VIRTU MARITIME LIMITED

Annual Report and Consolidated Financial Statements
31 December 2017

Company Registration Number: C 81559

Director's report

The directors present their report and the audited consolidated financial statements for the period ended 31 December 2017.

Principal activities

The Company's principal activity is the holding of investments and the provision of finance to Group companies.

The Group is principally engaged in the operation and charter of express passenger ferry services and the provision of related services to incoming and outgoing private and commercial passengers in Malta and Sicily.

On 7 December 2017 Virtu Finance plc, a fellow subsidiary company, advanced to the public bonds totalling €25 million. Virtu Maritime Limited is acting as a primary obligor, jointly and severally with Virtu Finance plc to irrevocably and unconditionally guarantee to each Bondholder the due and punctual performance of all the obligations undertaken by the Issuer under the Bonds, and, without prejudice to the generality of the foregoing, to pay all amounts of principal and interest which become due and payable to any Bondholder

Incorporation and review of the business

Virtu Maritime Limited was incorporated on 30 June 2017, as a private limited liability shipping company, with an initial issued paid up share capital of €250,000. Virtu Maritime Limited entered into a share for share exchange agreement with Virtu Holdings Limited on 3 August 2017, pursuant to which Virtu Holdings transferred its shares in the respective Subsidiaries to Virtu Maritime Limited in exchange for an issue of 4,113,174 shares of a nominal value of €1.00 per share in Virtu Maritime Limited. For accounting purposes, the subsidiaries of Virtu Maritime Limited will be accounted for at the fair value of the assets received or the shares issued.

The aggregated fair value attributed to the subsidiaries amounts to €49.6 million. The amount of €45.5 million, being the difference between the fair value of the Subsidiaries and the nominal amount of shares issued, has been recognised directly in equity in a reserve titled "Other reserve". The excess arising between the fair value attributed to the Subsidiaries, and the aggregate fair value of the net identifiable assets acquired, amounting to €0.2 million, results in goodwill of €49.4 million. Upon the drawdown of a €20 million subordinated shareholder's loan from Virtu Holdings Limited to Virtu Maritime Limited, Virtu Maritime Limited completed its initial capital structuring. The amount of €20 million was deducted from the amounts due to parent company.

These consolidated financial statements have been prepared on the basis of the assumption that the Virtu Maritime Limited has operated as a legal Group and a single consolidated entity as of 1 January 2017.

Financial position

Group

The Group's total asset base stands at €162.0 million. The Group's asset base is 49.1% funded through equity. Main non-current assets comprise the property, plant and equipment including the vessels net realisable value amounting to €93.7 million and goodwill amounting to €49.4 million being the fair value attributable to the acquisition of the subsidiaries.

The Group's main liabilities are the €35.4 million bank loans and amounts due to parent, fellow subsidiaries and other related parties amounting to €41.8 million.

As at 31 December 2017, the Group's current assets amounted to €18.0 million and are mainly represented by trade and other receivables of €4.4 million and cash of €13.3 million. Total current liabilities include trade and other payables of €14.7 million.

Director's report – continued

Financial position - continued

Company

The Company's total asset base stands at €94.4 million. The Company's asset base is 74% funded through equity. Main non-current assets comprises the fair value of investment in subsidiaries amounting to €49.6 million and amounts due from parent and fellow subsidiaries of €44.7 million.

The Company's main liabilities include the amounts due to fellow subsidiaries of €24.4 million.

Financial Performance

Group

Revenue is mainly generated from the provision of related services to incoming and outgoing private and commercial passengers amounting to €28.9 million and charter hire and other related income amounting to €5 million. Administrative and cost of sales expenses mainly comprise employee benefits expenses amounting to €2.9 million, vessel operating expenses amounting to €16.7 million and property, plant and equipment depreciation amounting to €3.2 million. Other income includes management fees amounting to €0.4 million and other operating income of €0.2 million. Finance costs comprise interest payable on the outstanding bank loans amounting to €1.9 million. Finance income comprises interest receivable amounting to €0.6 million on related party loans.

The directors do not expect any significant changes in the Group's activities in the short term and expect that the Group will continue to be profitable in the foreseeable future.

The Company's loss before tax for the period ending 31 December 2017 amounted to €0.01 million. This consists of administrative expenses in relation to audit, legal and other professional fees.

The statement of comprehensive income is set out on page 11.

The directors do not propose the payment of a dividend and propose that the balance of retained earnings be carried forward to the next financial year.

Risks and uncertainties

The Company's and Group's financial risk management objectives and policies, and the exposure to market risk, credit risk and liquidity risk have been disclosed in Note 2 to the financial statements.

Going concern

After making enquiries and having taken into consideration the future plans of the Group (note 1.1), the directors have reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of the financial statements.

Director's report – continued

Events after the reporting date

There were no particular important events affecting the Company and the Group which occurred after the reporting date, to the date of signing of these financial statements which warrants adjustments or disclosure.

Directors

The directors of the Company who held office during the period were:

Francis A. Portelli
John Mark Portelli
Stephanie Attard Montalto
Matthew Portelli
Charles Borg

Directors are appointed during the Company's Annual General Meeting for periods of one year, at the end of which term they may stand again for re-election. The Articles of Association of the Company clearly set out the procedures to be followed for the appointment of directors.

Statement of director's responsibilities for the financial statements

The directors are required by the Companies Act, 1995 to prepare financial statements that give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Virtu Maritime Limited for the period ended 31 December 2017 may be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Director's report – continued

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Francis A. Portelli
Chairman

Stephanie Attard Montalto
Director

Virtu
Ta' Xbiex Terrace
Ta' Xbiex
Malta

27 April 2018

Independent auditor's report

To the Shareholders of Virtu Maritime Limited

Report on the audit of the consolidated and standalone financial statements

Our opinion

In our opinion:

- Virtu Maritime Limited's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2017 and of the Group's and the Parent Company's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU: and

- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Virtu Maritime Limited's financial statements, set out on pages 9 to 41, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2017;
- the Consolidated and Parent Company statements of comprehensive income for the period then ended;
- the Consolidated and Parent Company statements of changes in equity for the period then ended;
- the Consolidated and Parent Company statements of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent auditor's report - *continued*

To the Shareholders of Virtu Maritime Limited

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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's and the 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 or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report - *continued*

To the Shareholders of Virtu Maritime Limited

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 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, we exercise professional judgement 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's and the 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's or the 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 our auditor's report. However, future events or conditions may cause the Group or the Parent Company 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.

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Independent auditor's report - *continued*

To the Shareholders of Virtu Maritime Limited

Auditor's responsibilities for the audit of the financial statements - continued

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stephen Mamo
Partner

27 April 2018

Statements of financial position

		As at 31 December	
		Group	**Company**
	Notes	**2017** **€'000**	**2017** **€'000**
ASSETS			
Non-current assets			
Intangible assets	4	**50,006**	**-**
Property, plant and equipment	5	**93,673**	**-**
Investment in subsidiaries	6	**-**	**49,586**
Trade and other receivables	9	**115**	**44,650**
Deferred tax asset	7	**159**	**-**
Total non-current assets		**143,953**	**94,236**
Current assets			
Inventories	8	**249**	**-**
Trade and other receivables	9	**4,404**	**155**
Cash at bank and in hand	10	**13,345**	**-**
Current tax asset		**8**	**-**
Total current assets		**18,006**	**155**
Total assets		**161,959**	**94,391**

Statements of financial position - continued

	Notes	As at 31 December Group 2017 €'000	Company 2017 €'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	4,363	4,363
Other reserve	12	45,473	45,473
Capital reserve	13	20,000	20,000
Retained earnings		9,629	(9)
Total equity		79,465	69,827
Non-current liabilities			
Trade and other payables	15	32,354	24,400
Borrowings	14	28,687	-
Total non-current liabilities		61,041	24,400
Current liabilities			
Trade and other payables	15	14,667	164
Current tax liability		39	-
Borrowings	14	6,747	-
Total current liabilities		21,453	164
Total liabilities		82,494	24,564
Total equity and liabilities		161,959	94,391

The notes on pages 14 to 41 are an integral part of these combined financial statements.

The consolidated financial statements on pages 9 to 41 were authorised for issue by the board on 27 April 2018 and were signed on their behalf by:

Francis A. Portelli
Director

Stephanie Attard Montalto
Director

Statements of comprehensive income

		Period ended 31 December	
		Group	**Company**
	Notes	**2017**	**2017**
		€'000	**€'000**
Revenue	16	**34,659**	**-**
Cost of sales	17	**(20,139)**	**-**
Gross profit		**14,520**	**-**
Administrative expenses	17	**(4,078)**	**(9)**
Other income	20	**696**	**90**
Other expenses		**(90)**	**(90)**
Operating profit/(loss)		**11,048**	**(9)**
Finance income	21	**595**	**65**
Finance costs	22	**(1,857)**	**(65)**
Profit/(loss) before tax		**9,786**	**(9)**
Tax expense	23	**(157)**	**-**
Profit/(loss) for the period		**9,629**	**(9)**

The notes on pages 14 to 41 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Share capital €'000	Other reserve €'000	Capital reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2017	-	-	-	-	-
Comprehensive income					
Profit for the period	-	-	-	9,629	9,629
Other comprehensive income					
Fair value uplift upon acquisition of investment in subsidiaries	-	45,473	-	-	45,473
Transactions with owners					
Issue of shares	4,363			-	4,363
Subordinated shareholder's loan	-	-	20,000	-	20,000
Balance at 31 December 2017	**4,363**	**45,473**	**20,000**	**9,629**	**79,465**

Company

	Share capital €'000	Other reserve €'000	Capital reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2017	-	-	-	-	-
Comprehensive income					
Loss for the period	-	-	-	(9)	(9)
Other comprehensive income					
Fair value uplift upon acquisition of investment in subsidiaries	-	45,473	-	-	45,473
Transactions with owners					
Issue of shares	4,363			-	4,363
Subordinated shareholder's loan	-	-	20,000	-	20,000
Balance at 31 December 2017	**4,363**	**45,473**	**20,000**	**(9)**	**69,827**

The notes on pages 14 to 41 are an integral part of these consolidated financial statements.

Statements of cash flows

		Period ended 31 December	
	Notes	**Group 2017 €'000**	**Company 2017 €'000**
Cash flows from operating activities			
Cash generated from operations	24	**16,985**	**-**
Interest received	21	**595**	**65**
Interest paid	22	**(1,857)**	**(65)**
Tax paid		**(45)**	**-**
Net cash generated from operating activities		**15,678**	**-**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(29,209)**	**-**
Net cash used in investing activities		**(29,209)**	**-**
Cash flows from financing activities			
Loans received from fellow subsidiary and ultimate parent	15	**32,354**	**24,400**
Loan advanced to fellow subsidiary		**-**	**(24,400)**
Advances from shareholders		**2**	**-**
Repayment of bank borrowings		**(5,480)**	**-**
Net cash generated from financing activities		**26,876**	**-**
Net movement in cash and cash equivalents		**13,345**	**-**
Cash and cash equivalents at beginning of period		**-**	**-**
Cash and cash equivalents at end of period	10	**13,345**	**-**

The notes on pages 14 to 41 are an integral part of these consolidated financial statements.

Notes to the combined financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

1.1 Basis of preparation

These standalone and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Companies Act, 1995. The consolidated financial statements have been prepared under the historical cost convention as modified by the fair valuation of assets and liabilities acquired through business combinations as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Group's and Company's accounting policies (see Note 3 – Critical accounting estimates and judgements).

Virtu Maritime Limited was incorporated on 30 June 2017, as a private limited liability shipping company, with an initial issued paid up share capital of €250,000. Virtu Maritime Limited entered into a share for share exchange agreement with Virtu Holdings Limited on 3 August 2017, pursuant to which Virtu Holdings transferred its shares in the respective Subsidiaries to Virtu Maritime Limited in exchange for an issue of 4,113,174 shares of a nominal value of €1.00 per share in Virtu Maritime Limited. For accounting purposes, the subsidiaries of Virtu Maritime Limited will be accounted for at the fair value of the assets received or the shares issued. The aggregated fair value attributed to the subsidiaries amounts to €49.6 million. The amount of €45.5 million, being the difference between the fair value of the Subsidiaries and the nominal amount of shares issued, has been recognised directly in equity in a reserve titled "Other reserve".

The excess arising between the fair value attributed to the Subsidiaries, and the aggregate fair value of the net identifiable assets acquired, amounting to €0.2 million, results in goodwill of €49.4 million. Upon drawdown of a €20 million subordinated shareholder's loan from Virtu Holdings Limited to Virtu Maritime Limited, Virtu Maritime Limited completed its initial capital structuring.

Virtu Maritime Limited is acting as a primary obligor, jointly and severally with the Virtu Finance plc to irrevocably and unconditionally guarantee to each Bondholder the due and punctual performance of all the obligations undertaken by the Issuer under the Bonds, and, without prejudice to the generality of the foregoing, to pay all amounts of principal and interest which become due and payable to any Bondholder.

These consolidated financial statements have been prepared on the basis of the agreement entered into between Virtu Holdings and Virtu Maritime Limited reflecting the effective date of transfer of business with effect from 1 January 2017. Accordingly, these consolidated financial statements reflect results of the respective subsidiaries for the period 1 January to 31 December 2017.

As at 31 December 2017, the Group's current liabilities has exceeded its current assets by €3.5 million. This shortfall includes amounts due to fellow subsidiaries and related companies amounting to €9.5 million. The Group treasury ensures that amounts due to and due by the respective subsidiaries of the Virtu Maritime Group and Virtu Holdings Group are only called in if the respective subsidiaries have the liquidity to settle the amounts due. On this basis, these financial statements have been prepared on a going concern basis which assumes that the group will continue in operational existence for the foreseeable future.

1. **Summary of significant accounting policies** - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2017

During 2017, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2017. With the exception of IFRS 3 (Revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements' and IAS 28, 'Investments in associates', the adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group's accounting policies

IFRS 3 (Revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements' and IAS 28, 'Investments in associates', are effective prospectively to business combinations for which the acquisition date is on or after the beginning on the first annual reporting period beginning on or after 1 July 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, there is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed, while goodwill is now determined only at the acquisition date, rather than also at subsequent increases in ownership interest.

IAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (Revised) has had no impact on the current period as no non-controlling interests were held in the prior period and there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2017. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

1. **Summary of significant accounting policies** - continued

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the Group, and are no longer consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 1.4).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1. **Summary of significant accounting policies** - continued

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in these standalone and consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the Company's and Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

All foreign exchange gains and losses are presented in the income statement within 'administrative expenses'.

1.4 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is recognised separately within intangible assets, and is tested annually for impairment and carried at cost less accumulated impairment losses (Note 1.6). Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to the operating segment. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

1. **Summary of significant accounting policies** - continued

1.5 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company or to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their estimated useful lives as follows:

	%
Leasehold improvements	10
Vessels	4 - 10
Furniture and equipment	20
Computer hardware and software	25
Motor vehicles	20

Assets in the course of construction are not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 1.6).

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are taken into account in determining operating profit.

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1. Summary of significant accounting policies - continued

1.7 Financial assets

1.7.1 Classification

The Group classifies its financial assets, (other than investments in subsidiaries) in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, i.e. financial assets acquired principally for the purpose of selling in the short-term. A financial asset is also classified in this category if, on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's and Group's loans and receivables comprise loans and receivables, trade and other receivables (Note 1.10) and cash and cash equivalents (Note 1.11) in the statement of financial position.

1.7.2 Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables (and held-to-maturity financial assets) are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1. Summary of significant accounting policies - continued

1.7 Financial assets

1.7.2 Recognition and measurement - continued

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss when the Group's right to receive payments is established.

1.7.3 Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1. Summary of significant accounting policies - continued

1.8 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.10 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.7.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1. Summary of significant accounting policies - continued

1.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.13 Provisions

Provisions for legal claims are recognised when the Company's or the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.14 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.15 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.16 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1. **Summary of significant accounting policies** - continued

1.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Sales are recognised upon delivery of products or performance of services, net of sales tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) Sales of goods

Sales of goods are recognised when the Group has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products.

(b) Sales of services

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

(c) Interest income

Interest income is recognised for all interest-bearing instruments using the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

1.18 Derivative financial instruments and hedging

The Group enters into derivative financial instruments in the form of commodity swaps in order to manage the risk of variability in the price of purchased fuel. Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. When the Group applies hedge accounting, the fair value of derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability if the remaining maturity of the hedged item is less than twelve months. Trading derivatives, which comprise all derivatives to which the Group does not apply hedge accounting, are classified as a current asset or liability.

1. Summary of significant accounting policies - continued

1.18 Derivative financial instruments and hedging - continued

On the date a commodity swap contract is entered into, the Group may designate the derivative as a cash flow hedge of the risk arising on variability of the future cash flows attributable to the forecast purchase of fuel. Under the requirements of IAS 39, hedge accounting may only be applied if certain criteria are met; a derivative instrument may be accounted for as a cash flow hedge if:

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- the hedge is effective on an ongoing basis.

Accordingly, when the Group applies hedge accounting, it documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific forecast transactions (comprising forecast purchases of fuel). The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in a hedging reserve in equity. The commodity swaps entered into by the Group hedge the variability in cash flows from forecast purchases of fuel; any gains or losses previously deferred in equity are transferred from equity and included in the purchased fuel cost in cost of sales when the forecast purchase and consumption of fuel takes place.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading. The Group may also elect to not adopt hedge accounting even in instances where the derivatives qualify for hedge accounting under IAS 39; any such derivatives are also treated as derivatives held for trading. Changes in the fair value of any derivative instruments to which hedge accounting is not applied are recognised immediately in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss when the hedged forecast transaction affects profit or loss. However, if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

1.19 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment, investment property or property held for development and resale are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the Group's interest-bearing borrowings.

1. **Summary of significant accounting policies** - continued

1.20 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's and the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2. **Financial risk management**

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk, price risk), credit risk and liquidity risk.

(a) Market Risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. A portion of the Group's assets are denominated in USD. The carrying amount of the principal receivables denominated in foreign currency as at the end of the reporting periods was as follows:

	2017
	€'000
Trade and other receivables – USD	85

The company's income, expenditure, financial assets and liabilities, including financing, are mainly denominated in euro except as outlined above.

Based on the above, the directors consider the potential impact on profit or loss of a defined foreign exchange rate shift that is reasonably possible at the reporting date to be immaterial.

(ii) Cash flow interest rate risk

The Group is exposed to the risk of fluctuating market interest rates. As the Group has no significant long term interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates. Bank borrowings issued at variable rates, expose the Group to cash flow interest rate risk. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on.

2. Financial risk management - continued

2.1 Financial risk factors - continued

At the reporting date, if the interest rate had increased/decreased by 1% (assuming a parallel shift of 100 basis points in yields) with all other variables held constant, the pre-tax result for the subsequent year would change by the following amount:

	(+) 1% €'000	(-) 1% €'000
At 31 December 2017	(354)	354

(iii) Price risk

The Group and company are exposed to market price risk arising from the uncertainty about the future prices of investments held in respect of investments that are classified in the statement of financial position as financial assets at fair value through profit or loss. The directors manage this risk by reviewing on a regular basis investment and market performance.

(b) Credit risk

Assets bearing credit risk at the reporting date are analysed as follows:-

	Group 2017 €'000	**Company 2017 €'000**
Trade and other receivables (Note 9)	**3,726**	**44,805**
Cash and cash equivalents (Note 10)	**13,345**	**-**
Maximum exposure	**17,071**	**44,805**

The Group's cash is primarily placed with financial institutions with a high quality standing and rating.

Trade and other receivables mainly comprise amounts due from the ultimate parent, Virtu Holdings Limited, and from other related parties. Such amounts are monitored on a regular basis by the Group's treasury function and the directors are satisfied that repayment of all assets due to the Company and to the Group by related parties are fully recoverable.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

2. Financial risk management - continued

2.1 Financial risk factors - continued

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount €'000	Within 1 year €'000	Between 1 and 5 years €'000	After 5 years €'000
Group				
At 31 December 2017				
Borrowings	35,434	8,327	22,043	10,704
Trade and other payables	47,021	14,667	-	32,354
	82,455	22,994	22,043	43,058
Company				
At 31 December 2017				
Trade and other payables	24,564	164	-	24,400
	24,564	164	-	24,400

The senior management of the Virtu Maritime Limited is updated on a regular basis on the cash flow positions of the subsidiaries of the Group including those of the Company. These reports illustrate the actual cash balance net of operational commitments falling due in the short-term.

Note 14 contains further details about the contractual undiscounted cash flows relating to the company's borrowings.

2.2 Capital risk management

Capital is managed at Group level by reference to the level of Group equity and borrowings or debt as disclosed in the consolidated financial statements. The Group's objectives when managing capital at subsidiary level are to safeguard the respective company'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 cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the amount of dividends paid to shareholders.

The Group's equity, as disclosed in the statement of financial position, constitutes its capital. The Group maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level as at 31 December 2017 is deemed adequate by the directors.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these combined financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Intangible assets

	Goodwill €'000
Acquired upon business combination (Note 27)	655
Acquisition of subsidiaries (Note 27)	49,351
At 31 December 2017	50,006

Goodwill amounting to €655,000 represents the difference between the consideration and the fair value of the net identifiable assets acquired as part of a division of business carried out during 2004. For the purposes of impairment testing, this element of goodwill was allocated to the Group's principal business segment, the Malta-Sicily ferry operation, and the recoverable amount is determined by reference to the fair value of the underlying business of the segment.

On the acquisition of the Subsidiaries during 2017, the Group recognised goodwill amounting to €49.4 million, representing the assumed value attributable to the operations of the Malta-Sicily ferry service and the charter operations of the HSC Maria Dolores (Note 27).

The indicative valuation was based on the enterprise value of the Malta-Sicily operations and the charter operations of the HSC Maria Dolores, adjusted to reflect bank borrowings net of cash, net of amounts due from related parties, amounts due to shareholders and other surplus assets of the Subsidiaries as at 31 December 2016. The enterprise value was based on the sum of the parts of the two income generating units, the Malta-Sicily ferry operation and the charter of HSC Maria Dolores, and was prepared on the basis of the discounted cash flows derived from ferry and charter operating projections less the net projected capital expenditure required to acquire the new vessel.

Malta-Sicily ferry operations

The discounted cash flow (value-in-use) calculation was determined by discounting the forecast future cash flows generated by the ferry operations for an eleven-year explicit period and capitalising the cash flows into perpetuity at a capitalisation rate, assuming growth in line with the projected long-term rate of inflation. The following are the key assumptions underlying the projections:

- It was assumed that the HSC Jean de La Valette and the New Vessel, will operate simultaneously on the line once the new vessel is commissioned in 2019;
- EBITDA between 2018 and 2027 was projected to increase at an average rate of 3% per annum as a result of the increase in demand from commercial operators;
- An annual maintenance provision based on the vessels' engine running time was raised together with a capital charge for the replacement of the vessels; and
- A discount rate of 8.3% was applied to the operating projections.

4. Intangible assets - continued

Charter operations (HSC Maria Dolores)

The discounted cash flow (value-in-use) calculation was determined by discounting the forecast future cash flows expected to be generated by the charter operations over the vessel's remaining economic useful life. The following are the key assumptions underlying the projections:

- Charter income was calculated on the basis of current contracted charter rates, increasing in line with inflation;
- An outflow was assumed for the overhaul of the vessel's engines in 2025;
- The vessel was assumed to be disposed of at the end of its useful life in 2031 for its residual value; and
- A discount rate of 7.1% was applied to the cash flow in the initial projected three years, which are covered by the current charter agreement, after which an additional 2% execution risk premium was applied.

A sensitivity analysis of the resulting valuation to possible shifts in key assumptions has been carried out as follows:

- An increase of 0.5% to the discount rate will give rise to a decrease in the valuation amounting to €12,979,000, whilst a decrease of 0.5% to the discount rate will give rise to an increase in the valuation amounting to €15,214,000;

- A 5% increase or decrease in cash flows from operations will give rise to an increase or decrease in the valuation amounting to €8,537,000. A 5% increase or decrease in cash flows from the from the charter operations of the HSC Maria Dolores will give rise to an increase or decrease in the valuation amounting to €1,225,000.

5. Property, plant and equipment

	Vessels €'000	Land and buildings and leasehold improvements €'000	Furniture fittings and computer equipment €'000	Motor vehicles €'000	Total €'000
Period ended 31 December 2017					
Assets acquired on business combinations (Note 27)	66,537	775	233	128	67,673
Additions	28,862	6	114	227	29,209
Depreciation charge	(2,877)	(179)	(76)	(77)	(3,209)
Closing net book amount	92,522	602	271	278	93,673
At 31 December 2017					
Cost	117,029	2,012	2,087	566	121,694
Accumulated depreciation	(24,507)	(1,410)	(1,816)	(288)	(28,021)
Net book amount	**92,522**	**602**	**271**	**278**	**93,673**

For the period ended 31 December 2017, €28.9m of the additions relate to vessel under construction as at period-end. No depreciation was recognised during the period in relation to the vessel under construction.

6. Investments in subsidiaries

	Company 2017 €'000
Group	
Period ended 31 December	
At end of period	**49,586**
At 31 December	
Cost or valuation	**49,586**

The subsidiary undertakings at 31 December are shown below:

Subsidiary undertakings	Registered office	Class of shares held	Percentage of shares held 2017
Virtu Ferries Limited	Virtu Ta' Xbiex Terrace Ta' Xbiex	Ordinary shares	**100%**
Virtu Ferries Srl	80 Via Studi 97016 Pozzallo Sicily	Ordinary shares	**95%**
Virtu Ferries Travel Limited	Virtu Ta' Xbiex Terrace Ta' Xbiex	Ordinary shares	**100%**
Virtu Rapid Ferries Limited	Virtu Ta' Xbiex Terrace Ta' Xbiex	Ordinary shares	**100%**
Virtu Fast Ferries Limited	Virtu Ta' Xbiex Terrace Ta' Xbiex	Ordinary shares	**100%**
Virtu Wavepiercer Limited	Virtu Ta' Xbiex Terrace Ta' Xbiex	Ordinary shares	**100%**

7. Deferred tax asset

	2017 €'000
Acquired upon business combination (Note 27)	234
Charged to income statement (Note 23)	(75)
At end of period	159

Deferred income taxes are calculated on all temporary differences under liability method using a principal applicable tax rate of 35%

The balance at 31 December represents temporary differences on:

	2017 €'000
Property, plant and equipment	104
Provisions for impairment of trade receivables	55
	159

8. Inventories

	2017 €'000
Inventories	
Goods held for resale	77
Vessel spares	172
	249

9. Trade and other receivables

	Group 2017 €'000	Company 2017 €'000
Non-Current		
Amounts owed by ultimate parent	-	20,250
Amounts owed by fellow subsidiary	-	24,400
Other receivables	115	-
	115	44,650
Current		
Trade receivables	1,813	155
Amounts due from ultimate parent	-	-
Amounts due from related parties	1,417	-
Other receivables	219	-
Indirect taxes	162	-
Prepayments and accrued income	793	-
	4,404	155
Total trade and other receivables	4,519	44,805

In 2017, the Group's trade receivables are stated net of a provision for impairment of €153,720. As at 31 December 2017, trade receivables of the Group amounting to €682,966 were fully performing whilst trade receivables amounting to €1,130,283 were past due but not impaired. These dues related to a number of independent parties for whom there is no recent history of default. The ageing analysis of the trade receivables that are past due but not impaired is as follows:

	Group 2017 €'000
Within 3 months	793
Between 3 and 6 months	337
Total trade and other receivables	1,130

10. Cash and cash equivalents

For the purposes of the statements of cash flows, the period-end cash and cash equivalents comprise the following:

	Group 2017 €'000	Company 2017 €'000
Cash at bank and in hand	**13,345**	**-**

11. Share capital

	Group 2017 €'000	Company 2017 €'000
Authorised		
5,000,000 ordinary shares of €1 each	**5,000**	**5,000**
Issued and fully paid up		
4,363,174 ordinary shares of €1 each	**4,363**	**4,363**

On 30 June 2017, Virtu Maritime Limited was incorporated as a private limited liability shipping company, with an initial issued paid up share capital of €250,000. As explained in Note 1.1, Virtu Maritime Limited entered into a share for share exchange agreement with Virtu Holdings Limited on 3 August 2017, the ultimate parent of the Virtu Group, pursuant to which Virtu Holdings Limited transfered shares in the respective subsidiaries to Virtu Maritime Limited in exchange for an issue of 4,113,174 shares of a nominal value of €1.00 per share in Virtu Maritime Limited. After completion of the transaction, the authorised and issued share capital of Virtu Maritime Limited amounted to €4,363,174.

12. Other Reserve

	Group 2017 €'000	Company 2017 €'000
Other reserve	**45,473**	**45,473**

The other reserve amounting to €45.5 million represents the difference between the fair value attributable to the shares issued for the acquisition of the Subsidiaries within the Virtu Maritime Group amounting to €49.6 million (Note 27) and the nominal amount of shares issued of €4.1 million (Note 1).

13. Capital Reserve

The company entered into a subordinated loan agreement with Virtu Holdings Limited on 7 August 2017 amounting to €20 million to finance the initial capitalisation of Virtu Maritime Group (Note 1.1). The parties have agreed that the loan is interest-free unless otherwise agreed from time to time, provided that a moratorium of five years on the repayment of interest, commencing from the date of the agreement, will automatically apply and that the rate of interest, if any, will not exceed 5%. The loan agreement also stipulates that the Company has full discretion to settle the subordinated loan by way of issue of 20 million ordinary shares at a nominal value of €1 each. In line with IAS 32 such amounts fall under the definition of equity and are therefore classified in these financial statements as a component of equity as a capital reserve.

14. Borrowings

	Group 2017 €'000	Company 2017 €'000
Non-current		
Bank loans	**28,687**	**-**
Current		
Bank loans	**6,747**	**-**
Total borrowings	**35,434**	**-**

Bank loans are secured by general hypothecs over Group assets supported by a first priority mortgage over the vessels, pledges over the vessels' comprehensive insurance policies and specific equity shareholdings held by related undertakings.

The interest rate exposure of the borrowings is as follows:

	Group 2017 €'000
At floating rates	**35,434**

Weighted average effective interest rates at the end of the reporting periods:

	2017 %
Bank loans	**4.55**

14. **Borrowings** - continued

The following are the contracted undiscounted cash flows of the Group's bank loans analysed into relevant maturity groupings based on the remaining period at the reporting date to the maturity date:

	2017 €'000
Within one year	8,327
Between 1 and 2 years	6,958
Between 2 and 5 years	15,085
Over 5 years	10,704
	41,074
Carrying amount	35,434

15. Trade and other payables

	Group 2017 €'000	Company 2017 €'000
Non-current		
Amounts due to ultimate parent	7,954	-
Amounts due to fellow subsidiary	24,400	24,400
	32,354	24,400
Current		
Trade payables	1,966	162
Amounts due to ultimate parent	3,311	2
Amounts due to fellow subsidiaries of the Virtu Holding Group	2,106	-
Amounts due to related companies	4,060	-
Amounts due to shareholders	1,376	-
Other payables	218	-
Indirect taxes and social security	89	-
Accruals and deferred income	1,541	-
	14,667	164
Total trade and other payables	47,021	24,564

Amounts due to ultimate parent, fellow subsidiaries, shareholders and related companies are unsecured, interest free and repayable on demand.

16. Revenue

Revenue is analysed as follows:-

	Group 2017 €'000
By class of business	
Ferry service, accommodation and excursions	28,935
Food and beverage sales	753
Charter hire and related income	4,971
	34,659

17. Expenses by nature

	Group 2017 €'000	Company 2017 €'000
Employee benefit expenses (Note 18)	2,850	-
Vessel operating expenses	14,838	-
Auditor's remuneration	10	1
Property, plant and equipment depreciation (Note 5)	3,209	-
Exchange differences	(41)	-
Motor vehicle operating lease charges	50	-
Other expenses	3,301	8
	24,217	9

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2017 relate to the following:

	Group 2017 €'000	Company 2017 €'000
Annual statutory audit	28	5
Tax and compliance services	2	-
Advisory services	80	-
Other non-audit services	20	-

18. Employee benefit expense

	Group 2017 €'000
Wages and salaries	2,615
Social security	235
	2,850

Average number of persons employed by the Group during the period was as follows:

	Group 2017
Direct	34
Administration	43
	77

19. Director's remuneration

	Group 2017 €'000
Director's fees	273

20. Other income

	Group 2017 €'000	Company 2017 €'000
Management fees	412	-
Advertising income	93	-
Other income	191	90
	696	90

21. Finance income

	Group 2017 €'000	Company 2017 €'000
Bank interest	10	-
Interest from related party	585	65
	595	65

22. Finance costs

	Group 2017 €'000	Company 2017 €'000
Bank and other interests	1,857	65

23. Tax expense

	Group 2017 €'000	Company 2017 €'000
Current tax	82	-
Deferred tax charge (Note 7)	75	-
Tax expense	157	-

The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:

	Group 2017 €'000	Company 2017 €'000
Profit/(loss) before tax	9,786	(9)
Tax on profit at 35%	3,425	(3)
Tax effect of:		
Expenses not deductible for tax purposes	16	3
Other differences	69	-
Exempt income as a result of the provisions of the Merchants Shipping Act	(3,353)	-
Tax expense	157	-

24. Cash generated from operations

Reconciliation of operating profit/(loss) to cash generated from operations:

	Group 2017 €'000	Company 2017 €'000
Operating profit/(loss)	**11,048**	**(9)**
Adjustments for:		
Depreciation charge (Note 5)	**3,209**	**-**
Cash acquired on business combination (Note 27)	**2,950**	
Changes in working capital:		
Inventories	**100**	**-**
Trade and other receivables	**3,802**	**(155)**
Trade and other payables	**(4,124)**	**164**
Cash generated from operations	**16,985**	**-**

25. Derivative financial instruments

During 2017, the Group entered into a commodity swap for a predefined quantity of Platts Gasoil at a fixed price per metric tonne for each calendar month from 1 January 2018 to 31 December 2018. The fuel hedging derivative contract has monthly exercise and settlement dates, and settlement is effected on a net cash flow basis.

The terms and notional amounts of the hedging commodity derivatives that were outstanding as at 31 December 2017 are as follows:

Maturity date	Notional amount	Settlement terms
Commodity swap agreements expiring on 31 December 2018	4,800 metric tonnes	Pay-fixed and receive variable per metric tonne

The notional amount is divided equally into twelve months.

26. Related party transactions

All parties forming part of the Virtu Holdings Group are considered by the directors to be related parties as these companies are also ultimately owned by Virtu Holdings Limited.

Due to common ultimate shareholders or directors, the directors consider the Valletta Petrolium Holdings Group, Island Holdings Group, Somanda Holdings Limited and Compass Rose Properties Limited to be related parties.

The following transactions were carried out with related parties:

	2017
	€'000
Interest from associates	**585**
Charter hire income from fellow subsidiaries	**152**
Ship management fees charged to fellow subsidiaries and associates	**372**
Charter hire cost paid to fellow subsidiaries	**(152)**
Interest expense paid to fellow subsidiaries	**(155)**
Rental expense paid to fellow subsidiaries	**(30)**

The transactions referred to above were carried out on commercial terms. Period-end balances with related parties are disclosed in Notes 9 and 15 to these financial statements.

Key management personnel compensation, consisting of directors' remuneration, is disclosed in Note 19.

27. Business combinations

On 3 August 2017, the Company entered into an agreement to acquire shares in five subsidiaries, of Virtu Holdings Limited (Note 6). As a result of the transaction, Virtu Maritime Limited aquires 100% shareholding in Virtu Ferries Limited, Virtu Ferries Travel Limited, Virtu Fast Ferries Limited, Virtu Rapid Ferries Limited, and Virtu Waverpiercer Limited. Virtu Ferries Limited owns 95% of the share capital of Virtu Ferries s.r.l.

The consideration in exchange for the acquisition of the Subsidiaries comprised issuance of new shares in the Virtu Maritime Limited.

The following table summarises the fair value attributable to the shares issued for the above mentioned acquisition, the fair value of assets that will be acquired and liabilities assumed at the acquisition date.

27. Business combinations - continued

	€'000
Fair value of the consideration as at 1 January 2017 as included in the pro-forma financial information and in the bond prospectus of Virtu Finance plc.	51,913
Dividends paid to Virtu Holdings Limited	(2,327)
Fair Value of the consideration as at 1 January 2017 net of dividends paid	49,586

Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	67,673
Intangible assets	655
Deferred tax asset	234
Inventory	349
Trade receivables	1,635
Prepayments	1,199
Amount due to parent company	(38,364)
Amounts due from related parties	7,873
Other receivables	9,037
Cash and cash equivalents	2,950
Borrowings	(40,914)
Trade creditors	(2,176)
Amounts due to related parties	(6,184)
Other payables	(224)
Other taxes and social securities payable	22
Accruals	(1,203)
Total identifiable net assets	2,562
Dividends due to Virtu Holdings Limited	(2,327)
Total identifiable net assets	235
Goodwill (Note 4)	49,351

The fair value attributable to the shares issued for the acquisition of the Subsidiaries was based on the enterprise value of the Malta-Sicily operations and the charter operations of the HSC Maria Dolores, adjusted to reflect bank borrowings net of cash, net of amounts due from related parties, amounts due to shareholders and other surplus assets of the Subsidiaries as at 31 December 2017, as disclosed in Note 4.