

Virtu Maritime Group

Combined Financial Statements
for the years ended 31 December 2016,
31 December 2015 and 31 December 2014

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Independent auditor's report

To the Owners of Virtu Maritime Group

Report on the audit of the combined financial statements

Our opinion

In our opinion:

- Virtu Maritime Group's combined financial statements give a true and fair view of the financial position constituting Virtu Maritime Group as set out in Note 1.1 – Basis of preparation as at 31 December 2016, 2015 and 2014, and of the financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU on the basis set out in the said Note 1.1. to these combined financial statements.

What we have audited

Virtu Maritime Group's financial statements, set out on pages 4 to 32, comprise:

- the Combined statements of financial position as at 31 December 2016, 2015 and 2014;
- the Combined income statements for the years then ended;
- the Combined statements of changes in equity for the years then ended;
- the Combined cash flow statements for the years then ended; and
- the notes to the combined financial statements, which include a summary of significant accounting policies.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that, as outlined in Note 1.1 – Basis of preparation, these combined financial statements have been prepared on the basis of the assumption that the Virtu Maritime Group has operated as a legal Group and a single consolidated entity. This financial information is not necessarily indicative of the Virtu Maritime Group's financial position and financial performance that would have actually been presented had the Company actually operated as a legal Company and a single consolidated entity.

Restriction on use

This report is solely intended for the information and use of the owners as referred to in Note 1.1 to these combined financial statements. Readers are cautioned that the combined financial statements may not be appropriate for any other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.



Independent auditor's report - continued

To the Owners of Virtu Maritime Group

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 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 (Capt. 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.

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 the International Financial Reporting Standards as adopted by the EU and on the basis set out in Note 1.1 – Basis of preparation to the combined financial statements. They are responsible for such internal control that they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, the directors are responsible for assessing the Group'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 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 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.



Independent auditor's report - continued

To the Owners of Virtu Maritime Group

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 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 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 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 entities or business activities within the Group to express an opinion on the combined 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.

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta



Stephen Mamo
Partner

23 August 2017

Combined statements of financial position

		As at 31 December		
	Notes	2016 €'000	2015 €'000	2014 €'000
ASSETS				
Non-current assets				
Intangible assets	4	655	655	655
Property, plant and equipment	5	67,672	66,683	69,714
Deferred tax asset	6	234	526	588
Total non-current assets		68,561	67,864	70,957
Current assets				
Inventories	7	349	245	262
Trade and other receivables	8	20,057	10,432	13,214
Cash at bank and in hand	9	2,950	1,657	1,867
Current tax asset		8	53	24
Total current assets		23,364	12,387	15,367
Total assets		91,925	80,251	86,324

Combined statements of financial position - continued

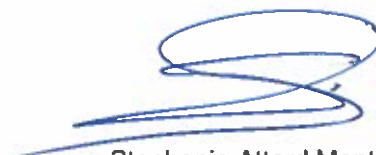
		As at 31 December		
Notes	2016 €'000	2015 €'000	2014 €'000	
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	10	451	441	
Retained earnings		2,111	2,918	
Total equity		2,562	3,359	
Non-current liabilities				
Borrowings	11	34,901	40,891	
Total non-current liabilities		34,901	40,891	
Current liabilities				
Trade and other payables	12	48,450	30,225	
Borrowings	11	6,012	5,776	
Total current liabilities		54,462	36,001	
Total liabilities		89,363	76,892	
Total equity and liabilities		91,925	86,324	

The notes on pages 9 to 32 are an integral part of these combined financial statements.

The combined financial statements on pages 4 to 32 were authorised for issue by the board of directors of the entities constituting the Virtu Maritime Group on 23 August 2017 and were signed on their behalf by:



Matthew Portelli
Director



Stephanie Attard Montalto
Director

Combined income statements

	Notes	Year ended 31 December		
		2016 €'000	2015 €'000	2014 €'000
Revenue	13	32,680	30,462	29,038
Cost of sales	14	(19,559)	(20,765)	(19,547)
Gross profit		13,121	9,697	9,491
Administrative expenses	14	(3,586)	(3,271)	(3,280)
Other income	17	9,486	624	573
Operating profit		19,021	7,050	6,784
Finance income	18	570	447	161
Finance costs	19	(2,071)	(2,332)	(2,651)
Profit before tax		17,520	5,165	4,294
Tax (expense) / credit	20	(327)	(77)	319
Profit for the year		17,193	5,088	4,613

The notes on pages 9 to 32 are an integral part of these consolidated financial statements.

Combined statements of changes in equity

	Share capital €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2014	441	17,421	17,862
Comprehensive income			
Profit for the year	-	4,613	4,613
Balance at 31 December 2014	441	22,034	22,475
Comprehensive income			
Profit for the year	-	5,088	5,088
Transactions with owners			
Dividends paid	-	(24,204)	(24,204)
Balance at 31 December 2015	441	2,918	3,359
Comprehensive income			
Profit for the year	-	17,193	17,193
Transactions with owners			
Dividends paid	-	(18,000)	(18,000)
Additional investment	10	-	10
	10	(18,000)	(17,990)
Balance at 31 December 2016	451	2,111	2,562

The notes on pages 9 to 32 are an integral part of these combined financial statements.

Combined statements of cash flows

		Year ended 31 December			
		2016	2015	2014	
Notes		€'000	€'000	€'000	
Cash flows from operating activities					
	Cash generated from operations	21	12,724	7,759	9,455
	Interest received	18	570	447	161
	Interest paid	19	(2,071)	(2,332)	(2,651)
	Tax paid		(35)	(22)	(38)
Net cash generated from operating activities			11,188	5,852	6,927
Cash flows from investing activities					
	Purchase of property, plant and equipment	5	(4,151)	(102)	(174)
	Proceeds from the issue of share capital	10	10	-	-
Net cash used in investing activities			(4,141)	(102)	(174)
Cash flows from financing activities					
	Proceeds from bank borrowings		236	-	-
	Repayment of bank borrowings		(5,990)	(5,960)	(6,627)
Net cash used in financing activities			(5,754)	(5,960)	(6,627)
Net movement in cash and cash equivalents			1,293	(210)	126
Cash and cash equivalents at beginning of year			1,657	1,867	1,741
Cash and cash equivalents at end of year		9	2,950	1,657	1,867

The notes on pages 9 to 32 are an integral part of these combined financial statements.

Notes to the combined financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These combined financial statements have been prepared solely to assist the owners of the Virtu Maritime Group to present the financial position and results of the entities forming part of the Virtu Maritime Group.

The Virtu Maritime Group is not a legal entity and does not constitute a Group of companies within the meaning of the Companies Act, Cap. 386 of the laws of Malta. The Group is an aggregation of companies principally comprising Virtu Ferries Limited, Virtu Ferries s.r.l, Virtu Ferries Travel Limited, Virtu Fast Ferries Limited, Virtu Rapid Ferries Limited and Virtu Wavepiercer Limited. These six entities operate and charter the express passenger ferry services of Virtu Holdings Limited, the ultimate parent of the Virtu Group.

Entities forming the Virtu Maritime Group are directly fully owned by Virtu Holdings Limited as at 31 December 2016. The shareholders of Virtu Holdings Limited, Francis A. Portelli and John M. Portelli, intend to restructure the fully owned operational entities within Virtu Holdings Limited under a new entity, Virtu Maritime Limited. Bonds in the Virtu Finance plc are expected to be offered to the public and listed on the Malta Stock Exchange, subject to the approval of the Listing authority and the success of the public offering. Financial information extracted from these combined financial statements is being included in the prospectus for this public offering.

Ultimately, the above mentioned entities are owned by Francis A. Portelli and John M. Portelli. However, these entities do not form a legal Organisation and fail to meet the definition of a Group under IAS 27 'Consolidated and Separate Financial Statements'. The financial results and financial position of these entities are not consolidated into the financial statements of a single legal company on a statutorily required basis, since no individual entity owns or controls the companies. As outlined previously, the operations of the entities are managed on a unified basis and are managed together as a single economic entity, notwithstanding the fact that a certain degree of autonomy and flexibility is granted to individual operating companies in the Group.

These combined financial statements have been prepared on the basis of the assumption that the Virtu Maritime Group has operated as a legal Group and a single consolidated entity. This financial information is not necessarily indicative of the Virtu Maritime Group's financial position and financial performance that would have actually been presented had the Group actually operated as a legal Group and a single consolidated entity.

The combined financial statements for the Virtu Maritime Group have been prepared by aggregating the financial statements of the individual companies and their subsidiaries constituting the Virtu Maritime Group, since all these entities are under common management and control but do not form a legal Group. In terms of generally accepted accounting practice, all entities managed in this manner should be included in the combined financial statements.

The total authorised, issued and fully paid up share capital in the combined financial statements has been assumed to be the aggregate of all of the authorised, issued and fully paid up share capital of each of the companies constituting the Virtu Maritime Group.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The aggregated financial information has been adjusted to eliminate the impacts of all intra-organisation transactions and balances, and to reflect the appropriate classification of and accounting treatment for property owned by the Group taking cognisance of use of such assets from the Group's perspective. Accordingly, for the purposes of this combined financial information, property which is occupied by any company within the Virtu Maritime Group is classified as property, plant and equipment and is accounted for in accordance with IAS 16 (refer to accounting policy 1.5) since such property would be considered as owner-occupied.

As at 31 December 2016, the Group's current liabilities has exceeded its current assets by €31.1 million (2015: €23.6 million and 2014: €1.8 million). This shortfall includes amounts due to group undertakings and related companies amounting to €44 million (2015: €22.9 million and 2014: €3.5 million). 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. The group undertakings and related companies have confirmed that they will not demand for payment of the amount due to them amounting to €24 million (2015: € 22.9 million and 2014: €3.5 million) unless alternative funds are available. As at 31 December 2016, amounts due to group undertakings include an amount equivalent to €20 million that will be converted to a subordinated shareholder's loan to part finance the acquisition of Virtu Maritime Limited.

These combined financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. These combined financial statements have been prepared on the basis of the assumption that Virtu Maritime Limited has operated as a legal Organisation and a single consolidated entity despite the fact that the acquisition of the respective subsidiaries legally took place during 2017. The financial information has been prepared under the historical cost convention, subject to the accounting policies in the notes to these financial statements and therefore not indicative of Virtu Maritime Limited's financial position and financial performance that would have actually been presented had the transaction been reflected during 2017 rather than as indicated in this set of combined financial statements for the group and for the single entity.

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

Standards, interpretations and amendments to published standards effective in 2016

In 2016, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2016. 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.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2016 - continued

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 2016. 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, with the exception of IFRS 9, Financial instruments, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

Entities constituting the Virtu Maritime Group

The entities forming part of the Virtu Maritime Group, in particular the subsidiaries of the respective Guarantors, whose results and financial position affected the figures of the Group in these combined financial statements are shown below.

(i) Virtu Ferries Limited

The company's principal activity is the operation of an express passenger ferry service. The subsidiary of Virtu Ferries Limited is as follows:

Name	Principal activity	Registered Office	Class of shares held	Percentage of shares held			
				2016	2015	2014	
			%	%	%		
Virtu Ferries s.r.l	Principal activity is servicing incoming and outgoing tourism industry	80 Via Studi 97016 Sicily	Ordinary	100	100	100	

(ii) Virtu Fast Ferries Limited

The company's principal activity is the charter of an express passenger ferry service. The company owns and charters the Jean De La Valette vessel to Virtu Ferries Limited, another group company.

1. Summary of significant accounting policies - continued

Entities constituting the Virtu Maritime Group - continued

(iii) Virtu Rapid Ferries Limited

The company's principal activity is the charter of an express passenger ferry service. The company owns and charters the HSC Maria Dolores vessel to a third party.

(iv) Virtu Ferries Travel Limited

The company's principal activity is the provision of incoming and outgoing services to the tourist industry.

(v) Virtu Wavepiercer Limited

The company's principal activity will comprise the charter of an express passenger ferry service. The company will own a vessel that is currently under construction. The vessel will be chartered to Virtu Ferries Limited, another group company.

All shareholdings are held directly by Virtu Holdings Limited and ultimately owned by Francis A. Portelli and John M. Portelli.

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.

2. Summary of significant accounting policies - continued

1.2 Consolidation - continued

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.

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in these combined financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The euro is the 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 year-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 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 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 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 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 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.

1.19 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: foreign exchange risk, cash flow interest rate risk, price risk, credit risk and liquidity risk.

(a) 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:

	2016 €'000	2015 €'000	2014 €'000
Trade and other receivables – USD	528	4,724	3,603

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

Based on the above disclosures the Group is significantly exposed to USD and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period was conducted. The strengthening or weakening of the functional currency by 10% against the USD, with all other variables held constant would have resulted in a negligible impact on pre-tax profit as at 31 December 2016, 2015 and 2014.

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 31 December 2016, 2015 and 2014 to be immaterial.

(b) 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

(b) Cash flow interest rate risk - 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 2014	(548)	538
At 31 December 2015	(441)	442
At 31 December 2016	(388)	392

(c) 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.

(d) Credit risk

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

	2016 €'000	Group 2015 €'000	2014 €'000
Trade and other receivables (Note 8)	18,858	9,651	12,535
Cash and cash equivalents (Note 9)	2,950	1,657	1,867
Maximum exposure	21,808	11,308	14,402

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

Credit risk in respect of receivables is not deemed to be significant after considering amounts due by related parties, the range of underlying trade receivables, and their creditworthiness. Other receivables amounting to €9 million were received during 2017. Receivables are stated net of impairment. Further details in this regard is provided in Note 8 to the combined financial statements.

(e) 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

(e) Liquidity risk - continued

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 11 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 combined 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 Groups'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 2016 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
At 31 December 2016, 2015 and 2014	
Carrying amount	655

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.

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
At 1 January 2014					
Cost	84,417	1,845	1,648	199	88,109
Accumulated depreciation	(13,001)	(763)	(1,490)	(160)	(15,414)
Net book amount	71,416	1,082	158	39	72,695
Year ended 31 December 2014					
Opening net book amount	71,416	1,082	158	39	72,695
Additions	-	71	103	-	174
Depreciation charge	(2,877)	(156)	(101)	(21)	(3,155)
Closing net book amount	68,539	997	160	18	69,714
At 31 December 2014					
Cost or valuation	84,417	1,916	1,751	199	88,283
Accumulated depreciation	(15,878)	(919)	(1,591)	(181)	(18,569)
Net book amount	68,539	997	160	18	69,714
Year ended 31 December 2015					
Opening net book amount	68,539	997	160	18	69,714
Additions	-	75	27	-	102
Disposals	-	(27)	-	(20)	(47)
Depreciation charge	(2,876)	(163)	(80)	(14)	(3,133)
Depreciation released on disposal	-	27	-	20	47
Closing net book amount	65,663	909	107	4	66,683
At 31 December 2015					
Cost	84,417	1,964	1,778	179	88,338
Accumulated depreciation	(18,754)	(1,055)	(1,671)	(175)	(21,655)
Net book amount	65,663	909	107	4	66,683
Year ended 31 December 2016					
Opening net book amount	65,663	909	107	4	66,683
Additions	3,750	41	199	161	4,151
Disposals	-	-	(3)	-	(3)
Depreciation charge	(2,877)	(175)	(73)	(37)	(3,162)
Depreciation released on disposal	-	-	3	-	3
Closing net book amount	66,536	775	233	128	67,672
At 31 December 2016					
Cost	88,167	2,005	1,974	340	92,486
Accumulated depreciation	(21,631)	(1,230)	(1,741)	(212)	(24,814)
Net book amount	66,536	775	233	128	67,672

Bank borrowings are secured on the Group's vessels (Note 11).

5. Property, plant and equipment - continued

For the year ended 31 December 2016, €3.7m of the additions relate to vessel under construction as at year-end. No depreciation was recognised during the year in relation to the vessel under construction.

6. Deferred tax asset

	2016 €'000	2015 €'000	2014 €'000
Year ended 31 December			
At beginning of year	526	588	223
Charged to income statement (Note 20)	(292)	(62)	365
At end of year	234	526	588

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:

	2016 €'000	2015 €'000	2014 €'000
Property, plant and equipment	65	24	21
Provisions for impairment of trade receivables	42	42	42
Capital allowances	-	63	35
Trading losses	123	377	490
Group losses surrendered	4	20	-
	234	526	588

The Group also had an unrecognised deferred tax asset arising from:

	2016 €'000	2015 €'000	2014 €'000
Trading losses	-	726	726
Group losses surrendered	-	-	31
	-	726	757

Deferred tax balances have not been recognised within these financial statements due to the uncertainty of the realisation of the tax benefits.

7. Inventories

	2016 €'000	2015 €'000	2014 €'000
Inventories			
Goods held for resale	94	94	74
Vessel spares	255	151	188
	349	245	262

8. Trade and other receivables

	2016 €'000	2015 €'000	2014 €'000
Current			
Trade receivables	1,635	1,919	1,644
Amounts due from group undertakings	166	-	5,381
Amounts owed by directors	-	1,397	937
Amounts due from related parties	7,873	5,673	3,658
Other receivables	9,029	531	795
Indirect taxes	155	131	120
Prepayments and accrued income	1,199	781	679
Total trade and other receivables	20,057	10,432	13,214

The amounts due from related parties at group level are stated net of provision for impairment of €833,659 (2015 and 2014: 833,659).

Amounts due from group undertakings, and related parties are principally unsecured, interest free and repayable on demand. At 31 December 2016, amounts due from related parties include a loan balance equivalent to €4.8m (2015: €4.7m, 2014: €1.5m) secured against an related parties' fuel inventory, subject to interest of 11.8% p.a. and repayable upon sale of the said fuel inventory. The related parties have the option to use the funds on a roll-over basis to replace the sold inventory.

In 2016, the Group's trade receivables are stated net of a provision for impairment of €121,500 (2015 and 2014: €200,209). As at 31 December 2016, trade receivables of the Group amounting to €612,864 (2015: €1,096,886, 2014: €1,089,805) were fully performing whilst trade receivables amounting to €1,021,742 (2015: €822,128, 2014: €554,636) 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:

	2016 €'000	2015 €'000	2014 €'000
Within 3 months	623	482	498
Between 3 and 6 months	399	340	57
Total trade and other receivables	1,022	822	555

9. Cash and cash equivalents

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

	2016 €'000	2015 €'000	2014 €'000
Cash at bank and in hand	2,950	1,657	1,867
	<u>2,950</u>	<u>1,657</u>	<u>1,867</u>

10. Share capital

	2016 €'000	2015 €'000	2014 €'000
Authorised			
451,000 ordinary shares (2015 and 2014: 441,000) of €1 each	451	441	441
	<u>451</u>	<u>441</u>	<u>441</u>
Issued and fully paid up			
451,000 ordinary shares (2015 and 2014: 441,000) of €1 each	451	441	441
	<u>451</u>	<u>441</u>	<u>441</u>

The total authorised, issued and fully paid up share capital for the combined financial statements has been assumed to be the aggregate of all of the authorised, issued and fully paid up share capital of each of the companies constituting the Virtu Maritime Limited Group.

During 2016, Virtu Wavepiercer was incorporated with 10,000 authorised, issued and fully paid up ordinary shares of €1 each.

11. Borrowings

	2016 €'000	2015 €'000	2014 €'000
Non-current			
Bank loans	34,901	40,891	46,641
Current			
Bank loans	6,012	5,776	5,986
Total borrowings	40,913	46,667	52,627

The Group bank loans are secured by general hypothecs over the Group's 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 of the Organisation was as follows:

	2016 €'000	2015 €'000	2014 €'000
At floating rates	40,913	46,667	52,627

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

	2016 %	2015 %	2014 %
Bank loans	4.55	4.55	4.55

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:

	2016 €'000	2015 €'000	2014 €'000
Within one year	7,749	7,785	8,254
Between 1 and 2 years	7,701	7,749	8,254
Between 2 and 5 years	17,593	20,851	22,576
Over 5 years	15,121	19,535	24,829
	48,164	55,920	63,913
Carrying amount	40,913	46,667	52,627

12. Trade and other payables

	2016 €'000	2015 €'000	2014 €'000
Current			
Trade payables	2,176	2,081	1,601
Amounts due to group undertakings	38,530	18,961	-
Amounts due to related companies	5,507	3,941	3,492
Amounts due to shareholders	677	3,281	3,850
Other payables	224	207	784
Indirect taxes and social security	133	80	219
Accruals and deferred income	1,203	1,674	1,276
	48,450	30,225	11,222

Group undertakings and related companies have confirmed that they will not demand for payment of the amounts due to them amounting to €24 million (2015: € 22.9 million and 2014: €3.5 million) unless alternative funds are available. As at 31 December 2016, amounts due to group undertakings include an amount equivalent to €20 million that will be converted to a subordinated shareholder's loan to part finance the acquisition of the new vessel.

Amounts due to group undertakings, shareholders and related companies are unsecured, interest free and repayable on demand.

13. Revenue

Revenue is analysed as follows:-

	2016 €'000	2015 €'000	2014 €'000
By class of business			
Ferry service, accommodation and excursions	27,182	24,904	24,032
Food and beverage sales	708	704	699
Charter hire and related income	4,790	4,854	4,307
	32,680	30,462	29,038

14. Expenses by nature

	2016 €'000	2015 €'000	2014 €'000
Employee benefit expenses (Note 15)	2,886	2,513	2,344
Vessel operating expenses	15,432	16,794	15,654
Auditor's remuneration	14	13	13
Property, plant and equipment depreciation (Note 5)	3,162	3,133	3,155
Provision for impairment of receivables	-	-	308
Exchange differences	53	12	73
Motor vehicle operating lease charges	136	141	143
Other expenses	1,462	1,430	1,137
	23,145	24,036	22,827

15. Employee benefit expense

	2016 €'000	2015 €'000	2014 €'000
Wages and salaries	2,780	2,314	2,133
Social security	106	199	211
	2,886	2,513	2,344

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

	2016	2015	2014
Direct	31	31	30
Administration	56	59	58
	87	90	88

16. Director's remuneration

	2016 €'000	2015 €'000	2014 €'000
Director's fees	396	243	261

17. Other income

	2016 €'000	2015 €'000	2014 €'000
Management fees	370	370	340
Freight and excess baggage	11	13	9
Advertising income	95	78	69
Other income	9,010	163	155
	<u>9,486</u>	<u>624</u>	<u>573</u>

Other income in 2016 mainly relate to compensation paid by the ship builder of one of the vessels for loss of charter income during periods of downtime for maintenance work.

18. Finance income

	2016 €'000	2015 €'000	2014 €'000
Bank interest	10	11	14
Interest from related party	560	436	147
	<u>570</u>	<u>447</u>	<u>161</u>

19. Finance costs

	2016 €'000	2015 €'000	2014 €'000
Bank and other interests	2,071	2,332	2,651

20. Tax expense/(credit)

	2016 €'000	2015 €'000	2014 €'000
Current tax	35	15	46
Deferred tax charge/(credit) (Note 6)	292	62	(365)
Tax expense/(credit)	<u>327</u>	<u>77</u>	<u>(319)</u>

20. Tax expense/(credit) - continued

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

	2016 €'000	2015 €'000	2014 €'000
Profit before tax	17,520	5,165	4,294
Tax on profit at 35%	6,132	1,808	1,503
Tax effect of:			
Expenses not deductible for tax purposes	10	50	52
Exempt income as a result of the provisions of the Merchant Shipping Act	(5,239)	(1,739)	(1,709)
Other differences	11	5	21
Unrecognised deferred tax asset	(587)	(47)	(186)
Tax expense / (credit)	327	77	(319)

21. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2016 €'000	2015 €'000	2014 €'000
Operating profit	19,021	7,050	6,784
Adjustments for:			
Depreciation charge (Note 5)	3,162	3,133	3,155
Changes in working capital:			
Inventories	(104)	17	(4)
Trade and other receivables	(27,580)	16,172	2,379
Trade and other payables	18,225	(18,613)	(2,859)
Cash generated from operations	12,724	7,759	9,455

22. 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 Island Holdings Group, Somanda Holdings Limited and Compass Rose Properties Limited to be related parties.

The following transactions were carried out with related parties:

	2016 €'000	2015 €'000	2014 €'000
Revenue - from fellow subsidiaries	140	146	140
Other income from fellow subsidiaries	130	130	100
Ship management fees charged to related companies	240	240	240
Cost of sales	794	1,606	3,400
Administrative expenses	30	30	30

The transactions referred to above were carried out on commercial terms. Year-end balances with related parties are disclosed in Notes 8 and 12 to these combined financial statements.

Key management personnel compensation, consisting of directors' remuneration, is disclosed in Note 16.