

The Company applied IFRS 16 Leases with effect from 1 January 2019 as is set out at note 38 Accounting Policies. At initial application, the Company recognised right of use assets and related lease liabilities by adjusting the opening balances brought forward from the Statement of Financial Position reported at 31 December 2018.

The impact of the application of IFRS 16 at 1 January 2019 resulted in the transfer of fixed assets with a net book value of €0.3 million to right of use assets. As these assets were held under finance leases there was no effect on opening lease obligations. There was a negligible effect on the profit before tax recognised in the Company Income Statement in the year ended 31 December 2019 arising from the change in accounting policy.

43. Investment in subsidiaries

| | 2019 | 2018 |
|--|-------------|-------------|
| | €m | €m |
| Investment in subsidiaries at beginning of the financial year | 13.4 | 12.0 |
| Movement related to share options allocated to employees in subsidiaries | 1.2 | 1.4 |
| Investment in subsidiaries at end of the financial year | 14.6 | 13.4 |

The Company's principal subsidiaries at 31 December 2019 is as follows:

| Name of subsidiary | Country of incorporation and operation | Principal activity |
|--|--|------------------------------|
| Irish Ferries Limited* | Ireland | Ferry operator |
| Eucon Shipping & Transport Limited* | Ireland | Container shipping services |
| Irish Continental Line Limited* | Ireland | Ship leasing |
| Irish Ferries Services Limited* | Ireland | Administration services |
| Belfast Container Terminal (BCT) Limited | Northern Ireland | Container handling |
| Irish Ferries (U.K.) Limited | United Kingdom | Shipping & forwarding agents |
| Eurofeeders Limited | United Kingdom | Shipping & forwarding agents |
| Irish Ferries (U.K.) Services Limited | United Kingdom | Administration services |
| Zatarga Limited | Isle of Man | Ship leasing |
| Contarga Limited* | Ireland | Ship leasing |
| Irish Ferries Finance DAC | Ireland | Administration services |
| ICG Shipping (W. B. Yeats) Limited | Ireland | Maritime transport |
| ICG Shipping (Hull 777) Limited | Ireland | Maritime transport |

* Companies availing of Companies Act 2014 exemption under S357

The Company in all instances owns 100% of the issued share capital and voting rights attaching thereto in respect of all subsidiary companies.

The registered office for Irish Ferries Limited, Eucon Shipping & Transport Limited, Irish Continental Line Limited, Contarga Limited, Irish Ferries Services Limited, Irish Ferries Finance DAC, ICG Shipping (W.B. Yeats) Limited, and ICG Shipping (Hull 777) Limited 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, 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 Forming Part of the Company Financial Statements

For the year ended 31 December 2019 – continued

44. Inventories

| | 2019 | 2018 |
|---------------------------|----------|------------|
| | €m | €m |
| Fuel and lubricating oil | - | 0.2 |
| Catering and other stocks | - | 0.4 |
| | - | 0.6 |

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

45. Trade and other receivables

| | 2019 | 2018 |
|---|--------------|--------------|
| | €m | €m |
| Amounts due from subsidiary companies (note 52) | 83.7 | 151.8 |
| Prepayments | 28.9 | 29.2 |
| Other receivables | 0.3 | 0.4 |
| | 112.9 | 181.4 |

Amounts due from subsidiary companies are interest free and repayable on demand. The reduction in amounts due from subsidiary companies of €68.5 million was partly applied in reducing amounts due to subsidiary companies (note 50). The Company has assessed credit losses as if the receivable had been demanded at the date of financial position. As all amounts are due from subsidiaries which were in a net asset position and the Company concluded that no provision for credit losses was required.

46. Share capital

Details of the Company's equity share capital are set out at Note 20 to the Consolidated Financial Statements.

47. Borrowings

At 31 December 2018 borrowings comprised exclusively of finance leases as set out below.

| Finance Leases | Minimum lease payments | | Present value of minimum lease payments | |
|--|------------------------|------------|---|------------|
| | 2019 | 2018 | 2019 | 2018 |
| | €m | €m | €m | €m |
| Amounts payable under finance leases: | | | | |
| Within one year | - | 0.2 | - | 0.2 |
| In the second to fifth years inclusive | - | 0.1 | - | 0.1 |
| | - | 0.3 | - | 0.3 |
| Less future finance charges | - | - | - | - |
| Present value of lease obligations | - | 0.3 | - | 0.3 |
| Less: amount due for settlement within 12 months | - | (0.2) | - | (0.2) |
| Amount due for settlement after 12 months | - | 0.1 | - | 0.1 |

Amounts outstanding at 31 December 2018 were transferred to lease liabilities on the application of IFRS 16 Leases. The average effective borrowing during 2018 was 5.5%.

48. Lease liabilities

| | 2019 | 2018 |
|---|------------|----------|
| | €m | €m |
| At 31 December 2018 | - | - |
| Initial application of IFRS 16 | 0.3 | - |
| Payments | (0.2) | - |
| Lease interest expense recognised in period | - | - |
| At 31 December 2019 | 0.1 | - |
| Analysed as: | | |
| Current liabilities | 0.1 | - |

The Company applied IFRS 16 Leases with effect from 1 January 2019 as set out at note 38 Accounting Policies. At initial application, the Company recognised right of use assets and related lease liabilities by adjusting the opening balances brought forward from the Statement of Financial Position reported at 31 December 2018. The impact of the application of IFRS 16 is set out at note 38.

The Company's obligations are secured by lessors' title to the leased assets.

49. Deferred tax liabilities

There are no deferred tax liabilities and assets recognised by the Company during the current and prior reporting periods. The Company's taxable income was fully taxable within the Irish tonnage tax system.

The estimated value of deferred tax assets not recognised is €0.1 million (2018: €0.1 million). 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.

50. Trade and other payables

| | 2019 | 2018 |
|---|--------------|--------------|
| | €m | €m |
| Within 1 year | | |
| Amounts due to subsidiary companies (note 52) | 126.1 | 164.7 |
| Other payables | 1.8 | 5.6 |
| | 127.9 | 170.3 |

The amounts owed by the Company to its subsidiaries is represented as follows;

| | 2019 | 2018 |
|--------------------|--------------|--------------|
| | €m | €m |
| Trading balances | 19.1 | 57.7 |
| Financing balances | 107.0 | 107.0 |
| | 126.1 | 164.7 |

Amounts owed to subsidiary companies are repayable on demand with no fixed payment schedule. The decrease in trading balances of €38.6 million was funded through collection of receivables from other subsidiaries (note 45). Interest is payable on financing balances at agreed fixed rates comprising funding cost and a margin. The average interest rate paid on borrowings advanced during the year was 1.78% (2018: 1.71%) and the average interest rate payable on financing balances outstanding at 31 December 2019 was 1.78% (2018: 1.80%).

Notes Forming Part of the Company Financial Statements

For the year ended 31 December 2019 – continued

51. Retirement benefit schemes

(i) Company sponsored / Group affiliated schemes

Certain former employees of the Company were 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. Detailed information in respect of this scheme is given in note 33 to the Consolidated Financial Statements. Other former employees were members of the Ex Merchant Navy Officers Pension Fund (Ex MNOFF), of which the Company is the sponsoring employer.

The contributory defined benefit schemes sponsored by the Company and the Group companies provide retirement and death benefits for former 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 MNOFF Scheme, which is not available for public inspection, is dated 29 June 2018. 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 2019 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 (MNOFF)

In addition to the pension schemes operated by the Company, certain former employees are members of the MNOFF, an industry wide multi-employer scheme. The latest actuarial valuation of the scheme, which is available for public inspection, is dated 31 March 2018. The Company's share of the MNOFF obligations, as most recently advised by the trustees, is 0.51% (2018: 0.51%).

The valuation at 31 December 2019 is based on the actuarial deficit contribution demands notified to the Company and which remains outstanding at the reporting date.

The share of the overall deficit in the MNOFF apportioned to the Company is €nil at 31 December 2019 (2018: €nil). During the year the Company made payments of €nil (2018: €nil) to the Trustees.

(iii) Principal risks and assumptions

The principal risks and assumptions used for the purpose of the actuarial valuations are set out in note 33 (iii) of the Consolidated Financial Statements.

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 2019 (2018: €0.7 million). At 31 December 2019, the Company also has scheme assets totalling €1.7 million (2018: €1.4 million) giving a net pension surplus of €0.8 million (2018: €0.7 million). The size of the obligation is sensitive to actuarial assumptions.

51. Retirement benefit schemes – continued

(iv) Retirement benefit assets and liabilities

The amount recognised in the Statement of Financial Position in respect of the Company's defined benefit schemes, is as follows:

| | 2019 | 2018 |
|-------------------------------------|------------|------------|
| | €m | €m |
| Equities | 1.2 | 1.0 |
| Bonds | 0.3 | 0.3 |
| Property | 0.1 | 0.1 |
| Other | 0.1 | - |
| Fair value of scheme assets | 1.7 | 1.4 |
| Present value of scheme liabilities | (0.9) | (0.7) |
| 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 MNOF, based on the last actuarial valuation as at 31 March 2018 is €nil (2018: €nil). The total surplus of €0.8 million (2018: €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.

(v) Movement in retirement benefit assets

Movements in the fair value of scheme assets in the financial year were as follows:

| | €m |
|-------------------------------------|------------|
| 2019 | |
| At beginning of the financial year | 1.4 |
| Actuarial gains | 0.3 |
| At end of the financial year | 1.7 |
| 2018 | |
| At beginning of the financial year | 1.7 |
| Actuarial losses | (0.3) |
| At end of the financial year | 1.4 |

Notes Forming Part of the Company Financial Statements

For the year ended 31 December 2019 – continued

51. Retirement benefit schemes – continued

(vi) Movement in retirement benefit liabilities

Movements in the present value of defined benefit obligations in the financial year were as follows:

196

| | €m |
|-------------------------------------|------------|
| 2019 | |
| At beginning of the financial year | 0.7 |
| Actuarial losses | 0.2 |
| At end of the financial year | 0.9 |
| 2018 | |
| At beginning of the financial year | 0.9 |
| Actuarial gains | (0.2) |
| At end of the financial year | 0.7 |

The present value of scheme liabilities at the financial year ended 31 December 2019 and 31 December 2018 relate to wholly funded plans.

(vii) Amounts recognised in the Company Income Statement

There were no amounts recognised in the Company Income Statement in respect of the defined benefit obligations in the period (2018: €nil).

The estimated amounts of contributions expected to be paid by the Company to the schemes during 2020 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

| | 2019 €m | 2018 €m |
|---|------------|--------------|
| Actual return on scheme assets | 0.3 | (0.3) |
| Interest income on scheme assets | - | - |
| Return on scheme assets (excluding amounts included in net interest cost) | 0.3 | (0.3) |
| Remeasurement adjustments on scheme liabilities: | | |
| (Losses)/ gains arising from changes in financial assumptions | (0.2) | 0.2 |
| Actuarial gain/ (loss) recognised in Statement of Comprehensive Income | 0.1 | (0.1) |

52. Related party transactions

As at the statement of financial position date, Catherine Duffy, non-executive Director of the Company, is a partner at law firm A&L Goodbody ("ALG"). During the year ended 31 December 2019, expenses of €0.8 million of which €50,000 relates to Catherine's remuneration for her role as non-executive Director (2018: €0.4 million of which €50,000 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 Company. All services have been provided on an arm's length basis at the standard commercial terms of ALG.

The Company chartered a vessel to a subsidiary Company during the year. It also advanced and received funds to and from certain subsidiaries. Net funds received from subsidiaries during the financial year amounted to €29.5 million (2018: €44.2 million advanced subsidiaries). The Company has provided Letters of Financial Support for certain of its other subsidiaries.

During the financial year the Company received dividends of €nil million (2018: €51.0 million) from subsidiary companies.

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

| | 2019 | 2018 |
|---|---------------|---------------|
| | €m | €m |
| Amounts due from subsidiary companies (note 45) | 83.7 | 151.8 |
| Amounts due to subsidiary companies (note 50) | (126.1) | (164.7) |
| | (42.4) | (12.9) |

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.

Notes Forming Part of the Company Financial Statements

For the year ended 31 December 2019 – continued

53. Net cash from operating activities

198

| Company | 2019 | 2018 |
|---|-------------|---------------|
| | €m | €m |
| Operating activities | | |
| Profit for the financial year | 6.5 | 74.4 |
| Adjustments for: | | |
| Finance costs (net) | 0.8 | 0.1 |
| Dividend income | - | (75.0) |
| Depreciation of property, plant and equipment | 5.6 | 2.4 |
| Depreciation of right to use assets | 0.2 | - |
| Amortisation of intangible assets | 0.2 | 0.3 |
| Share-based payment expense | - | 0.4 |
| Decrease in provisions | - | (0.2) |
| Operating cash flows before movements in working capital | 13.3 | 2.4 |
| Decrease/ (increase) in inventories | 0.6 | (0.1) |
| Decrease/ (increase) in receivables | 67.1 | (23.2) |
| Decrease in payables | (40.1) | (42.0) |
| Cash generated by operations | 40.9 | (62.9) |
| Interest paid | (0.8) | (0.1) |
| Net cash inflow/ (outflow) from operating activities | 40.1 | (63.0) |

54. Contingent liabilities

The Company is a participating employer in the Merchant Navy Officer Pension Fund (MNOFP), a multi-employer defined benefit pension scheme. The MNOFP 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 Company's share of any deficit would be 0.51%. Should other participating employers' default on their obligations, the Company will be required to absorb a larger share of the scheme deficit. If the Company were to terminate their obligations to the fund, voluntarily or otherwise, the Company 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 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.

54. Contingent liabilities – continued

The Company acts as guarantor to lending arrangements concluded by certain of its subsidiaries. The Company has also guaranteed the liabilities and commitments of its Irish subsidiaries for the financial year ended 31 December 2019 pursuant to the provision of Section 357 of the Companies Act 2014. The Company has treated these guarantees as insurance arrangements and each contract is treated as a contingent liability until as such time it becomes probable that the Company will be required to make a payment under the guarantee. The Company has carried out review based on the latest financial information available regarding these subsidiaries, all of which are in a net asset position, and assessed that as at 31 December 2019 it was not probable that the Company would be required to make a payment under any of these guarantees. Details of the Company's principal subsidiaries have been included in note 42.

55. Events after the Reporting Period

The Board is proposing a final dividend of 8.99 cent per ICG Unit in respect of the results for the financial year ended 31 December 2019.

There have been no other material events affecting the Company or Group since 31 December 2019.

56. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 4 March 2020.