VIRTU MARITIME LIMITED

Annual Report and Consolidated Financial Statements
31 December 2019

Company Registration Number: C 81559

Director's report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2019.

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.

Review of the business

Financial position

Group

The Group's total asset base stands at €202.1 million (2018: €153.6 million). The Group's asset base is 40.6% (2018: 58.8%) funded through equity. Main non-current assets comprise the property, plant and equipment including the vessels net realisable value amounting to €129.0 million (2018: €93.2 million) and goodwill amounting to €50.0 million (2018: €50.5 million), being the fair value attributable to the acquisition of the subsidiaries. The Group recognised right-of-use assets amounting to €7.9 million following the adoption of IFRS 16 'Leases' in 2019.

The Group's main liabilities are the €60.5million (2018: €28.7 million) bank loans and amounts due to parent, fellow subsidiaries and other related parties amounting to €46.7 million (2018: €27.0 million). Lease liabilities amounted to €8.1 million following the adoption of IFRS 16 'Leases' in 2019.

As at 31 December 2019, the Group's current assets amounted to €14.5 million (2018: €8.3 million) and are mainly represented by trade and other receivables of €5.7 million (2018: €6.5 million) and cash of €8.5 million (2018: €1.4 million). Total current liabilities include trade and other payables of €5.9 million (2018: €10.2 million).

Company

The Company's total asset base stands at €115.4 million (2018: €94.4 million). The Company's asset base is 60.5% (2018: 74.0)% funded through equity. Main non-current assets comprises the fair value of investment in subsidiaries amounting to €49.6 million (2018 €49.6 million) and amounts due from parent and fellow subsidiaries of €44.7 million (2018: €44.7 million). The company's current assets amounted to €21.1 million (2018: €Nil) and relate to amounts due from subsidiaries.

The Company's main liabilities include the amounts due to subsidiaries and fellow subsidiaries of €45.5 million (2018: €24.6 million).

Director's report - continued

Financial Performance

Group

Revenue is mainly generated from the provision of related services to incoming and outgoing passengers and vehicles amounting to €29.3 million (2018: €27.1 million) and charter hire and other related income amounting to €13.2 million (2018: €5.3 million). Administrative and cost of sales expenses mainly comprise employee benefits expenses amounting to €3.3 million (2018: €3.1 million), vessel operating expenses amounting to €15.4 million (2018: €13.8 million), property, plant and equipment depreciation amounting to €5.5 million (2018: €3.0 million), right-of-use assets depreciation amounting to €0.5 million (2018: €Nil). Other income includes management fees amounting to €0.4 million (2018: €0.4 million) and other operating income of €0.3 million (2018: €0.3 million). Finance costs comprise interest payable on the outstanding bank loans amounting to €3.7m million (2018: €1.4 million). Finance income comprises interest receivable amounting to €0.9 million (2018: €0.9 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.

Company

The Company's profit before tax for the year ending 31 December 2019 amounted to €21.2 million (2018: €0.01 million) that includes dividends amounting to €21.1 million (2018: €Nil).

The statement of comprehensive income is set out on page 11. During the year, the directors declared net dividends of €21.1 million (2018: €Nil).

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 3 to the financial statements.

Events after the reporting date

2020 saw the spread of the Coronavirus COVID-19 from the epicentre of the outbreak in Wuhan, China to the rest of the world, leading to the World Health Organisation (WHO) declaring the disease a pandemic on 11 March 2020. This coincided with the lockdown imposed by the Italian Government on all regions in Italy, including Sicily, and restrictions on travel to and from Italy and Sicily imposed by the Government of Malta. Shortly thereafter, Malta-Sicily ferry operations were restricted to the carriage of freight and authorised repatriations. On 12 March 2020, following the national lockdown in Spain, the operations of M/V Maria Dolores on the route between Tarifa, Spain and Tangier Ville, Morocco were suspended. As a result, following discussions with the charterer of the vessel, the charter party agreement previously in place was terminated on 17 March 2020 and the vessel sailed to Malta. The vessel is now safely moored alongside deep-water quay. The Virtu Maritime Group is in receipt of enquiries from third party operators potentially interested in chartering the vessel and discussions have commenced with a view to her resuming operation at the opportune moment.

Director's report - continued

Events after the reporting date - continued

On the other hand, the charterer of the high-speed passenger/cargo roll-on/roll-off catamaran ferry M/V Jean De La Valette, operating on the domestic route connecting the main island of Trinidad to the sister island of Tobago, has exercised the option to extend the term of its charter party agreement by a further six months through to the end of 2020.

The Virtu Maritime Group has since the outbreak of the pandemic given, and will continue to give, priority to the health and safety of all of its passengers and crew, and has abided by and will continue to abide by all directives issued by the competent authorities in the interest of the general public. Furthermore, to the best of its abilities, the Group remains dedicated to providing an ongoing transportation services for the delivery of vital food and other essentials to our nation.

As the Group confronts the unprecedented challenges brought about by the global pandemic, it has taken all available measures to contain and manage the financial impact on the Group. Companies within the Group have applied for such fiscal assistance as is available under the programmes announced by government, and, as a precautionary cash conservation measure, the Group has applied for a temporary capital moratorium on bank loans. Other operational efficiency and cost containment initiatives have also been implemented. Based on its assessment of the current position and the mitigation measures being taken, the Board believes that the Group and the Company have adequate resources to continue in operation for the foreseeable future.

Going concern

After making due enquiry and using the best judgment available at the time of approving these financial statements, an impact assessment has been carried out by the Virtu Maritime Board, including a review of a baseline scenario entailing prudent assumptions for assessing both profitability and liquidity. The respective assumptions factor in reduced levels of operation for the Malta-Sicily line and certain assumptions concerning the rates, timing and duration of charters relating to the M/V Maria Dolores and the M/V Jean de La Valette. The projections also take into account bank facilities currently available to the Group. Based on this review and the measures taken as indicated above, the Board expects that the Group will be able to sustain its operations over the next twelve months, and to meet its obligations as and when they fall due. Accordingly, for these reasons the Virtu Maritime Board has concluded that there is no material uncertainty and it remains appropriate to adopt the going concern basis in the preparation of the Virtu Maritime Group financial statements. Reference should also be made to Note 1.1 and Note 30 to these financial statements.

Outlook

Despite the bleak World Economic Outlook report issued by the International Monetary Fund in April 2020 on the effects of the crisis on the world's economy projecting a decrease on average of 6.6% in European economies, there is modest optimism for Malta whose economy is expected to register the smallest economic contraction across Europe shrinking by 2.8% in 2020 and rebounding in 2021 with a 7% growth. According to the Outlook report, Malta and Sicily rank among the least affected areas in the world insofar as the Coronavirus pandemic is concerned.

As a Group we remain cautiously hopeful that with the precautionary measures already being taken, we will be well positioned to serve our traditional markets as and when they reopen.

Director's report - continued

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
Stefan Bonello Ghio
Roderick Chalmers
Henri Saliba

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 year ended 31 December 2019 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

28 April 2020

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 2019 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 47, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2019;
- the Consolidated and Parent Company statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year 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 these Codes.

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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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers, suppliers and the disruption to its business and the overall economy.

- 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.

Emphasis of matter

We draw attention to note 1.1 to these financial statements that refers to the uncertainties associated with COVID-19. This matter is considered to be of fundamental importance to the users' understanding of the financial statements due to its nature and significance. Our opinion is not modified in respect of this matter.

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.

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stephen Mamo
Partner

28 April 2020

Statements of financial position

		As at 31 December			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
ASSETS					
Non-current assets					
Intangible assets	5	**50,006**	50,006	**-**	-
Property, plant and equipment	6	**129,029**	93,204	**-**	-
Right-of-use assets	7	**7,936**	-	**-**	-
Investment in subsidiaries	8	**-**	-	**49,586**	49,586
Trade and other receivables	11	**115**	1,472	**44,683**	44,650
Deferred tax asset	9	**512**	673	**-**	-
Total non-current assets		**187,598**	145,355	**94,269**	94,236
Current assets					
Inventories	10	**333**	344	**-**	-
Trade and other receivables	11	**5,669**	6,523	**21,130**	164
Cash at bank and in hand	12	**8,461**	1,414	**-**	-
Total current assets		**14,463**	8,281	**21,130**	164
Total assets		**202,061**	153,636	**115,399**	94,400

Statements of financial position - continued

		As at 31 December			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	**4,363**	4,363	**4,363**	4,363
Other reserve	14	**45,473**	45,473	**45,473**	45,473
Capital reserve	15	**20,000**	20,000	**20,000**	20,000
Retained earnings		**12,251**	20,538	**9**	2
Total equity		**82,087**	90,374	**69,845**	69,838
Non-current liabilities					
Lease liabilities	16	**7,771**	-	**-**	-
Borrowings	17	**52,784**	23,226	**-**	-
Trade and other payables	18	**45,530**	24,400	**45,530**	24,400
Total non-current liabilities		**106,085**	47,626	**45,530**	24,400
Current liabilities					
Lease liabilities	16	**310**	-	**-**	-
Borrowings	17	**7,697**	5,484	**-**	-
Trade and other payables	18	**5,875**	10,151	**16**	161
Current tax liability		**7**	1	**8**	1
Total current liabilities		**13,889**	15,636	**24**	162
Total liabilities		**119,974**	63,262	**45,554**	24,562
Total equity and liabilities		**202,061**	153,636	**115,399**	94,400

The notes on pages 15 to 47 are an integral part of these combined financial statements.

The consolidated financial statements on pages 9 to 47 were authorised for issue by the board on 28 April 2020 and were signed on their behalf by:

Francis A. Portelli
Director

Stephanie Attard Montalto
Director

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
	Notes	2019 €'000	2018 €'000	2019 €'000	2018 €'000
Revenue	19	**43,424**	33,148	**-**	-
Cost of sales	20	**(23,903)**	(19,155)	**-**	-
Gross profit		**19,521**	13,993	**-**	-
Administrative expenses	20	**(4,366)**	(3,769)	**(8)**	(11)
Other income	23	**729**	773	**130**	130
Other expenses		**(100)**	-	**(100)**	(107)
Operating profit		**15,784**	10,997	**22**	12
Finance income	24	**859**	888	**22,118**	988
Finance costs	25	**(3,605)**	(1,438)	**(988)**	(988)
Profit before tax		**13,038**	10,447	**21,152**	12
Tax (expense)/income	26	**(195)**	462	**(15)**	(1)
Profit for the year		**12,843**	10,909	**21,137**	11

The notes on pages 15 to 47 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Note	Share capital €'000	Other reserve €'000	Capital reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2018		4,363	45,473	20,000	9,629	79,465
Comprehensive income						
Profit for the year		-	-	-	10,909	10,909
Balance at 31 December 2018		**4,363**	**45,473**	**20,000**	**20,538**	**90,374**
Balance at 1 January 2019		4,363	45,473	20,000	20,538	90,374
Comprehensive income						
Profit for the year		-	-	-	12,843	12,843
Total comprehensive income		-	-	-	12,843	12,843
Transactions with owners						
Dividends for 2019	27	-	-	-	(21,130)	(21,130)
Total transactions with owners		-	-	-	(21,130)	(21,130)
Balance at 31 December 2019		**4,363**	**45,473**	**20,000**	**12,251**	**82,087**

Statements of changes in equity - continued

Company

	Note	Share capital €'000	Other reserve €'000	Capital reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2018		4,363	45,473	20,000	(9)	69,827
Comprehensive income						
Profit for the year		-	-	-	11	11
Balance at 31 December 2018		**4,363**	**45,473**	**20,000**	**2**	**69,838**
Balance at 1 January 2019		4,363	45,473	20,000	2	69,838
Comprehensive income						
Profit for the year		-	-	-	21,137	21,137
Total comprehensive income		-	-	-	21,137	21,137
Transactions with owners						
Dividends for 2019	27	-	-	-	(21,130)	(21,130)
Total transactions with owners		-	-	-	(21,130)	(21,130)
Balance at 31 December 2019		**4,363**	**45,473**	**20,000**	**9**	**69,845**

The notes on pages 15 to 47 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€'000**	€'000	**€'000**	€'000
Cash flows from operating activities					
Cash generated from/(used in) operations	28	**23,733**	14,097	**(21,122)**	-
Finance income		**859**	888	**22,118**	988
Interest paid		**(3,605)**	(1,438)	**(988)**	(988)
Tax paid		**(28)**	(82)	**(8)**	-
Net cash generated from operating activities		**20,959**	13,465	**-**	-
Cash flows from investing activities					
Purchase of property, plant and equipment		**(41,287)**	(2,504)	**-**	-
Net cash used in investing activities		**(41,287)**	(2,504)	**-**	-
Cash flows from financing activities					
Dividends paid		**(21,130)**	-	**(21,130)**	-
Loans repaid/received from fellow subsidiary and ultimate parent		**19,623**	(14,575)	**21,130**	-
Loan advanced to fellow subsidiary		**-**	-	**-**	-
Loans repaid/received from shareholders and related parties		**(2,123)**	(1,593)	**-**	-
Proceeds from bank borrowings		**40,000**	-	**-**	-
Repayment of bank borrowings		**(8,229)**	(6,724)		-
Principal elements of lease payments		**(766)**	-	**-**	-
Net cash generated from/(used in) financing activities		**27,375**	(22,892)	**-**	-
Net movement in cash and cash equivalents		**7,047**	(11,931)	**-**	-
Cash and cash equivalents at beginning of year		**1,414**	13,345	**-**	-
Cash and cash equivalents at end of year	12	**8,461**	1,414	**-**	-

The notes on pages 15 to 47 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.

As at 31 December 2019, the Group's current assets exceeded its current liabilities by €0.6 million (2018: net current liability position of €7.4 million). Notwithstanding this marginal positive working capital position as at year end, and after considering the assessment made with respect to events after the end of the reporting period (Note 30), the directors have concluded that at the time of approving these financials statements projections for the next twelve months indicate that Group's business is expected to remain viable and to generate sufficient liquidity to enable it to honour liabilities as and when they fall due. Accordingly, for these reasons the Board has concluded that there is no material uncertainty and it remains appropriate to adopt the going concern basis in the preparation of these financial statements.

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 4 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2019

In 2019, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the Group's accounting policies impacting the financial performance and position. The Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16, 'Leases', but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The new accounting policies are disclosed in Note 2 below. The other amendments did not have any impact on the Group and Company's accounting policies and did not require retrospective adjustments.

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 not mandatory for the Group and Company's accounting periods beginning after 1 January 2019. The Group and Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the company'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.

1.3 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.

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

1.3 Foreign currency translation - continued

(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.

1.5 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.

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

1.5 Property, plant and equipment - continued

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 - hull	4
Furniture and equipment	20
Computer hardware and software	25
Motor vehicles	20
Vessels - engines	Engine hours based on use

During 2018, the Group re-assessed depreciation for vessels by changing the estimated useful life of the engines when compared to the hull of the vessel. A change in accounting estimate is being applied prospectively by decoupling the engines from the hull for depreciation purposes: the hull will continue being utilised over the original expected useful life of 25 years, net of the residual value, whilst the engines are being depreciated based on engine hours compared with the useful life expectancy determined by the manufacturer.

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

The comparative information provided continues to be accounted for in accordance with the Company's previous years accounting policy.

Classification

The Company classifies its financial assets as financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income on debt instruments measured at amortised cost from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of profit or loss.

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

1.7 Financial assets - continued

Impairment

The Group and Company assess on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Group's and company's financial assets are subject to the expected credit loss model.

Expected credit loss model

The Group and Company measure loss allowances at an amount equal to lifetime ECLs, except debt securities that are determined to have low credit risk at the reporting date which are re-assessed at 12 months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The Group and Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and Company in full, without recourse by the Group and Company to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group and Company are exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group and Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

Impairment - continued

Simplified approach model

For trade receivables, the Group and Company apply the simplified approach required by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 or 1 January 2019, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the customers to settle the receivable. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

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. Summary of significant accounting policies - continued

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.

1.12 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 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. Summary of significant accounting policies - continued

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.

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

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.

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.

1. Summary of significant accounting policies - continued

1.18 Derivative financial instruments and hedging - continued

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 Leases

The Group is the lessee

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As explained in Note 1.1 above, the Group has changed its accounting policy for leases where the Group is the lessee. The impact of the change is described in Note 2.

Until 31 December 2018, leases of assets in which a significant portion of the risks and rewards of ownership were effectively retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

With effect from 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, where there is no third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

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

1.19 Leases - continued

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

1.20 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

1.21 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. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

As indicated in Note 1.1 above, the Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 1.19.

(a) The Group's leasing activities

The Group leases the use of the terminal and related facilities and various properties. Rental contracts are typically made for fixed periods of 5 to 21 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Extension and termination options

The Group leases various premises and other assets under operating leases. The leases run for an initial period of up to 21 years. Specific lease arrangements include an option to renew the lease after the original term but the amounts presented in the tables above do not reflect lease charges applicable to the renewal period.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

(b) Adjustments recognised upon adoption of IFRS 16 in the statement of financial position on 1 January 2019

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.65%.

2. **Changes in accounting policies** - continued

(b) Adjustments recognised upon adoption of IFRS 16 in the statement of financial position on 1 January 2019 - continued

The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets	– increase by €8,379,766
- lease liabilities	– increase by €8,379,766

The recognised right-of-use assets relate to terminal and related facilities and property.

Measurement of lease liabilities

	As at 1 January 2019 €'000
Operating lease commitments disclosed as at 31 December 2018 (Note 29)	12,280
Discounted using the incremental borrowing rate at the date of initial application	(3,901)
Lease liabilities recognised as at 1 January 2019	**8,379**
Of which are:	
Current lease liabilities	298
Non-current lease liabilities	8,081
	8,379

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. Changes in accounting policies - continued

(c) Amounts recognised in profit and loss

The income statement reflects the following amounts relating to leases:

	2019 €'000
Depreciation charge of right-of-use assets	
Terminal and related facilities	466
Properties	74
	540
Interest expense (included in finance costs)	
Terminal and related facilities	357
Properties	14
	371

Operating lease charges to be reflected within profit and loss, utilising the accounting principles of IAS 17 Leases had IFRS 16 not been adopted, during the period from 1 January 2019 to 31 December 2019 would have amounted to €766,187. Hence, profit before tax for the year ended 31 December 2019 has been impacted negatively by an amount of €145,393 in view of the adoption of the requirements of IFRS 16.

3. Financial risk management

3.1 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:

	2019 **€'000**	2018 €'000
Trade and other receivables – USD	**21**	38

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.

3. **Financial risk management** - continued

3.1 Financial risk factors - continued

(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.

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%	(-) 1%
	€'000	€'000
At 31 December 2019	(707)	707

(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:-

Financial assets measured at amortised cost	**Group**		**Company**	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Trade and other receivables (Note 11)	**4,871**	7,127	**65,813**	44,814
Cash and cash equivalents (Note 12)	**8,461**	1,414	**-**	-
Maximum exposure	**13,332**	8,541	**65,813**	44,814

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.

3. **Financial risk management** - continued

3.1 Financial risk factors - continued

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Group and Company do not hold collateral as security on its loans receivable.

The Group and Company apply the low credit risk simplification for all instruments that are externally rated at a rating of BBB- (or equivalent) or better; and the ECL provision for these instruments is accordingly measured at an amount equivalent to the 12-month ECLs. The Group and Company thus apply the simplification for its bank deposits.

As disclosed in Note 11, Virtu Maritime Limited has loaned amounts to the Ultimate parent and a fellow subsidiary. Credit risk with the ultimate parent is considered insignificant given that such receivable is off settable against the amounts due by Ultimate parent and therefore the Loss Given Default is negligible. Credit risk with respect to the receivable from the fellow subsidiary results in a possible loss allowance which the directors consider immaterial and has not been reflected in these financial statements. The Group and Company apply the credit risk management policies described above; for other receivables no losses have historically been incurred on any of the Group's and Company's balances, and management has determined that there has not been a significant increase in credit risk since origination. The ECL provision for these instrument is accordingly also measured at an amount equivalent to the 12-month ECLs.

At 31 December 2019 and 31 December 2018, cash and cash equivalents are held with a local financial institution with a credit rating of BBB-, and with other European financial institutions with a credit rating of BBB- or better. Balances are callable on demand or within a maximum period of one week. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet its contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month ECL as any such impairment would be wholly insignificant to the Group and Company.

(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.

3. Financial risk management - continued

3.1 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	Contractual Cash flows €'000	Within 1 year €'000	Between 1 and 5 years €'000	After 5 years €'000
Group					
At 31 December 2018					
Borrowings	28,710	32,770	6,589	20,219	5,962
Trade and other payables	29,365	29,365	4,965	-	24,400
	58,075	62,135	11,554	20,219	30,362
At 31 December 2019					
Lease liabilities	8,081	11,611	669	2,635	8,307
Borrowings	60,481	70,706	9,642	31,293	29,771
Trade and other payables	51,405	51,405	5,875	-	45,530
	119,967	133,722	16,186	33,928	83,608
Company					
At 31 December 2018					
Trade and other payables	24,553	24,553	153	-	24,400
Company					
At 31 December 2019					
Trade and other payables	45,530	45,530	-	-	45,530

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.

Notes 16 and 17 contains further details about the contractual undiscounted cash flows relating to the Group and Company's borrowings.

3. Financial risk management - continued

3.2 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 2019 is deemed adequate by the directors.

4. 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.

5. Intangible assets

	Goodwill	
	2019	2018
	€'000	€'000
Acquired upon business combination	**655**	655
Acquisition of subsidiaries	**49,351**	49,351
	50,006	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.

6. 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 2018					
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**
Year ended 31 December 2018					
Opening net book amount	92,522	602	271	278	93,673
Additions	2,307	31	40	126	2,504
Disposals	-	(31)	-	-	(31)
Depreciation	(2,600)	(179)	(91)	(103)	(2,973)
Depreciation released on disposal	-	31	-	-	31
Closing net book amount	92,229	454	220	301	93,204
At 31 December 2018					
Cost	119,336	2,012	2,127	692	124,167
Accumulated depreciation	(27,107)	(1,558)	(1,907)	(391)	(30,963)
Net book amount	**92,229**	**454**	**220**	**301**	**93,204**
Year ended 31 December 2019					
Opening net book amount	92,229	454	220	301	93,204
Additions	40,618	417	252	-	41,287
Depreciation	(5,027)	(185)	(147)	(103)	(5,462)
Closing net book amount	127,820	686	325	198	129,029
At 31 December 2019					
Cost	159,954	2,429	2,379	692	165,454
Accumulated depreciation	(32,134)	(1,743)	(2,054)	(494)	(36,425)
Net book amount	**127,820**	**686**	**325**	**198**	**129,029**

As at 31 December 2018, €34.8m included within the vessels category of the property, plant and equipment relate to the vessel under construction. No depreciation was recognised during the period in relation to the vessel under construction. The vessel was commissioned in 2019.

7. Right-of-use assets

The statement of financial position reflects the following assets relating to leases:

	Group	
	As at 31 December 2019 €'000	As at 1 January 2019 €'000
Terminal and related facilities	**7,646**	8,015
Properties	**290**	364
Total right-of-use assets	**7,936**	8,379

The movement in the carrying amount of right-of-use assets during the year is mainly attributable to depreciation charges.

8. Investments in subsidiaries

	Company	
	2019 €'000	2018 €'000
Company		
Year ended 31 December		
At end of period	**49,586**	49,586
At 31 December		
Cost or valuation	**49,586**	49,586

8. **Investments in subsidiaries** - continued

The subsidiary undertakings at 31 December are shown below:

Subsidiary undertakings	**Registered office**	**Class of shares held**	**Percentage of shares held** 2019	2018
Virtu Ferries Limited	Virtu Ta' Xbiex Terrace Ta' Xbiex	Ordinary shares	**100%**	100%
Virtu Ferries Srl	80 Via Studi 97016 Pozzallo Sicily	Ordinary shares	**95%**	95%
Virtu Ferries Travel Limited	Virtu Ta' Xbiex Terrace Ta' Xbiex	Ordinary shares	**100%**	100%
Virtu Rapid Ferries Limited	Virtu Ta' Xbiex Terrace Ta' Xbiex	Ordinary shares	**100%**	100%
Virtu Fast Ferries Limited	Virtu Ta' Xbiex Terrace Ta' Xbiex	Ordinary shares	**100%**	100%
Virtu Wavepiercer Limited	Virtu Ta' Xbiex Terrace Ta' Xbiex	Ordinary shares	**100%**	100%

9. **Deferred tax asset**

	2019 €'000	2018 €'000
Acquired upon business combination	**673**	159
Charged to income statement (Note 26)	**(161)**	514
At end of year	**512**	673

Deferred income taxes are calculated on all temporary differences under liability method using a principal applicable tax rate of 35% (2018: 35%).

9. Deferred tax asset - continued

The balance at 31 December represents temporary differences on:

	2019 €'000	2018 €'000
Property, plant and equipment	**227**	250
Provisions for impairment of trade receivables	**12**	54
Trading losses	**273**	369
	512	673

10. Inventories

	2019 €'000	2018 €'000
Inventories		
Goods held for resale	**109**	93
Vessel spares	**224**	251
	333	344

11. Trade and other receivables

	Group		Company	
	2019 €'000	2018 €'000	**2019 €'000**	2018 €'000
Non-current				
Amounts due from ultimate parent	-	1,357	**20,283**	20,250
Amounts due from subsidiary	-	-	**24,400**	24,400
Other receivables	**115**	115	-	-
	115	1,472	**44,683**	44,650
Current				
Trade receivables	**954**	1,500	-	-
Amounts due from ultimate parent	**3,304**	-	-	11
Amounts due from subsidiaries	-	-	**21,130**	153
Amounts due from related parties	**95**	-	-	-
Other receivables	**174**	3,944	-	-
Indirect taxes	**229**	211	-	-
Prepayments and accrued income	**913**	868	-	-
	5,669	6,523	**21,130**	164
Total trade and other receivables	**5,784**	7,995	**65,813**	44,814

11. **Trade and other receivables** - continued

Amounts due from ultimate parent, subsidiaries and related parties are unsecured, interest free and are repayable on demand except for the non-current amount of €44,683,000 that is repayable after more than five years.

In 2018, other receivables included amounts due as compensation agreed with the shipbuilders in lieu of variations to the vessel. These amounts were also included as accruals (Note 18) in anticipation of cost for works to be incurred by the Group to rectify faults.

In 2019, the Group's trade receivables are stated net of a provision for impairment of €34,565 (2018: €153,720). As at 31 December 2019, trade receivables of the Group amounting to €571,333 (2018: €598,063) were fully performing whilst trade receivables amounting to €383,302 (2018: €901,472) 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	
	2019	2018
	€'000	€'000
Within 3 months	**350**	672
Between 3 and 6 months	**33**	230
Total trade and other receivables	**383**	902

12. **Cash and cash equivalents**

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Cash at bank and in hand	**8,461**	1,414	**-**	-

13. **Share capital**

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Authorised				
5,000,000 ordinary shares of €1 each	**5,000**	5,000	**5,000**	5,000
Issued and fully paid up				
4,363,174 ordinary shares of €1 each	**4,363**	4,363	**4,363**	4,363

14. Other reserve

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Other reserve	**45,473**	45,473	**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 and the nominal amount of shares issued of €4.1 million.

15. 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. 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.

16. Lease liabilities

	Group	
	As at 31 December 2019	As at 1 January 2019
	€'000	€'000
Non-current		
Terminal and related facilities	**7,537**	7,781
Properties	**234**	300
	7,771	8,081
Current		
Terminal and related facilities	**244**	234
Properties	**66**	64
	310	298
Total lease liabilities	**8,081**	8,379

The total cash outflows for leases in 2019 was €766,187. The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 3(c).

17. Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Non-current				
Bank loans	**52,784**	23,226	**-**	-
Current				
Bank loans	**7,697**	5,484	**-**	-
Total borrowings	**60,481**	28,710	**-**	-

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	
	2019	2018
	€'000	€'000
At floating rates	**60,481**	28,710

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

	2019	2018
	%	%
Bank loans	**3.46**	4.58

The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 3(c).

17. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Non-current				
Amounts due to ultimate parent	**21,130**	-	**21,130**	-
Amounts due to fellow subsidiary	**24,400**	24,400	**24,400**	24,400
	45,530	24,400	**45,530**	24,400
Current				
Trade payables	**1,720**	2,053	**-**	-
Amounts due to ultimate parent	**440**	-	**-**	-
Amounts due to fellow subsidiary	**-**	153	**-**	153
Amounts due to related companies	**551**	2,426	**-**	-
Amounts due to directors	**143**	-	**-**	-
Other payables	**272**	229	**-**	-
Indirect taxes and social security	**128**	104	**-**	-
Accruals and deferred income	**2,621**	5,186	**16**	8
	5,875	10,151	**16**	161
Total trade and other payables	**51,405**	34,551	**45,546**	24,561

Amounts due to ultimate parent, fellow subsidiaries, directors and related companies are unsecured, interest free and repayable on demand apart for the non-current amount of €24,400,000 due to a fellow subsidiary, which is subject to an interest rate of 4.05% and is repayable in 2027 and the non-current amount of €21,130,000 due to ultimate parent which is unsecured, interest free and repayable after more than five years.

18. Revenue

Revenue is analysed as follows:-

	Group	
	2019	2018
	€'000	€'000
By class of business		
Ferry service, accommodation and excursions	**29,327**	27,101
Food and beverage sales	**914**	776
Charter hire and related income	**13,183**	5,271
	43,424	33,148

19. Expenses by nature

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Employee benefit expenses (Note 21)	**3,295**	3,116	**-**	-
Vessel operating expenses	**15,445**	13,838	**-**	-
Auditor's remuneration	**20**	21	**5**	8
Property, plant and equipment depreciation (Note 6)	**5,461**	2,973	**-**	-
Depreciation of right-of-use assets (Note 7)	**540**	-	**-**	-
Exchange differences	**(26)**	124	**-**	-
Motor vehicle operating lease charges	**49**	60	**-**	-
Other expenses	**3,485**	2,792	**3**	3
	28,269	22,924	**8**	11

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2018 and 2019 relate to the following:

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Annual statutory audit	**20**	21	**5**	8
Tax and compliance services	**4**	4	**-**	-

21. Employee benefit expense

	Group	
	2019	2018
	€'000	€'000
Wages and salaries	**3,004**	2,841
Social security	**291**	275
	3,295	3,116

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

	Group	
	2019	2018
Direct	**46**	44
Administration	**60**	66
	106	110

22. Director's remuneration

	Group	
	2019	2018
	€'000	€'000
Director's fees	**279**	279

During the year, the directors were granted benefits in kind amounting to €5,877 (2018: €4,109).

23. Other income

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Management fees	**412**	412	**-**	-
Advertising income	**95**	87	**-**	-
Other income	**222**	274	**130**	130
	729	773	**130**	130

24. Finance income

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Income from shares in subsidiaries	**-**	-	**21,130**	
Bank interest	**7**	16	**-**	-
Interest from related party	**852**	872	**988**	988
	859	888	**22,118**	988

25. Finance costs

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Bank and other interests	**3,233**	1,438	**988**	988
Interest charges on lease liabilities	**372**	-	**-**	-
	3,605	1,438	**988**	988

26. Tax expense

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Current tax	**34**	52	**15**	1
Deferred tax (income)/charge (Note 9)	**161**	(514)	**-**	-
Tax expense/(income)	**195**	(462)	**15**	1

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Profit before tax	**13,038**	10,447	**21,152**	12
Tax on profit at 35%	**4,563**	3,656	**7,403**	4
Tax effect of:				
Expenses not deductible for tax purposes	**28**	29	**(7,395)**	-
Under provision in prior year	**-**	-	**7**	-
Other differences	**58**	(102)	**-**	-
Exempt income as a result of the provisions of the Merchant Shipping Act	**(4,454)**	(4,042)	**-**	-
Credit losses from prior year	**-**	(3)	**-**	(3)
Tax expense/(income)	**195**	(462)	**15**	1

27. Dividends

	Group and Company	
	2019	2018
	€'000	€'000
Final dividends paid on ordinary shares:		
Gross and net dividends	**21,130**	-
Dividends per share	**4.84**	-

28. Cash generated from/(used in) operations

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

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Operating profit	**15,784**	10,997	**22**	12
Adjustments for:				
Depreciation of property, plant and equipment (Note 6)	**5,462**	2,973	**-**	-
Depreciation of right-of-use assets (Note 7)	**540**	-	**-**	-
Interest charged on lease liabilities	**372**	-	**-**	-
Changes in working capital:				
Inventories	**11**	(95)	**-**	-
Trade and other receivables	**497**	219	**(20,999)**	(1,106)
Trade and other payables	**1,067**	3	**(145)**	1,094
Cash generated from/(used in) operations	**23,733**	14,097	**(21,122)**	-

29. Commitments

Operating lease commitments - where the Group is the lessee

The Group's commitments principally relate to terminal and related facilities leases and property leases. The future minimum payments payable under non-cancellable operating arrangements are as follows:

	2019	2018
	€'000	€'000
Not later than 1 year	**-**	670
Later than 1 year and not later than 5 years	**-**	3,304
Later than 5 years	**-**	8,306
	-	12,280

Operating lease commitments relate to the following types of leases:

	2019	2018
	€'000	€'000
Terminal and related facilities	**-**	11,876
Properties	**-**	404
	-	12,280

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. Refer to Note 2.

30. Events after the reporting date

Reference is made to the section in the Directors' Report under the heading "Events after the Reporting date", which sets out details of the impact of the Coronavirus in early 2020 on the operations of the Group, and the mitigating measures taken in response thereto. Following these measures, and a review carried out by the Board, the Directors expect that the Group will be able to sustain its operations over the next twelve months, and to meet its obligations as and when they fall due. Accordingly, for these reasons the Board is of the opinion that it remains appropriate to adopt the going concern basis in the preparation of these financial statements. The Board is also of the opinion that based on its assessment of the current position and the mitigation measures being taken, the Group and the Company have adequate resources to continue in operation for the foreseeable future.

31. Contingencies

(i) The company issued guarantees in favour of third parties amounting to €97,930 (2018: €39,856).

(ii) One of the subsidiaries of the group has received a number of claims which are not expected to result in substantial financial losses.

32. Derivative financial instruments

During 2019, the Group entered into commodity swap agreements for a predefined quantity of Platts Gasoil at a fixed price per metric tonne for each calendar month from 1 January 2019 to 30 June 2021. The fuel hedging derivative contracts have monthly exercise and settlement dates, and settlement is effected on the difference between the agreed fixed price for fuel oil and market price on a monthly basis.

The terms and notional amounts of the hedging commodity derivatives that were outstanding as at 31 December 2019 are as follows:

Maturity date	Notional amount	Settlement terms
Commodity swap agreements expiring on 30 June 2020; and 30 June 2021	10,800 metric tonnes	Pay-fixed and receive variable per metric tonne

The notional amount is divided equally into eighteen months for two agreements.

33. 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 Somanda Holdings Limited and Compass Rose Properties Limited to be related parties.

The following transactions were carried out with related parties:

	Group		Company	
	2019	2018	**2019**	2018
	€'000	€'000	**€'000**	€'000
Interest income from associates	**852**	872	**-**	-
Interest income from subsidiaries	**-**	-	**(1,118)**	(1,118)
Ship management fees charged to associates	**240**	372	**-**	-
Interest expense paid to related party	**(1,088)**	(1,095)	**(1,088)**	(1,095)
Rental expense paid to related party	**(30)**	(30)	**-**	-

The transactions referred to above were carried out on commercial terms. Year-end balances with related parties are disclosed in Notes 11 and 18 to these financial statements.

Key management personnel compensation, consisting of directors' remuneration, is disclosed in Note 22.

34. Statutory information

Virtu Maritime Limited is a limited liability company and is incorporated in Malta.

The parent company of Virtu Maritime Limited is Virtu Holdings Limited, a company registered in Malta, with its registered address at 'Virtu', Ta' Xbiex Terrace, Ta' Xbiex. The figures in the financial statements of Virtu Maritime Limited are included in the consolidated financial statements prepared by Virtu Holdings Limited.

35. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.