Virtu Finance p.l.c.

"Virtu", Ta' Xbiex Terrace, Ta' Xbiex, XBX 1034 - Malta

COMPANY ANNOUNCEMENT

Virtu Finance p.l.c.

Approval of the Company's Audited Financial Statements for the financial year ended 31 December 2018

Date of Announcement	25 April 2019
Reference	09/2019

In terms of Chapter 5 of the Listing Rules

QUOTE

During the meeting of the Board of Directors of Virtu Finance p.l.c. (the "Company"), held today the 25th April 2019, the Board of Directors of the Company approved the Company's audited financial statements for the financial year ended 31st December 2018.

The audited financial statements are attached herewith and are also available for viewing on the Company's website at http://www.virtu.com.mt/investor-downloads/.

Furthermore, it is hereby announced that the audited financial statements of Virtu Maritime Limited (C-81559, the guarantor of the €25,000,000 3.75% Unsecured Bonds 2027 issued by the Company in terms of a prospectus dated 30th October 2017) as at 31st December 2018 have been approved by its board of directors on the 25th April 2019 and have been made available for viewing on the webpage referred to above, in accordance with Listing Rule 5.61.

UNQUOTE

By order of the Board of Directors of Virtu Finance p.l.c.

Malcolm Falzon
COMPANY SECRETARY

VIRTU FINANCE PLC

Annual Report and Financial Statements
31 December 2018

Company Registration Number: C 81622

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Principal activity

Virtu Finance plc (the "company") is a public liability company and was registered in Malta on 6 July 2017. The company is a wholly owned subsidiary of Virtu Holdings Ltd and its principal activity is to raise financial resources from capital markets to finance operations and capital projects of the Virtu Group of companies.

Review of the business

Comparative amounts for 2017 cover the period from 6 July to 31 December 2017. During the year under review, the company registered a profit before taxation amounting to €7,381 (2017: €1,806). After allowing for taxation, the profit for the year amounted to €4,798 (2017: €1,174).

Financial Performance

Revenue amounting to €1,095,200 (2017: €155,377) is generated from a facility fee and interest charged on loans advanced to Virtu Maritime Limited. Financial costs comprise interest payable on the outstanding bond issue and amortisation of the issue costs thereof amounting to €986,352 (2017: €84,580). Administrative expenses mainly comprise directors' emoluments amounting to €45,000 (2017: €45,000) and legal and professional fees amounting to €55,593 (2017: €23,991).

The directors do not expect any significant changes in the company's activities in the short-term period and expect that the company will continue to register a surplus based on projections for the foreseeable future.

Financial Position

The company's balance sheet is in the main made up of the 3.75% unsecured bonds in issue of €25 million and a corresponding loan amounting to €24.4 million advanced to Virtu Maritime Limited, the guarantor of this bond. The loan receivable and the bond issued during 2017 are classified in Virtu Finance plc's balance sheet under non-current assets and non-current liabilities respectively as at 31 December 2018 and 2017. Virtu Finance plc's equity amounted to €505,972 (2017: €501,174).

Guarantor's performance for 2018 and outlook for 2019

The financial statements of Virtu Maritime Limited, the guarantor of the bonds issued by Virtu Finance plc, show a net asset position of €90.4 million (2017: €79.5 million) for the Group and €69.8 million for the company as at 31 December 2018 (2017: €69.8 million), mainly arising from the investment in subsidiaries forming part of the Virtu Maritime Group amounting to €49.6 million (2017: €49.6 million).

Virtu Maritime Limited is the holding company for the subsidiary companies forming part of the Virtu Maritime Group (the "Group") and does not itself carry on any trading activities. As such, the principal activities and markets in which Virtu Maritime Limited operates correspond to the principal activities and markets of the Group companies, whose main activities comprise of a fast ferry service between Malta and Sicily, the lease of a ferry in the Strait of Gibraltar, and other ancillary services related to the fast ferry service.

The Group remains committed to providing a service in conformity with international standards of safety and comfort and the outlook for 2019 is a positive one. The new catamaran 'Saint John Paul II' was delivered to Virtu Wavepiercer Limited on 6th February 2019 by shipbuilders Incat Tasmania and was awarded the prestigious notation "Significant Ship 2018" by the highly respected Royal Institute of Naval Architects. The 'Saint John Paull II' complies with the International Maritime Organisation HSC Code 2000 rules as amended, the Malta Flag Statutory Requirements, Italian Port State Rules and EU Directive 1999/35/EC. An Open Day event to visit the vessel was held on the 10th March 2019 which over 12,000 people attended; the vessel commenced operations the following day.

Directors' report - continued

Guarantor's performance for 2018 and outlook for 2019 - continued

HSC 'Jean de la Valette', operational on the Malta-Sicily route from 2010, set sail from Malta on 16th March 2019 for annual drydocking and refit in Cadiz, Spain. The vessel is expected to be back in operation in June 2019 and the directors are discussing viable options for its future operations.

Fuel prices are currently at manageable levels and a fuel surcharge mechanism remains in place, should the need arise. However, world fuel prices remain volatile and to this end, the Group hedged 65% of expected consumption for 2019.

The Group benefits from the continued growth in the Maltese economy and in tourism arrivals in Malta. Due to the ongoing favourable economic outlook we look forward to another year of positive results.

Financial risk management

The company's activities expose it to a variety of financial risks, including credit risk and liquidity risk. Reference should be made to Note 2 to these financial statements for a detailed review of how the company addresses such risks.

Results and dividends

The financial results are set out in the statement of comprehensive income on page 18. The directors do not recommend the payment of a dividend.

Directors

The directors of the company who held office during the year were:

Charles Borg – Non-Executive, Independent Chairman
Matthew Portelli – Executive Director
Roderick Chalmers – Non-Executive, Independent Director
Stephanie Attard Montalto – Executive Director
Stefan Bonello Ghio – Non-Executive Director

The Board meets on a regular basis to discuss financial performance, financial position and other matters.

Statement of directors' responsibilities for the financial statements

The directors are required by the Companies Act, 1995 to prepare financial statements which 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 relevant to the preparation and the fair presentation of the 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.

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

The financial statements of Virtu Finance plc for the year ended 31 December 2018 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.

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.

Disclosure in terms of the Listing Rules

Going concern statement pursuant to Listing Rule 5.62

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

Principal risks and uncertainties faced by the Company

The company's main objective, as a finance company for the Virtu Maritime Group of companies, is to raise funds, mainly from the capital market, to finance the operations and capital projects of the Virtu Maritime Group. In this context, the company's ability to recover loans issued to its fellow subsidiary is dependent on the performance of the companies within the Group to which amounts have been advanced by the company.

The Group's business activities mostly comprise a fast ferry service between Malta and Sicily, the lease of a ferry in the Strait of Gibraltar, and other ancillary services related to the fast ferry service. The Group is therefore susceptible to negative local economic developments and overseas trends related to preference for commercial transport and tourists to travel by ferry.

Within this context, the directors have evaluated the risks faced by the various companies to which funds have been advanced and continue to monitor closely the impact of events as they take place in the local and global economy and how these impact the ability of the various companies within the Group so as to honour their financial commitments. On the basis of this analysis, the directors are of the view that all amounts receivable by the company are recoverable.

In case of default by Group companies to repay loans to Virtu Maritime Limited, Virtu Maritime Limited guarantees to pay all amounts of principal and interest due by the issuer to the bondholders which remains unpaid by the issuer.

A detailed review of the risk management policies employed by the company is included in Note 2 of these financial statements.

Pursuant to Listing Rule 5.64

Share capital structure

The company's authorised and issued share capital is €500,000 divided into 500,000 Ordinary shares of €1 each. The share capital consists of one class of ordinary shares carrying equal rights. No restrictions apply to the transfer of shares.

Directors' report - continued

Disclosure in terms of the Listing Rules - continued

Appointment and Replacement of Directors

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.

Board Member Powers

The powers of the Board members are contained in Articles 54-69 of the company's Articles of Association.

No disclosures are being made pursuant to listing Rules 5.64.3, 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.10 as these are not applicable to the company.

Contracts with Board Members and Employees

The company has no contract with any of its Board members that include a severance payment clause. The company had no employees during the year ended 31 December 2018 and non-executive directors were paid €45,000 for services rendered during the year.

Pursuant to Listing Rule 5.70.1

In the normal course of the company's business, during 2017 the company advanced by way of loan, an amount of €24,400,000 to Virtu Maritime Limited, the parent company of the Virtu Maritime Group, the guarantor of the bond in issue by the company. Details of such contract is set out in note 4 to these financial statements.

Pursuant to Listing Rule 5.68

Statement by the Directors on the Financial Statements and Other Information included in the Annual Report

The directors declare that to the best of their knowledge, the financial statements included in the Annual Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit of the company and that this report includes a fair review of the development and performance of the business and position of the company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the board

Charles Borg
Chairman

Stephanie Attard Montalto
Director

Registered office
Virtu
Ta'Xbiex Terrace
Ta'Xbiex
Malta

Company Secretary:
Dr. Malcolm Falzon

Tel. No: +356 21238989

25 April 2019

Corporate Governance - Statement of Compliance

Introduction

The Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, require listed companies to observe The Code of Principles of Good Corporate Governance (the "Code"). Although the adoption of the Code is not obligatory, Listed Companies are required to include, in their Annual Report, a Directors' Statement of Compliance which deals with the extent to which the company has adopted the Code of Principles of Good Corporate Governance and the effective measures that the company has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

Compliance

Since its incorporation, the company's principal activity was to raise funds mainly from the capital market to finance the operations and capital projects of the Virtu Maritime Group.

In deciding on the most appropriate manner in which to implement the Principles, the Board of Virtu Finance plc (the "Board") has taken cognisance of its size, which inevitably impacts on the structures required to implement the Principles without diluting the effectiveness thereof. The company does not have any employees. Accordingly, some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

Roles and responsibilities

The Board of Directors is responsible for devising a strategy, setting policies and the management of the company. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the company. The Board is also responsible for decisions relating to the redemption of the Bond and for monitoring that its operations are in conformity with the Prospectus and all relevant rules and regulations.

Throughout the year under review, the Board regularly reviewed management performance. The company has in place systems whereby the directors obtain timely information from the Virtu Maritime Group of companies Chairman, not only at meetings of the Board but at regular intervals or when the need arises.

Complement of the Board of Directors

The Board is composed of two executive and three non-executive directors, as listed below. The directors are the same as those at the date of incorporation of the company.

Executive Directors

Matthew Portelli
Stephanie Attard Montalto

Non-Executive Directors

Charles Borg
Roderick Chalmers
Stefan Bonello Ghio

Corporate Governance - Statement of Compliance - continued

Charles Borg, Stefan Bonello Ghio and Roderick Chalmers hold non-executive positions with Virtu Maritime Limited, being a subsidiary of Virtu Holdings Limited and the Guarantor of Virtu Finance plc. Matthew Portelli and Stephanie Attard Montalto are executive directors on Virtu Holdings Ltd and on other subsidiary companies of Virtu Holdings Limited. For the purpose of the provisions of the Code, the Board considers Charles Borg and Roderick Chalmers as independent.

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.

Internal Control

The Board is responsible for the company's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud.

Systems and procedures are in place for the company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the directors on a regular basis.

The approval of credit to customers is made by the Group Financial Controller, in strict adherence to a Board-approved limit. Proposals falling outside the limit are referred, together with the supporting documentation and the Financial Controller's recommendations, to the Board. The Board also approves, after review and recommendation by the Audit Committee, the transfer of funds and other amounts payable to companies within the same group and ensures that these are subject to terms and conditions which are on an arm's length basis.

Directors' Attendance at Board Meetings

The Board believes that it has systems in place to fully comply with the principles of the Code. Directors meet regularly, mainly to review the financial performance of the company and to review internal control processes. Board members are notified of forthcoming meetings by the company Secretary with the issue of an agenda and supporting Board papers, which are circulated well in advance of the meeting. All the directors have access to independent professional advice at the company's expense should they so require.

The Board met formally five times during the year under review. The number of board meetings attended by directors for the year ended 31 December 2018 is as follows:

Members	Attended
Matthew Portelli	5
Stephanie Attard Montalto	5
Roderick Chalmers	5
Charles Borg	5
Stefan Bonello Ghio	5

Corporate Governance - Statement of Compliance - continued

Committees

The directors believe that, due to the company's size and operation, the remuneration, evaluation and nominations committees that are suggested in the Code are not required, and that the function of these can efficiently be undertaken by the Board itself. However, the Board on an annual basis undertakes a review of the remuneration paid to the directors and carries out an evaluation of their performance and that of the Audit Committee. The shareholders approve the remuneration paid to the directors at the annual general meeting.

Audit Committee

The Board established an Audit Committee (the "Committee") in 2017 and has formally set out Terms of Reference as outlined in the Principles laid out in the Listing Rules. The purpose of the Committee is to protect the interest of the company's share, bond holders, and assist the directors in conducting their role effectively. The Audit Committee also monitors the financial reporting process, the effectiveness of internal control and the audit of the annual financial statements. Additionally, it is responsible for monitoring the performance of the entities borrowing funds from the company, to ensure that budgets are achieved and if not, that corrective action is taken as necessary. It also scrutinises and supervises related party transactions for materiality and ensures that these are carried out at arm's length basis. By a letter dated 30th October 2017, the Listing Authority considered the Terms of Reference as having sufficient safeguards to ensure the independence of the Audit Committee.

The Members of the Audit Committee are:

Roderick Chalmers - Chairman of the Audit Committee, Non-Executive, Independent Director
Charles Borg - Non-Executive, Independent Director
Stefan Bonello Ghio - Non-Executive Director

Mr Roderick Chalmers and Mr Stefan Bonello Ghio are Certified Public Accountants, whilst Mr Charles Borg holds a banking degree and a Masters degree in financial legislation.

The Committee met four times during the year ended 31 December 2018.

Corporate Governance - Statement of Compliance - continued

Remuneration Statement

In terms of the company's Memorandum and Articles of Association, it is the shareholders of the company in the General Meeting who determine the maximum annual aggregate remuneration of the directors. The aggregate amount approved and paid to directors for this purpose during the year was €45,000.

None of the directors is employed or has a service contract with the company.

No part of the remuneration paid to the directors is performance based. None of the directors, in their capacity as a Director of the company, is entitled to profit sharing, share options or pension benefits.

Relations with bondholders and the market

The company publishes interim and annual financial statements and, when required, company announcements. The Board feels these provide the market with adequate information about its activities.

Conflicts of Interest

On joining the Board and regularly thereafter, directors and officers of the company are informed and reminded of their obligations on dealing in securities of the company within the parameters of law and Listing Rules. The company has also set reporting procedures in line with the Listing Rules, Code of Principles, and internal code of dealing.

Signed on behalf of the Board of Directors on 25 April 2019 by:

Roderick Chalmers
Chairman of the Audit Committee

Charles Borg
Chairman of the Board

Independent auditor's report

To the Shareholders of Virtu Finance plc

Report on the audit of the financial statements

Our opinion

In our opinion:

- Virtu Finance plc's financial statements give a true and fair view of the company's financial position as at 31 December 2018, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Virtu Finance plc's financial statements, set out on pages 17 to 38, comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement 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.

Independent auditor's report - *continued*

To the Shareholders of Virtu Finance plc

Basis for opinion - *continued*

Independence

We are independent of the 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.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the company, in the period from 1 January 2018 to 31 December 2018, are disclosed in Note 12 to the financial statements.

Our audit approach

Overview

Overall materiality: €263,000 , which represents 1% of total assets.

Recoverability of group balances

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Independent auditor's report - *continued*

To the Shareholders of Virtu Finance plc

Our audit approach - *continued*

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€263,000 (2017: €250,900)
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is an appropriate measure for an entity which does not operate and that includes significant balances of assets and liabilities. We chose 1% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €13,150 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report - *continued*

To the Shareholders of Virtu Finance plc

Our audit approach - continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Recoverability of group balances	
Trade and other receivables include funds advanced to Virtu Maritime Limited for the financing of the acquisition of a Fast Ferry by one of the subsidiaries of the Group. The loan bears interest at 4.05% and is repayable over the period to 2027 to enable Virtu Finance plc to repay the bond issued during 2017 which was obtained to finance the loan to the Group. Virtu Maritime Limited acts as the guarantor for the said bond. Loan balances due to the company from the Virtu Maritime Group as at 31 December 2018 amounted to €24.4m and further current balances amount to €153K. Management assesses recoverability of the loan by reference to the expected future cash flows of the Virtu Maritime Group. The loans are the principal asset of the company, which is why we have given additional attention to this area. Refer to Note 4 in these financial statements.	We have agreed the terms surrounding the loans to supporting loan agreements. We evaluated the suitability and appropriateness of the methodology of the cash flow model of the Virtu Maritime Group to assess the recoverability of the loan. We checked the calculations used in the model for accuracy and the key inputs in the model were agreed to approved sources. Management's cash flow forecasts used in the model were assessed by: - testing that the forecasts agreed to the most recent business plan which had been approved by the Board of Directors of the Virtu Maritime Group; and - considering current year Group's performance against the plan and the reasons for any deviation also through discussion with management. We also challenged the revenue growth assumptions given the developments of the Group during the year. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of this loan. The appropriateness of disclosures made in the financial statements in relation to loans and receivables from group companies was also reviewed.

Independent auditor's report - *continued*

To the Shareholders of Virtu Finance plc

Other information

The directors are responsible for the other information. The other information comprises of 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 year 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 and those charged with governance 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 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 company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Independent auditor's report - *continued*

To the Shareholders of Virtu Finance plc

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 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent auditor's report - *continued*

To the Shareholders of Virtu Finance plc

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

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

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 5 to 8 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Independent auditor's report - continued

To the Shareholders of Virtu Finance plc

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stephen Mamo
Partner

25 April 2019

Statement of financial position

	Notes	As at 31 December 2018 €	2017 €
ASSETS			
Non-current assets			
Loans and receivables	4	**24,400,000**	24,400,000
Total non-current assets		**24,400,000**	24,400,000
Current assets			
Trade and other receivables	5	**692,407**	690,916
Cash and cash equivalents	6	**89,486**	-
Total current assets		**781,893**	690,916
Total assets		**25,181,893**	25,090,916
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	**500,000**	500,000
Retained earnings		**5,972**	1,174
Total equity		**505,972**	501,174
Non-current liabilities			
Borrowings	8	**24,459,007**	24,410,155
Total non-current liabilities		**24,459,007**	24,410,155
Current liabilities			
Trade and other payables	9	**214,331**	178,955
Current tax liabilities		**2,583**	632
Total current liabilities		**216,914**	179,587
Total liabilities		**24,675,921**	24,589,742
Total equity and liabilities		**25,181,893**	25,090,916

The notes on pages 21 to 38 are an integral part of these financial statements.

The financial statements on pages 17 to 38 were authorised for issue by the board on 25 April 2019 and were signed on its behalf by:

Charles Borg
Chairman

Stephanie Attard Montalto
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2018 €	Period from 6 July to 31 December 2017 €
Interest and other related income	10	**1,095,200**	155,377
Interest payable and similar charges	11	**(986,352)**	(84,580)
Gross profit		**108,848**	70,797
Administrative expenses	12	**(101,467)**	(68,991)
Profit before tax		**7,381**	1,806
Tax expense	14	**(2,583)**	(632)
Profit for the year/period		**4,798**	1,174
Earnings per share	15	**0.0096**	0.0023

The notes on pages 21 to 38 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Retained earnings €	Total €
Balance at 6 July 2017		-	-	-
Comprehensive income				
Profit for the period - total comprehensive income		-	1,174	1,174
Transactions with owners				
Issue of share capital	7	500,000	-	500,000
Balance at 31 December 2017		**500,000**	**1,174**	**501,174**
Balance at 1 January 2018		500,000	1,174	501,174
Comprehensive income				
Profit for the year - total comprehensive income		-	4,798	4,798
Balance at 31 December 2018		**500,000**	**5,972**	**505,972**

The notes on pages 21 to 38 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2018 €	Period from 6 July to 31 December 2017 €
Cash flows from operating activities			
Cash generated from/(used in) operations	16	**90,118**	(505,198)
Tax paid		**(632)**	-
Net cash generated from/(used in) operating activities		**89,486**	(505,198)
Cash flows from investing activities			
Loans issued to fellow subsidiary	4	-	(24,400,000)
Net cash used in investing activities		-	(24,400,000)
Cash flow from financing activities			
Issue of Share Capital	7	-	500,000
Proceeds from Bond Issue	8	-	25,000,000
Bond issue costs	8	-	(594,802)
Net cash generated from financing activities		-	24,905,198
Net movement in cash and cash equivalents		**89,486**	-
Cash and cash equivalents at beginning of year/period		-	-
Cash and cash equivalents at end of year/period	6	**89,486**	-

The notes on pages 21 to 38 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act, 1995. The financial statements have been prepared under the historical cost convention.

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 judgment in the process of applying the company's accounting policies (see Note 3 – Critical accounting estimates and judgments).

Standards, interpretations and amendments to published standards effective in 2018

In 2018, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies impacting the company's financial performance and position.

IFRS 9 – Financial Instruments

IFRS 9 replaced the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement; the company adopted IFRS 9 on 1 January 2018, which is the date of initial application of the standard. IFRS 9 has resulted in changes in accounting policies related to the classification and measurement and impairment of financial assets. The company has taken advantage of the exemption in IFRS 9 allowing it not to restate comparative information for prior periods with respect to classification and measurement and impairment charges.

(a) Classification of Financial assets under IFRS 9

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

The transition from IAS 39 to IFRS 9 did not have a material impact on the company's measurement models applied to its financial assets; the differences between IAS 39 and IFRS 9 consists solely of reclassifications. Reclassification adjustments reflect the movement of balances between categories of financial assets with no impact to shareholders' equity. There is no change to the carrying value of financial instruments as a result of reclassifications.

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

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2018 - continued

IFRS 9 – Financial Instruments - continued

(a) Classification of Financial assets under IFRS 9 - continued

The application of IFRS 9 resulted in the reclassification of all the company's financial assets from the 'Loans and receivables' category in IAS 39 to 'Financial assets at amortised cost' under IFRS 9. These assets comprise loans, trade and other receivables and cash and cash equivalents. The new classification requirements have not had a material impact on the company's accounting for loans and receivables, which continued to be measured at amortised cost upon the adoption of IFRS 9, and they did not have an impact on the classification of the company's financial liabilities.

The changes in classification accordingly had no impact on the company's equity and tax balances.

(b) Impairment

From 1 January 2018, the company has to assess on a forward-looking basis the expected credit losses 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. IFRS 9 replaced the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the company's financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the expected credit losses are immaterial.

For trade and other receivables, the company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all trade receivables. The impact on the company of this change in the impairment model is not significant in view of the high quality of the counterparties to which the company is exposed to credit risk, and the loss allowance is not material.

With respect to its loans from related parties, the company applies IFRS 9's three-stage impairment model ("the general model"). The first step of the general model is to determine which impairment 'stage' the loans sit within. At initial recognition, loans are generally within 'stage 1', which requires a 12-month expected credit loss to be calculated for each balance. The model then requires monitoring of the credit risk associated with the loan to consider if there has been a significant increase since initial recognition. If there has been a significant increase in credit risk (the loan is now in 'stage 2'), or the asset has become credit impaired (the loan is now in 'stage 3'), a lifetime expected credit loss must be recognised.

In determining whether a significant increase in credit risk has occurred, the company takes into account the related parties' performance and financial position, as well as expected future cash flows. With respect to these loans, the impact on the company of this change in the impairment model is not significant in view of the high quality of the counterparty to which the company is exposed to credit risk, and the loss allowance is not material.

The new policy is disclosed in more detail in note 1.4.

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

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2018 - continued

IFRS 15 Revenue from contracts with customers

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when customers obtain control of the good or service and thus have the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and related interpretations.

After taking cognisance of the nature of the company's contracts with customers, it was concluded that the transition to IFRS 15 was immaterial and no adjustments were made to the company's results and financial position.

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 that are mandatory for the company's accounting periods beginning after 1 January 2018. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

Going concern

The company's principal activity is to act as a finance company for the Virtu Maritime Group of companies and to effectively and efficiently manage the financing requirements of the Group's new fast ferry. In this context, the company's ability to recover loans issued to its fellow subsidiary is dependent on the performance of the companies within the Group to which amounts have been advanced by the company.

In preparing these financial statements the directors of the company have made reference to the cash flow forecast of the Group covering the years 2018 to 2027. The cash flow forecast assumes that the Group will continue to generate the required cash flows from its activities, mainly comprising a fast ferry service between Malta and Sicily, the lease of a ferry in the Strait of Gibraltar, and other ancillary services related to the fast ferry service. The revised cash flow forecasts assume that the new vessel will be fully deployed on the Malta-Sicily route, plans for the utilisation of the Jean de la Vallette, whether on the Malta-Sicily route, on or other routes have not yet been finalised. The Group is therefore susceptible to negative local economic developments and overseas trends related to preference for commercial transport and for tourists to travel by ferry.

Based on the foregoing, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements however, do not include any adjustments in the event that the forecast and assumptions as set out above do not materialise as planned.

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

1.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors that makes strategic decisions. The board of directors considers the company to be made up of one segment, which is raising financial resources from capital markets to finance the Group's working capital and other capital projects. The company's main revenue and expenses are generated in Malta and Sicily and revenue is mainly earned from other companies forming part of the Virtu Maritime Group of companies.

1.3 Foreign currency translation

Functional and presentation currency

Items included in these 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 functional and presentation currency.

1.4 Financial assets

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

Accounting policy applied from 1 January 2018

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.

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

1.4 Financial assets - continued

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 statement of comprehensive income.

Impairment

The company assesses 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 company's financial assets are subject to the expected credit loss model.

Expected credit loss model

The company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. The company assumes 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 company in full, without recourse by the company to actions 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 company is 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.

1. Summary of significant accounting policies - continued

1.4 Financial assets - continued

At each reporting date, the company assesses 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.

Simplified approach model

For trade receivables, the company applies 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 2018 or 1 January 2018, 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.

Accounting policy applied until 31 December 2017

Classification

The company classified its financial assets as loans and receivables. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They arose when the company provided money, goods or services directly to a debtor with no intention of trading the asset. They were included in current assets, except for maturities greater than twelve months after the end of the reporting period. These were classified as non-current assets. The company's loans and receivables comprised trade and other receivables (note 1.5) in the statement of financial position.

Recognition and measurement

The company recognised a financial asset in its statement of financial position when it became a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets were recognised on settlement date, which is the date on which the company commits to purchase or sell the asset.

Financial assets were initially recognised at fair value plus transaction costs. Available-for-sale financial assets were subsequently carried at fair value. Loans and receivables were subsequently carried at amortised cost using the effective interest method. Amortised cost was the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

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

1.4 Financial assets - continued

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

Impairment

The company assessed at the end of each reporting period whether there was objective evidence that a financial asset or a group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The company first assessed whether objective evidence of impairment exists. The criteria that the company used to determine that there was objective evidence of an impairment loss included:

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

(a) Assets carried at amortised cost

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

1.5 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.

Details about the company's impairment policies and the calculation of loss allowance are provided in Note 1.4.

1.6 Current and deferred tax

The tax expense for the year 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.

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

1.6 Current and deferred tax - continued

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 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 substantively 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.

1.7 Share capital

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

1.8 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities'). These financial liabilities 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 company 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.

1.9 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 company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Issue costs incurred in connection with the issue of the bonds include professional fees, publicity, printing, listing, registration, underwriting, management fees, selling costs and other miscellaneous costs.

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

1.10 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.

1.11 Provisions

Provisions for legal claims are recognised when the company 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.

1.12 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 company's activities. The company 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 company's activities as described below.

(a) Interest income

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

(b) Management fee income

Management fee income is recognised in the period to which such management services relate.

(c) Dividend income

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

1.13 Dividend distribution

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

1.14 Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

2. Financial risk management

2.1 Financial risk factors

The company constitutes a financing special purpose vehicle whose bonds are matched by equivalent amounts due from, and guaranteed by, Virtu Maritime Limited (a fellow subsidiary). The company's principal risk exposures relate to credit risk and liquidity risk. The company is not exposed to currency risk and the directors deem interest rate risk exposure to be minimal due to matching of its interest costs on borrowings with finance income from its loans and receivables referred to above.

(a) Credit risk

Credit risk arises from loans receivable from Virtu Maritime Limited (Note 4).

The company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward-looking information in determining any expected credit loss.

The company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

Financial assets measured at amortised cost (classified as loans and receivables in 2017):	**2018**	2017
	€	€
Loans receivable from fellow subsidiary (Note 4)	**24,400,000**	24,400,000
Other receivables from Group companies (Note 5)	**687,705**	689,807
Cash and cash equivalents (Note 6)	**89,486**	-
	25,177,191	25,089,807

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 company does not hold collateral as security on its loans receivable.

The company applies 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 company thus applies the simplification for its bank deposits.

As disclosed in Note 4, Virtu Maritime Limited has issued corporate guarantees with respect to the company's bonds. These borrowings have been loaned to Virtu Maritime Limited through the issue of the company's loans and receivables. Credit risk with respect to this receivable is limited since there were no indications that Virtu Maritime Group is unable to meet its obligations. The company applies the credit risk management policies described above; no losses have historically been incurred on any of the company's balances, and management has determined that there has not been a significant increase in credit risk since origination. The ECL provision for this instrument is accordingly also measured at an amount equivalent to the 12-month ECLs.

The company's management has also determined that the macroeconomic situation of the Group and the duration of the receivable is not changing, accordingly even after considering the macroeconomic overlay onto the expectations of credit losses, the resulting impairment allowance is immaterial to the company's financial position and results.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Credit risk - continued

At 31 December 2018 and 31 December 2017, cash and cash equivalents are held with a local financial institution with a credit rating of BBB, and 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 counterparty has 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 company.

(b) Liquidity risk

The company is exposed to liquidity risk arising primarily from its ability to satisfy liability commitments depending on cash inflows receivable in turn from the Virtu Maritime Group.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period to ensure that no additional financing facilities are expected to be required over the coming year. This process is performed through a rigorous assessment of detailed cash flow projections of the fellow subsidiary where matching of cash inflows and outflows arising from expected maturities of financial instruments are assessed on an annual basis.

The carrying amounts of the company's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date in the respective notes to the financial statements.

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally interest-bearing borrowings and trade and other payables (refer to Notes 8 and 9). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the company's obligations and ensuring that alternative funding is available when the bonds are due for repayment.

The following table analyses 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 tables below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount €	Contractual cash flows €	Due within one year €	Between 1 and 5 Years €	Over 5 years €
31 December 2018					
Unsecured bond	24,459,007	33,437,500	937,500	3,750,000	28,750,000
Trade and other payables	214,331	214,331	214,331	-	-
	24,673,338	**33,651,831**	**1,151,831**	**3,750,000**	**28,750,000**
31 December 2017					
Unsecured bond	24,410,155	34,375,000	937,500	3,750,000	29,687,500
Trade and other payables	178,955	178,955	178,955	-	-
	24,589,110	**34,553,955**	**1,116,455**	**3,750,000**	**29,687,500**

2.2 Capital risk management

The company's bonds are guaranteed by Virtu Maritime Limited (a fellow subsidiary). Related finance costs are also guaranteed by this fellow subsidiary. The capital management of the company therefore consists of a process of regularly monitoring the financial position of the guarantor (Note 2.1).

2.3 Fair values of financial instruments

At 31 December 2018 the carrying amounts of receivables (net of impairment provisions if any) and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

As at the end of the reporting period, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the statement of financial position.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The fair value of the company's non-current trade and other payables at the end of the reporting period is not significantly different from the carrying amounts.

3. Critical accounting estimates and judgments

Estimates and judgments 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 judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Loans and receivables

	2018	2017
	€	€
Non-current		
Loan to fellow subsidiary	**24,400,000**	24,400,000

Loans receivable reflect the transfer of funds to Virtu Maritime Limited (a fellow subsidiary), generated by the company from the issue of bonds (Note 8).

The proceeds from the issue of the bond are loaned to Virtu Maritime Limited to be advanced to Virtu Wavepiercer Limited, solely for purposes of the part-financing of the acquisition of the vessel to be acquired by the latter company. The loan to subsidiary is repayable over the period to 2027, bears interest at 4.05% payable on the 1 September of each year.

Virtue Maritime Limited acts as a guarantor for the bond issue of the company.

5. Trade and other receivables

	2018 €	2017 €
Current		
Amounts due by parent	**534,430**	534,430
Amounts due by fellow subsidiary	**153,275**	155,377
Prepayments	**4,702**	1,109
	692,407	690,916

Amounts due by Group companies bear no interest and are repayable on demand.

6. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2018 €	2017 €
Cash at bank and other intermediaries	**89,486**	-
	89,486	-

7. Share capital

	2018 €	2017 €
Authorised		
500,000 ordinary shares of €1 each	**500,000**	500,000
Issued and fully paid		
500,000 ordinary shares of €1 each	**500,000**	500,000

On 6 July 2017, the company was incorporated with an authorised and issued share capital of €500,000, made up of 500,000 ordinary shares of €1 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regard to the company's residual assets.

8. Borrowings

	2018	2017
	€	€
Non-current		
250,000 3.75% Bonds of €100 each 2017-2027	**24,459,007**	24,410,155

	2018	2017
	€	€
Face value		
250,000 3.75% Bonds of €100 each 2017-2027	**25,000,000**	25,000,000
Issue costs	**(594,802)**	(594,802)
Amortisation for the year/period	**53,809**	4,957
Closing net book amount	**(540,993)**	(589,845)
Amortised cost and closing carrying amount	**24,459,007**	24,410,155

This note provides information about the contractual terms of the company's borrowings. For more information about the company's exposure to interest rate and liquidity risk, refer to Note 2.

By virtue of an offering memorandum dated 30 October 2017, the company issued €25,000,000 bonds with a face value of €100 each. Interest on the 3.75% 2027 Bonds is payable annually in arrears, on 30 November of each year. The bonds are redeemable at par and are due for redemption on 30 November 2027. The bonds are guaranteed by Virtu Maritime Limited, which has bound itself jointly and severally liable for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds were admitted on the Official List of the Malta Stock Exchange on 7 December 2017. The quoted market price as at 31 December 2018 for the bonds was €103.25 (2017: €102.85).

9. Trade and other payables

	2018	2017
	€	€
Current		
Interest payable on bonds	**79,623**	79,623
Other payables	**120,548**	18,532
Accruals	**14,160**	80,800
	214,331	178,955

Other payables are unsecured, interest free and repayable on demand.

10. Interest and other related income

	Year ended 31 December 2018 €	Period from 6 July to 31 December 2017 €
Interest on loans due from fellow subsidiary	**988,200**	65,377
Facility fee due from fellow subsidiary	**107,000**	90,000
	1,095,200	155,377

During the year all revenue was derived from the company's fellow subsidiary.

11. Interest payable and similar charges

	Year ended 31 December 2018 €	Period from 6 July to 31 December 2017 €
Interest payable on bonds	**937,500**	79,623
Amortisation of bond issue costs (Note 8)	**48,852**	4,957
	986,352	84,580

12. Expenses by nature

	Year ended 31 December 2018 €	Period from 6 July to 31 December 2017 €
Directors' emoluments	**45,000**	45,000
Legal and Professional fees	**56,467**	23,991
Total administrative expenses	**101,467**	68,991

12. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial year/period relate to the following:

	Year ended 31 December 2018 €	Period from 6 July to 31 December 2017 €
Annual statutory audit	**7,800**	7,500
Tax advisory and compliance services	**1,000**	1,000
Other assurance services (capitalised with bond issue costs - Note 8)	**-**	20,000
Non-assurance services (capitalised with bond issue costs - Note 8)	**-**	80,000

13. Directors' emoluments

	Year ended 31 December 2018 €	Period from 6 July to 31 December 2017 €
Directors' Fees	**45,000**	45,000

14. Tax expense

	Year ended 31 December 2018 €	Period from 6 July to 31 December 2017 €
Current tax expense on taxable profit subject to tax at 35%	**2,583**	632

15. Earnings per share

Earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December 2018	Period from 6 July to 31 December 2017
Net profit attributable to owners of the company	**4,798**	1,174
Weighted average number of ordinary shares in issue (Note 7)	**500,000**	500,000
Earnings per share (cents)	**0.96c**	0.23c

16. Cash used in operations

	Year ended 31 December 2018 €	Period from 6 July to 31 December 2017 €
Profit before income tax	**7,381**	1,806
Adjustments for:		
Amortisation of bond issue costs	**48,852**	4,957
Finance income	**-**	(65,377)
Finance costs	**79,623**	79,623
Changes in working capital:		
Trade and other receivables	**(1,491)**	(625,539)
Trade and other payables	**(44,247)**	99,332
Cash generated from/ (used in) operations	**90,118**	(505,198)

17. Events after the balance sheet date

On 6 February 2019 the new catamaran, 'Saint John Paul II', was delivered to Virtu Wavepiercer Limited by shipbuilders Incat Tasmania. The total cost capitalised as at 31 December 2018 in relation to the new vessel amounted to €34.8 million. The total cost of the vessel upon delivery, including mobilisation, amounted to €75 million and the additional outlay in 2019 was financed through a €40 million bank loan. The vessel commenced operations on 11 March 2019.

HSC 'Jean de la Valette', operational on the Malta-Sicily route from 2010, set sail from Malta on 16 March 2019 for annual drydocking and refit in Cadiz, Spain. The vessel is expected to be back in operation in June 2019 and the directors are discussing viable options for its future operations.

18. Related parties

The companies forming part of the Virtu Group of Companies are considered by the directors to be related parties as these companies are ultimately owned by the Virtu Holdings Ltd.

The company is a subsidiary of Virtu Holdings Limited, the ultimate parent company of the Virtu Group. The registered office of both companies is situated at Virtu, Ta' Xbiex Terrace Ta' Xbiex Malta.

The main related party with whom transactions are entered into is Virtu Maritime Limited, the guarantor of the borrowings (Note 8).

The following are the principal transactions that were carried out with related parties:

	Year ended 31 December 2018 €	Period from 6 July to 31 December 2017 €
Transfer of funds		
Loan issued to fellow subsidiary	-	24,400,000
Income from goods and services		
Finance income from fellow subsidiary (Note 10)	988,200	65,377
Facility fee from fellow subsidiary (Note 10)	107,000	90,000

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 13 to the financial statements.

Year end balances arising from related party transactions are disclosed in Notes 4 and 5 to the financial statements.

19. Statutory information

Virtu Finance plc is a limited liability company and is incorporated in Malta.

The ultimate and immediate parent company of Virtu Finance plc is Virtu Holdings Limited, a company registered in Malta, with its registered address at Virtu, Ta' Xbiex Terrace Ta' Xbiex Malta.

The ultimate controlling parties of Virtu Holdings Limited are Mr Francis Portelli and Prof. John Mark Portelli.