



Company Announcement

Date of Announcement: 28th April 2020

Reference: MRF 58

The following is a company announcement issued by Mariner Finance p.l.c. pursuant to Listing Rule 5.16.21 of the Malta Financial Services Authority Listing Rules.

Quote

Mariner Finance p.l.c announces that the Audited Consolidated Financial Statements for the year ended 31st December 2019 have been approved by the Board of Directors.

A copy of the signed Annual Financial Statements are attached to this company announcement and are also available for viewing on the Company's website www.mfplc.com.mt.

UNQUOTE



Kevin Saliba
Company Secretary

28th April 2020

Mariner Finance p.l.c

Report and financial statements

31 December 2019

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Mariner Finance p.l.c

Directors, officer and other information

Directors:	Marin Hili (Chairman) Michela Borg Edward Hili (Chief Executive Officer) Kevin Saliba Lawrence Zammit Mark Vella Anthony Busuttil
Secretary:	Kevin Saliba
Registered Office:	37, Censu Tabone Street St Julian's Malta
Country of incorporation:	Malta
Company registration number:	C31514
Auditor:	Deloitte Audit Limited Deloitte Place Mriehel Bypass Mriehel Malta
Legal Advisor:	Camilleri Preziosi Level 3, Valletta Buildings South Street Valletta Malta

Mariner Finance p.l.c

Directors' report

Year ended 31 December 2019

The directors present their report and the audited financial statements of the group and the holding company for the year ended 31 December 2019.

Principal activities

The group is engaged in the investment, development and operation of sea terminals, namely in Riga, Latvia as well as property investment.

The principal activities of the company are mainly those of acting as an investment and holding company. Furthermore, the company also rents and operates owned real estate in Latvia.

Performance review

The group and company have registered a profit before tax of € 5,220,193 (2018 – € 5,497,944) and € 188,316 (2018 – € 101,292) respectively.

The net assets of the group at the end of the year amounted to € 47,099,747 (2018 – € 44,178,372), and that of the company € 48,543,364 (2018 – € 12,429,074).

The increase in net assets for the group relates to the profit for the year. Furthermore, the group registered a further increase in net assets arising from a revaluation of land and buildings.

The increase in net assets for the company relates mainly to the net assets acquired as a result of the merger, as further described in note 35. Furthermore, the company obtained a profit for the year which resulted in a further increase in its net assets.

The consolidated profit for the year before tax fell marginally short of the profitability attained in 2018. The main reasons for this decrease in profitability, when compared to 2018, were higher administrative expenses, mainly being one off professional fees incurred in the cross-border merger of Mariner Baltic Holdings SIA into Mariner Finance p.l.c. The group continues to achieve constant healthy profits from its operations.

The group measures the achievement of its objectives through the use of the following other key performance indicators:

Financial

The group calculates the level of its free cash flow by reference to the cash generated from continuing operations less capital expenditure, interest and tax. The group's free cash flow at year end amounted to a shortfall of € 1,472,784 (2018 - surplus of € 3,537,680). This negative free cashflow is solely due to the significant capital expenditure undertaken in the current year which amounted to € 7,073,065 (2018: € 3,926,539). In fact cash inflow from operations before working capital movements amounted to € 8,676,658 (2018: 8,686,054).

The group measures its performance based on EBITDA, which is defined as the group profit before depreciation, amortisation, net investment income, finance costs and taxation. During the year under review, EBITDA increased by 1% to € 8,584,196 from € 8,524,240.

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Directors' report

Year ended 31 December 2019

Financial - (continued)

The gearing ratio, which is defined as net debt divided by net debt plus equity, demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. The group's gearing leverage at year end stood at 48% implying a 3% increase from the previous year.

The group aims to deliver a return on average capital employed above the level of its cost of funding. The return on average capital employed represents the operating profit on ordinary activities divided by the average of capital employed. The group ensures that this capital is used as effectively as possible. The return on average capital employed as at year end stood at 8% (2018 - 9%).

Non-financial

Customer satisfaction is monitored by regular meetings with clients and other forms of informal feedback. The level of customer satisfaction remains at very good levels.

Overall terminal efficiency is calculated at the average number of container moves per hour. This remained constant from 2018 at 26 moves per hour.

Property rental is measured in accordance to percentage occupancy, which remained constant at 96% as per the previous year.

Principal risks and uncertainties

The successful management of risk is essential to enable the group to achieve its objectives. The ultimate responsibility for risk management rests with the group's directors, who evaluate the group's risk appetite and formulate policies for identifying and managing such risks. The principal risks and uncertainties facing the group are included below:

(a) Market and competition

The group operates in a highly competitive environment and faces competition from various other entities. An effective, coherent and consistent strategy to respond market dynamics, customer demands and competitors enables the group to sustain its market share and its profitability. The group continues to focus on service quality and performance in managing this risk. The group is dependent on certain customers as disclosed in note 5.

(b) Legislative risks

The group is subject to numerous laws and regulations covering a wide range of matters. Failure to comply could have financial or reputational implications and could materially affect the group's ability to operate. The group has embedded operating policies and procedures to ensure compliance with existing legislation.

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Directors' report

Year ended 31 December 2019

(c) Economic and market environment

Economic conditions have been challenging in recent years across the market in which the group operates. A significant economic decline in any of these markets could impact the group's ability to continue to maintain and grow throughput. Demand for the group's services can be adversely affected by weakness in the wider economy which are beyond the group's control. This risk is evaluated as part of the group's annual strategy process covering the key areas of investment and development and updated regularly throughout the year. The group continues to make significant investment in innovation. The group regularly reviews its pricing structures to ensure that its products are appropriately placed within the markets in which it operates.

(d) Customer service

The group's revenues are at risk if it does not continue to provide the level of service expected by its customers. The group's commitment to customers is embedded in its values. The group continually seeks to make improvements to the services provided by investing in technology, equipment and infrastructure, through the ongoing training of employees and enhancements in operational practices.

(e) Political risk

The group operates in a country with stable social and political conditions. Adverse changes in these conditions, for example, political unrest, strikes, war and other forms of instability including natural disasters, epidemics, widespread transmission of diseases and terrorist attacks may negatively affect the group's business, results of operations, financial conditions or prospects. The group adapts to such risks by incorporating this risk into its business strategy.

(f) Financial risk management

Note 33 to the financial statements provides details in connection with the group's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

Results and dividends

The result for the year ended 31 December 2019 is shown in the statement of profit or loss and other comprehensive income on page 11. The group registered a profit for the year after tax of € 4,903,990 as compared to € 5,477,403 in 2018. The company registered a profit for the year after tax of € 173,365 as compared to € 84,019 in 2018. A € 8 million interim dividend was declared and distributed during the reporting year.

Post balance sheet events

Subsequent to the end of the reporting period, the global economy is experiencing the impact of the COVID-19 pandemic. Such pandemic is unprecedented and therefore at date of signing of these financial statements, one is not in a position to accurately forecast the extent of the impact such events will have on the Group's operations. Nonetheless, as at the date of signing of these financial statements, the Group's activities have continued to operate normally irrespective of the pandemic. The group's senior management team are constantly monitoring the situation and the impact this is having on the level of operations in comparison with the historic levels of operations. In fact, management have revised projections for the year ending 31 December 2020 to incorporate the potential impact of such pandemic and based these revisions on a stressed scenario. Under these revised projections the Group is expected to continue operating at satisfactory profitable levels and also have sufficient liquidity and financial resources available to meet all its obligations.

The Group has a strong financial position and significant resources at its disposal, which will assist it during the economic slow down. Furthermore, the group's container terminal as well as the property in Latvia, are both well-positioned to continue to be a long-term sustainable businesses.

Likely future business developments

The directors consider that the year end financial position was satisfactory and that the company and the group are well placed to sustain the present level of activity in the foreseeable future.

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Directors' report

Year ended 31 December 2019

Directors

The directors who served during the period were:

Marin Hili	(Chairman)
Michela Borg	
Edward Hili	(Chief Executive Officer)
Kevin Saliba	
Lawrence Zammit	
Mark Vella	
Anthony Busuttil	

In accordance with the company's articles of association all the directors are to remain in office.

Going concern

After reviewing the group's and company's budget for the next financial year and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Auditor

A resolution to reappoint Deloitte Audit Limited as auditor of the company will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on its behalf on 28 April 2020 by:



Kevin Saliba
Director



Lawrence Zammit
Director

Mariner Finance p.l.c

Statement of directors' responsibilities

The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the company and its group at the end of each financial year and of the profit or loss of the company and its group for year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the company and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of responsibility pursuant to the Listing Rules issued by the Listing Authority

We confirm that to the best of our knowledge:

- a. In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2019 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and
- b. In accordance with the Listing Rules, the Directors' report includes a fair review of the performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



Kevin Saliba
Director



Lawrence Zammit
Director

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Corporate governance statement

Introduction

Pursuant to the Listing Rules as issued by the Listing Authority of the Malta Financial Services Authority, Mariner Finance p.l.c, (the 'company') is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance (the 'Principles') contained in Appendix 5.1 of the Listing Rules.

The Board acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. Nonetheless, the Board strongly believes that the Principles are in the best interest of the shareholders and other stakeholders since they ensure that the Directors, Management and employees of the group adhere to internationally recognised high standards of Corporate Governance.

The group currently has a corporate decision-making and supervisory structure that is tailored to suit the group's requirements and designed to ensure the existence of adequate checks and balances within the group, whilst retaining an element of flexibility, particularly in view of the size of the group and the nature of its business. The group adhered to the Principles, except for those instances where there exist particular circumstances that warrant non-adherence thereto, or at least postponement for the time being.

Additionally, the Board recognises that, by virtue of the Listing Rules 5.101, the company is exempt from making available the information required in terms of Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.7.

The Board of Directors

The Board of Directors of the company is responsible for the overall long-term direction of the group, in particular in being actively involved in overseeing the systems of control and financial reporting and that the group communicates effectively with the market.

The Board of Directors meets regularly, with minimum of four times annually, and is currently composed of seven Members, three of which are completely independent from the company or any other related companies.

Mr. Lawrence Zammit, Mr. Mark Vella and Mr Anthony Busuttil are independent non-executive directors of the company.

Directors

Marin Hili - Chairman

Edward Hili - Chief Executive Officer

Non-Executive Directors

Michela Borg

Kevin Saliba

Lawrence Zammit

Mark Vella

Anthony Busuttil

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Corporate governance statement

The Board of Directors (continued)

The Board Meetings are attended by the Chief Financial Officer of the group in order for the Board to have direct access to the financial operation of the group. This is intended to, inter alia, ensure that the policies and strategies adopted by the Board are effectively implemented.

The remuneration of the Board is reviewed periodically by the shareholders of the company.

The company ensures that it provides directors with relevant information to enable them to effectively contribute to board decisions.

The directors are fully aware of their duties and obligations, and whenever a conflict of interest in decision making arises, they refrain from participating in such decisions.

Audit committee

The Terms of Reference of the Audit Committee, are modelled on the principles set out in the Listing Rules. The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the group financial statements and disclosures, monitoring the system of internal control established by management as well as the audit processes.

The Board of Directors established the Audit Committee, which meets regularly, with a minimum of four times annually, and is currently composed of the following individuals:

Mr. Lawrence Zammit (Chairman)

Mr. Mark Vella

Mr. Anthony Busuttil

Mr. Lawrence Zammit is an independent non-executive director of the company who the Board considers to be competent in accounting and/or auditing in terms of the Listing Rules. In the Board's view, the audit committee, as a whole, has the relevant competence in the sector in which the group operates due to the professional experience of the individual members.

In terms of the Listing Rules, the majority of the members of the audit committee shall be independent of the issuer. All current members of the audit committee are considered by the Board to be independent members.

The Audit Committee met four times during the year. Communication with and between the Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention were acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

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Corporate governance statement (continued)

Internal Control

While the Board is ultimately responsible for the group's internal controls as well as their effectiveness, authority to operate the group is delegated to the Chief Executive Officer.

The group's system of internal controls is designed to manage all the risks in the most appropriate manner. However, such controls cannot provide an absolute elimination of all business risks or losses. Therefore, the Board, inter alia, reviews the effectiveness of the group's system of internal controls in the following manner:

- 1 Reviewing the group's strategy on an on-going basis as well as setting the appropriate business objectives in order to enhance value for all stakeholders;
- 2 Implementing an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives;
- 3 Appointing and monitoring the Chief Executive Officer whose function is to manage the operations of the group;
- 4 Identifying and ensuring that significant risks are managed satisfactorily; and
- 5 Company policies are being observed.

Relations with the market

The market is kept up to date with all relevant information, and the company regularly publishes such information on its website to ensure consistent relations with the market.

Non-compliance with the code

The market is kept up to date with all relevant information, and the company regularly publishes such information on its website to ensure consistent relations with the market.

Principle 4: Organisation Structure

The company is mainly an investment company which does not require an elaborate management structure. Its CEO is responsible for day-to-day management of the Group, assisted, when necessary from time to time, by members of the senior management teams of the Group companies. The Directors believe the current organisational structures are adequate for current activities of the company. The Directors will maintain these structures under continuous review to ensure that they meet the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

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Corporate governance statement (continued)

Non-compliance with the code (continued)

Principle 6: Information and professional judgement

Under the present circumstances, full adherence by the Issuer with the provisions of Principle 6 of the Code is not deemed necessary taking into account the size, nature and operations of the Issuer. The Issuer does not feel the need to establish and/or implement a succession plan for senior management in light of its existing organisational structure. The Directors will maintain the existing arrangement under continuous review to ensure that it meets the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

Principle 8: Committees

Under the present circumstances, the Board does not consider it necessary to appoint a remuneration committee and nomination committee as decisions on these matters are taken at shareholder level. The Issuer considers that the members of the Board provide the level of skill, knowledge and experience expected in terms of the Code. Furthermore, the company does not have any employees other than directors and company secretary.

Principle 11: Conflict of interest

Under present structure, the majority of Directors of the Issuer are Directors of its parent company Mariner Capital Ltd and ultimate beneficial shareholders of the Group, and as such are susceptible to conflicts arising between the potentially diverging interests of said shareholders and the Group as well as conflicts of interest which may arise in relation to transactions involving the Issuer and Mariner Capital Ltd. Kevin Saliba, a director and company secretary, is also the Chief Financial Officer of Mariner Capital Ltd. The audit committee of the Issuer has the task of ensuring that any potential conflicts of interest that may arise at any moment, pursuant to these different roles held by Directors, are handled in the best interest of the Issuer and according to law. To the extent known or potentially known to the Issuer, there are no potential conflicts of interest between any duties of the Directors and their private interests and/or their other duties which require disclosure in terms of the Regulation.

Approved by the board of directors and signed on its behalf on 28 April 2020 by:



Kevin Saliba
Director



Lawrence Zammit
Director

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Statement of profit or loss and other comprehensive income

Year ended 31 December 2019

	Notes	Group		Holding company	
		2019 €	2018 €	2019 €	2018 €
Revenue	6	16,614,321	16,474,614	-	-
Cost of sales		(7,695,222)	(7,851,246)	-	-
Gross profit		8,919,099	8,623,368	-	-
Administrative expenses		(2,367,440)	(2,136,747)	(185,779)	(146,555)
Other operating income	7	588,287	556,118	243,297	-
Other operating expenses		(134,804)	-	(69,373)	-
Operating profit/(loss)		7,005,142	7,042,739	(11,855)	(146,555)
Investment income	8	348,451	430,669	2,055,171	2,087,373
Finance costs	9	(2,133,400)	(1,975,464)	(1,855,000)	(1,839,526)
Profit before tax	10	5,220,193	5,497,944	188,316	101,292
Income tax expense	13	(316,203)	(20,541)	(14,951)	(17,273)
Profit for the year attributable to the owners of the holding company		4,903,990	5,477,403	173,365	84,019
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on revaluation of land and buildings	15	6,017,384	-	-	-
Total comprehensive income for the year attributable to the owners of the holding company		10,921,374	5,477,403	173,365	84,019

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Statement of financial position

31 December 2019

		Group		Holding Company	
	Notes	2019	2018	2019	2018
		€	€	€	€
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	3	13,184,904	13,184,904	-	-
Intangible asset	16	613,956	679,480	-	-
Property, plant and equipment	15	48,737,317	37,101,089	1,352	-
Investment property	17	5,115,000	5,115,000	5,115,000	-
Right-of-use assets	18	2,538,402	-	-	-
Investment in subsidiaries	19	-	-	26,898,805	2,800
Loans receivable	19	20,583,087	22,464,271	51,117,553	47,046,930
		90,772,665	78,544,744	83,132,710	47,049,730
Current assets					
Inventories	20	465,255	380,926	-	-
Trade and other receivables	21	3,396,813	3,134,979	590,045	530,954
Current tax asset		59,914	-	-	-
Cash and cash equivalents	30	615,296	1,162,841	531,524	438,682
		4,537,278	4,678,746	1,121,569	969,636
Total assets		95,309,943	83,223,490	84,254,279	48,019,366
Current liabilities					
Trade and other payables	22	2,340,153	2,899,368	1,032,074	989,797
Other financial liabilities	24	-	57,381	-	-
Lease liability	25	49,074	-	-	-
Bank loans and overdraft	23	6,323,335	309,270	-	-
Current tax liability		-	179,137	14,959	17,282
		8,712,562	3,445,156	1,047,033	1,007,079
Non-current liabilities					
Other financial liabilities	24	42,843	53,923	15,846	-
Debt securities in issue	27	34,648,036	34,583,213	34,648,036	34,583,213
Lease liability	25	2,534,907	-	-	-
Bank loans	23	2,040,890	962,826	-	-
Deferred tax liability	26	230,958	-	-	-
		39,497,634	35,599,962	34,663,882	34,583,213
Total liabilities		48,210,196	39,045,118	35,710,915	35,590,292
Net assets		47,099,747	44,178,372	48,543,364	12,429,074

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Statement of financial position

31 December 2019

		Group		Holding Company	
	Notes	2019	2018	2019	2018
		€	€	€	€
EQUITY					
Equity attributable to the owners of the holding company					
Share capital	28	500,000	500,000	500,000	500,000
Other equity	29	10,000,000	10,000,000	10,000,000	10,000,000
Other reserves	29	(1,898,805)	(1,898,805)	(936,323)	-
Revaluation reserves	29	9,368,400	3,351,015	-	-
Retained earnings		29,130,152	32,226,162	38,979,687	1,929,074
Total equity		47,099,747	44,178,372	48,543,364	12,429,074

These financial statements were approved by the board of directors, authorised for issue on the 28 April 2020 and signed on its behalf by:



Kevin Saliba
Director



Lawrence Zammit
Director

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Statement of changes in equity - Group Year ended 31 December 2019

	Share capital €	Other equity €	Other reserves €	Revaluation reserve €	Retained earnings €	Total €
Balance as at 1 January 2018	500,000	10,000,000	(1,898,805)	3,351,015	26,748,758	38,700,968
Profit for the year	-	-	-	-	5,477,403	5,477,403
Total comprehensive income for the year	-	-	-	-	5,477,403	5,477,403
Balance as at 1 January 2019	500,000	10,000,000	(1,898,805)	3,351,015	32,226,162	44,178,372
Profit for the year	-	-	-	-	4,903,990	4,903,990
Revaluation of land and buildings	-	-	-	6,017,384	-	6,017,384
Total comprehensive income for the year	-	-	-	6,017,384	4,903,990	10,921,374
Dividend paid (Note 14)	-	-	-	-	(8,000,000)	(8,000,000)
Balance as at 31 December 2019	500,000	10,000,000	(1,898,805)	9,368,400	29,130,152	47,099,747

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Statement of changes in equity - Holding company

Year ended 31 December 2019

	Share capital €	Other equity €	Other reserve €	Retained earnings €	Total €
Balance as at 1 January 2018	500,000	10,000,000	-	1,845,056	12,345,056
Profit for the year, total comprehensive income for the year	-	-	-	84,019	84,019
Balance as at 1 January 2019	500,000	10,000,000	-	1,929,074	12,429,074
Profit for the year, total comprehensive income for the year	-	-	-	173,365	173,365
Reserves taken over upon merger (Note 35)	-	-	(936,323)	44,877,248	43,940,925
Dividend paid (Note 14)	-	-	-	(8,000,000)	(8,000,000)
Balance as at 31 December 2019	500,000	10,000,000	(936,323)	38,979,687	48,543,364

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Statement of cash flows

Year ended 31 December 2019

	Group		Holding Company	
	2019 €	2018 €	2019 €	2018 €
Cash flow from operating activities				
Profit before tax	5,220,193	5,497,944	188,316	101,292
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	1,419,878	1,415,738	150	-
Depreciation of right-of-use assets	93,153	-	-	-
Amortisation	66,024	65,762	-	-
Investment income	(348,451)	(341,056)	(2,055,170)	(2,086,499)
Amortisation of bond expenses	64,823	61,415	64,823	61,415
Interest expense	2,017,910	1,975,464	1,855,000	1,855,000
Interest expense on lease liability	115,490	-	-	-
Investment income	-	(874)	-	(874)
Loss on disposal of property, plant and equipment	27,637	11,661	-	-
Operating profit/(loss) before working capital movements	8,676,658	8,686,054	53,119	(69,666)
Movement in trade and other receivables	(305,583)	(350,737)	(4,040)	43,513
Movement in trade and other payables	(740,837)	1,039,770	(18,338)	(5,184)
Movement in inventories	(84,328)	(9,616)	-	-
<i>Cash flow from / (used in) operations</i>	7,545,910	9,365,471	30,741	(31,337)
Interest received	280,114	341,056	2,055,170	2,086,499
Income tax paid	(90,847)	(228,328)	(17,274)	(33,206)
Interest paid	(2,134,897)	(2,013,980)	(1,855,000)	(1,855,000)
<i>Net cash flow from operating activities</i>	5,600,281	7,464,219	213,637	166,956
Cash flow from investing activities				
Purchase of property plant and equipment	(7,072,565)	(3,891,804)	-	-
Purchase of intangible assets	(500)	(34,735)	-	-
Loans advanced to parent company	(4,459,438)	(6,275,815)	(1,905,342)	(3,868,218)
Loans advanced from parent company	68,293	-	68,293	-
Loans advance to related party	(1,727,671)	-	-	-
Liquidation proceeds from investments	-	874	-	874
Loan repayment from related parties	-	500,000	-	500,000
Other loan repayments	-	3,333	-	-
Loan advances to subsidiaries	-	-	-	-
Repayments from subsidiaries	-	-	1,431,000	3,255,690
<i>Net cash flows used in investing activities</i>	(13,191,880)	(9,698,148)	(406,049)	(111,654)

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Statement of cash flows

Year ended 31 December 2019

	Group		Holding Company	
	2019 €	2018 €	2019 €	2018 €
Cash flow from financing activities				
Lease liability paid	(47,574)	-	-	-
Repayment of bank loans	(306,937)	(304,603)	-	-
Drawdown of bank loans	7,398,565	-	-	-
<i>Net cash flow from/(used in) financing activities</i>	7,044,054	(304,603)	-	-
Net movements in cash and cash equivalents	(547,544)	(2,538,532)	(192,412)	55,302
Cash and cash equivalents at the beginning of the year	1,162,841	3,701,373	438,683	383,381
Cash taken over on merger (note 35)	-	-	285,254	-
Cash and cash equivalents at the end of the year (note 30)	615,296	1,162,841	531,524	438,683

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

1 Company information and basis of preparation

Mariner Finance p.l.c is a public limited company incorporated in Malta with registration number C31514 and has its registered address at 37, Censu Tabone Street, St. Julians, Malta.

The company acts as an investment and holding company, whilst the Group is engaged in the investment, development and operation of sea terminals, namely in Riga, Latvia as well as property development. As disclosed in note 27, it has issued bonds which are listed on the Malta Stock Exchange. As a result of the merger with Mariner Baltic Holdings SIA, during the year under review the company took over investment property in Riga, Latvia.

The financial statements have been prepared under the historical cost basis, except for, derivative financial instruments and investment property which are stated at their fair value, and land and buildings which are stated at their revalued amounts, and in accordance with International Financial Reporting Standards as adopted by the EU. The significant accounting policies are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

Acquisition of entities and businesses under common control

During the financial year ended 31 December 2013, Mariner Capital Limited became the direct parent entity of Mariner Finance p.l.c., and acquired and became the ultimate parent of SIA Baltic Container Terminal and SIA Equinor Riga through its direct subsidiary, SIA Mariner Finance Baltic. Mariner Finance p.l.c. was not the parent of any entity of the Mariner Capital Limited Group as at 31 December 2013.

During the first two quarters of 2014 the Mariner Capital Limited group entered into various linked transactions ("the restructuring transactions"). As a result of the restructuring transactions, Mariner Finance p.l.c. became the direct parent of SIA Mariner Baltic Holdings. As part of the restructuring transactions SIA Mariner Baltic Holdings became the direct parent of SIA Mariner Finance Baltic (and the indirect parent of SIA Baltic Container Terminal) and SIA Equinor Riga.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

1 Company information and basis of preparation (continued)

Acquisition of entities and businesses under common control (continued)

The restructuring transactions resulted in Mariner Finance p.l.c. gaining control during 2014 of its direct subsidiary entity SIA Mariner Baltic Holdings and its indirect subsidiary entities SIA Mariner Finance Baltic, SIA Baltic Container Terminal and SIA Equinor Riga ("the subsidiaries"). During the current financial year, Mariner Finance p.l.c. acquired its wholly owned subsidiary Mariner Baltic Holdings SIA.

The acquisition of these subsidiaries by Mariner Finance p.l.c. fell outside the scope of International Financial Reporting Standard 3 – Business Combinations ("IFRS 3") because the transaction merely represented a group reorganisation and because in terms of paragraph 2(c) of IFRS 3, the acquisition of these entities by Mariner Finance p.l.c. was treated as a combination of businesses under common control in which all the combining entities are ultimately controlled by the same party, Mariner Capital Limited, both before and after the business combination and that control was not transitory.

In accordance with 'International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors' ("IAS 8"), in the absence of an IFRS that specifically applies to a transaction, other event or condition, management should use its judgment in developing and applying an accounting policy that is relevant to the decision making needs of the users and is reliable. In relation to this specific transaction, the use of predecessor accounting by Mariner Finance p.l.c. was considered to be a generally accepted accounting approach to account for the acquisition of the entities under common control.

The acquisition of the subsidiaries acquired from the direct parent by Mariner Finance p.l.c. has been accounted for under the principles of predecessor accounting as from the date these subsidiaries were acquired by its parent, Mariner Capital Limited on 1 January 2013. In terms of predecessor accounting, an acquirer is not required to be identified. The Company has incorporated the acquired entities at their previous carrying amounts of assets (including goodwill) and liabilities included in the consolidated financial statements of its parent, Mariner Capital Limited.

This accounting treatment gave rise to differences on acquisition between the consideration given in exchange for the acquired entities and the amounts at which the assets and liabilities of the acquired entities are initially recognised; any such differences were included within equity unless they represent amounts payable in the subsequent period, in which case, these were included within liabilities.

The acquisition of Mariner Baltic Holdings SIA during the current year has also been accounted for in the separate financial statements under the principles of predecessor accounting by incorporating the underlying items at their previous carrying amounts. The difference between the cost of investment and the assets and liabilities acquired were included within equity.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Mariner Finance p.l.c. (or the "Company") and subsidiary entities controlled by the Company. Control exists when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns. In assessing control, potential voting rights that give the Company the current ability to direct the investee's relevant activities are taken into account.

Acquisition of subsidiaries

The acquisition of subsidiaries is accounted for by applying the acquisition method. The consideration is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred, except for costs to issue debt or equity securities. The acquiree's identifiable assets and liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date, except as specifically required by other EU-IFRSs. A contingent liability assumed in a business combination is recognised at the acquisition date if there is a present obligation that arises from past events and its fair value can be measured reliably.

Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required. After initial recognition, non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the holding company's owners' equity therein. Non-controlling interests in the profit or loss and other comprehensive income of consolidated subsidiaries are also disclosed separately. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Basis of consolidation (continued)

Where necessary, in preparing these consolidated financial statements, appropriate adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by group entities. Intra-group balances, transactions, income and expenses are eliminated on consolidation.

Goodwill is measured as the excess of:

- (a) the aggregate of:
 - (i) the consideration transferred;
 - (ii) the amount of any non-controlling interests in the acquiree;
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and
- (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

The goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Any gain on a bargain purchase, after reassessment, is recognised immediately in profit and loss.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Business combinations achieved in stages

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re measured to fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts previously recognised in other comprehensive income in relation to the acquiree are accounted for (that is, reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the interests were disposed of.

Property, plant and equipment

Property, plant and equipment are classified into the following classes – land and buildings, plant and equipment, furniture, fittings and equipment, and fixed assets under construction.

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Property, plant and equipment (continued)

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

Revaluations are made for the entire class of land and buildings and with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increase arising on the revaluation is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus unless it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus relating to a previous revaluation of that asset. Every year, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings. When the asset is derecognised, the attributable revaluation remaining in the revaluation surplus is transferred to retained earnings.

Other tangible assets are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

With effect from 1 January 2019, property, plant and equipment also include right-of-use assets in terms of IFRS 16. The accounting policy for right-of-use assets is included below in the Section entitled 'Leases'.

Properties in the course of construction

Properties in the course of construction for production, supply or administrative purposes, are carried at cost, less any identified impairment loss. Cost includes, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy on borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for use.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition investment property is stated at fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in profit or loss in the period of derecognition.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost/revalued amount, less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Land and buildings	-	0.8% - 5% per annum
Plant and equipment	-	4% - 33.33% per annum
Furniture, fittings and equipment	-	10% - 33.33% per annum
Fixed assets under construction	-	0% per annum

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

With effect from 1 January 2019, right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the group's entities and the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost, being the fair value at the acquisition date for intangible assets acquired in a business combination. Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria or the item is acquired in a business acquisition and cannot be recognised as an intangible asset, in which case it forms part of goodwill at the acquisition date.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Intangible assets (continued)

The useful life of intangible assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite useful life are amortised. Amortisation is charged to profit or loss so as to write off the cost of intangible assets less any estimated residual value, over their estimated useful lives. The amortisation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

(i) Computer Software

In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the company's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset and carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software classified as an intangible asset is amortised on a straight-line basis. Amortisation is calculated based on the annual rates ranging from 5% to 33.33%.

Investments in subsidiaries

A subsidiary is an entity that is controlled by the company. Investments in subsidiaries are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from the investment are recognised in profit or loss.

Other financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Other financial instruments (continued)

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial assets

Classification and measurement

Financial assets are classified as measured at either amortised cost or fair value based on the business model for managing the assets and the asset's contractual terms. The Group and the Company do not have any financial assets classified as fair value through other comprehensive income (managed under a hold to collect and sell business model).

Financial assets at amortised cost

The following financial assets are classified in this category - loans receivable, trade receivables and cash at bank.

Financial assets are classified as measured at amortised cost if they are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and if the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the issue or acquisition of financial assets and subsequently measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments excluding ECLs through the expected life of the financial asset/financial liability, or, where appropriate, a shorter period to the gross carrying amount on initial recognition.

Appropriate allowances for expected credit losses (ECLs) are recognised in profit or loss in accordance with the accounting policy on ECLs.

Trade receivables which do not have a significant financing component are initially measured at their transaction price and are subsequently stated at their nominal value less any loss allowance for ECLs.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Financial liabilities and equity

Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method. Bank loans are carried at face value due to their market rate of interest.

Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

Other borrowings

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

Shares issued by the company

Ordinary shares issued by the company are classified as equity instruments.

Derivative financial investments

Derivative financial assets and derivative financial liabilities are classified as held for trading unless they are designated and effective hedging instruments. During the year under review and during the prior year, the company did not designate any of its derivative financial instruments in a hedging relationship for accounting purposes. After initial recognition, derivative financial instruments are measured at their fair value. Gains and losses arising from a change in fair value are recognised in profit or loss in the period in which they arise. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the relevant interest rates at end of the reporting period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and an appropriate proportion of production overheads based on the normal level of activity. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Other financial instruments (continued)

Financial liabilities and equity (continued)

Impairment of non-financial assets and investments in subsidiaries

All assets are tested for impairment to the extent applicable. At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

Intangible assets with an indefinite useful life and intangible assets that are not yet available for use are tested for impairment annually, irrespective of whether an indication of impairment exists.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs of disposal (which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) and value in use (which is the present value of the future cash flows expected to be derived, discounted using the pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Goodwill arising on the acquisition of subsidiaries is tested for impairment annually and whenever there is an indication of impairment.

Goodwill is allocated to each of the company's cash-generating units expected to benefit from the synergies of the combination. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Where a cash-generating unit to which goodwill has been allocated is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

In the case of other assets tested for impairment, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Impairment of non-financial assets and investments in subsidiaries (continued)

Where an impairment loss for a cash-generating unit subsequently reverses, the impairment loss is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount in which case, the impairment reversal is recognised in other comprehensive income and increases the revaluation surplus for that asset, unless an impairment loss on the same asset was previously recognised in profit or loss.

For a cash-generating unit, the carrying amount is not increased above the lower of its recoverable amount (if determinable) and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit, except for goodwill.

Impairment of financial assets other than investments in subsidiaries

ECLs

The Group and the Company recognise a loss allowance for ECLs.

The amount of ECLs is updated at each reporting date to reflect changes in credit risk since the initial recognition.

For trade receivables that do not contain a significant financing component (or for which the IFRS 15 practical expedient for contracts that are one year or less is applied), the Group and the Company apply the simplified approach and recognises lifetime ECL.

Where a collective basis is applied, the ECLs on these financial assets are estimated using a provision matrix based on historical credit loss experience based on the past due status of the debtors, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other financial instruments, the Group and the Company use the general approach and recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12-month ECL ('12m ECL'). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Impairment of financial assets other than investments in subsidiaries (continued)

ECLs (continued)

The Group and the Company recognise an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying, except for investments in debt instruments that are measured at FVTOCI.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort and, where applicable, the financial position of the counterparties.

Forward-looking information considered includes the future prospects of the industries in which the debtors operate, obtained from economic expert reports, as well as consideration of various external sources of actual and forecast economic information that relate to the core operations.

Irrespective of the outcome of the above assessment, the Group and the Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information, that is available without undue cost or effort, that demonstrates otherwise.

Despite the above assessment, the Group and the Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. Accordingly, for these financial assets, the loss allowance is measured at an amount equal to 12m ECL. The low credit risk assumption has been applied for the majority of the bank balances.

For financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

If not measured as a financial liability at FVTPL and if not arising from a transfer of a financial asset, financial guarantee contracts issued by the Group are subsequently measured at the higher of the following: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies. In the case of financial guarantee contracts, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on.

Definition of default

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Definition of default (continued)

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Group and the Company consider that default has occurred when a financial asset is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

Measurement and recognition of ECLs

For financial assets, the credit loss is the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that are expected to be received, discounted at the original effective interest rate. ECLs represent the weighted average of credit losses with the respective risks of a default occurring as the weights.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information, where applicable. Where applicable, the financial position of the counterparties is also taken into consideration.

Where applicable, forward-looking information considered includes the future prospects of the industries in which the debtors operate, obtained from economic expert reports as well as consideration of various external sources of actual and forecast economic information that relate to the core operations.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party. For financial guarantee contracts, the loss allowance is recognised as a provision.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Collective basis

If evidence of a significant increase in credit risk at the individual instrument level is not yet available, the Group and the Company perform the assessment of significant increases in credit risk on a collective basis by considering information on, for example, a group or sub-group of financial instruments.

Where the Company does not have reasonable and supportable information that is available without undue cost or effort to measure lifetime ECL on an individual instrument basis, lifetime ECL is measured on a collective basis.

In such instances, the financial instruments are grouped on the basis of shared credit risk characteristics, such as behavioural patterns, payment discipline and debt recovery potential.

Revenue recognition

The Group recognises revenue from the following major sources:

- cargo handling
- storage of containers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when (or as) it satisfies a performance obligation by transferring control of a promised good or service to the customer.

Cargo handling

This constitutes income from cargo handling, including loading, unloading and transportation of cargo and similar services, such as mooring, provided at the terminal to the Group's customers, being mainly ship liners. The fees which are charged to customers for the services provided by the Group are based on a number of underlying metrics, such as the weight of containers, which are monitored by the Group through a detailed coding system and which become known by the time the services are provided. The customers are generally billed after the provision of such services and thus no contract liabilities are recognised by the Group in this respect. Such services are recognised over time as the services are provided and given the short duration of such services, no significant contract assets are recognised by the Group at the reporting date. A receivable is recognised by the Group until the actual payment is made by the respective customers. There is not considered to be a significant financing component in such arrangements with customers as the period between the recognition of revenue and the payment by the customer is less than one year.

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Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Revenue recognition (continued)

Storage of containers

This constitutes revenue generated through the provision of container storage facilities at the terminal, which revenue falls within the scope of IFRS 15 as opposed to IAS 17. The performance obligation is to provide storage facilities to the respective customers, including ship liners, over the required duration. The transaction price is based on a fee structure which is based on a fixed fee per day subject to certain free days which are generally not considered to have a material effect on the allocation of the transaction price over the duration of the contract. The customers are billed monthly in arrears and thus no contract liabilities or contract assets are recognised by the Group in this respect. Such services are recognised over time. A receivable is recognised until the actual payment is made by the respective customers. There is not considered to be a significant financing component in such arrangements with customers as the period between the recognition of revenue and the payment by the customer is less than one year.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset. Interest income is recognised to the extent that is probable that future economic benefits will flow to the Group and these can be measured reliably.

Rent receivable

Rent is recognised as disclosed in the accounting policy on leases.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established. Dividend income is recognised to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably.

Borrowings costs

Borrowing costs include the costs incurred in obtaining external financing.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Borrowing costs are suspended during extended period in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

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Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Leases

In the comparative year, the significant accounting policies for leases are as follows:

Comparative year

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Assets held under finance leases are recognised in statement of financial position as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments and include initial direct costs.

Leased assets are presented in the statement of financial position according to their nature and are tested for impairment in accordance with the company's accounting policy on impairment. Depreciable leased assets are depreciated in accordance with the company's accounting policy on property, plant and equipment or intangible assets. Rental income from operating leases, less the aggregate cost of incentives given to the lessee, is recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss on a straight-line basis over the lease term.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term.

In the current year, the significant accounting policies for leases are as follows:

Current year

The company assesses whether the contract is, or contains, a lease at inception of a contract. 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.

The lease term is determined as the non-cancellable period of a lease, together with both:

- (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

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Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Leases (continued)

Current year (continued)

The company as a lessee:

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, unless otherwise stated below.

Where a right-of-use asset and a corresponding lease liability is recognised, the lease liability is initially measured at the commencement date at the present value of the lease payments that are not paid at that date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- (a) fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- (c) the amount expected to be payable by the lessee under residual value guarantees;
- (d) the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability to reflect revised in-substance fixed lease payments or whenever:

- (a) there is a change in the lease term or a change in the assessment of a purchase option being exercised, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- (b) there is a change in future lease payments resulting from a change in an index or a rate or a change in the amounts expected to be payable under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used). For such remeasurements, the amount is recognised as an adjustment to the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to zero, in which case the amount is recognised in profit or loss.

The carrying amount of the lease liability is also remeasured when a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets are initially measured at the commencement date at cost, being the amount of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

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Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Leases (continued)

Current year (continued)

The right-of-use assets are initially measured at the commencement date at cost, being the amount of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Company applies the accounting policy entitled 'Impairment of other assets' to determine and to measure the extent of any impairment losses on the right-of-use assets.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss.

In the statement of financial position, right-of-use assets that do not meet the definition of investment property are included separately from other assets. In the statement of financial position, right-of-use assets that meet the definition of investment property are presented with investment property. In the statement of financial position, lease liabilities are included separately from other liabilities.

In the statement of profit or loss and other comprehensive income, interest expense on the lease liability is presented separately from the depreciation charge for the right-of-use asset. In the statement of cash flows, cash payments for the principal portion of the lease liability are presented within financing activities and cash payments for the interest portion of the lease liability are presented within financing activities. Short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of the lease liability are included within operating activities.

For short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets, the Company applies the recognition exemption. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the pattern of the lessee's benefit.

The company as a lessor:

Leases for which the Company is a lessor continue to be classified as finance or operating leases. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Leases (continued)

Current year (continued)

Leased assets are presented in the statement of financial position according to their nature and are tested for impairment in accordance with the company's accounting policy on impairment. Depreciable leased assets are depreciated in accordance with the company's accounting policy on depreciation. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the leased asset.

Amounts due from lessees under a finance lease are presented in the statement of financial position as receivables at the amount of the Company's net investment in the lease and include initial direct costs. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment in the finance lease.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

Taxation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to set off its current tax assets and liabilities and 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 which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries/associates/interests in joint arrangements where the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences arising on investments in subsidiaries/associates/interests in joint arrangements where it is probable that taxable profit will be available against which the temporary difference can be utilised and it is probable that the temporary difference will reverse in the foreseeable future.

Corporate income tax expenses in relation to the subsidiaries incorporated in Latvia are included in financial statement based on management calculations according to laws of Republic of Latvia.

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Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Taxation (continued)

Based on the new Corporate Income tax law of the Republic of Latvia announced in 2017, starting from 1 January 2018 corporate income tax will be applicable to distributed profits and several expenses that would be treated as profit distribution. In case of reinvestment of profit, corporate income tax shall not be applied. The applicable corporate income tax rate has increased from the 15% to 20%.

In accordance with International Accounting Standard No 12 "Income Taxes" requirements, in cases where income tax is payable at a higher or lower rate, depending on whether the profit is distributed, the current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia the applicable rate for undistributed profits is 0%.

Transitional conditions provide that provisions which increased taxable income in the years till 2018 will be possible use to reduce taxable income in following years for the amount of their decrease. These provisions do not create deferred tax assets on 31 December 2017 and following years due to the fact that in situation when different tax rates are applicable on distributed and undistributed profit deferred tax has to be calculated using tax rate applicable to undistributed profit, i.e. 0%.

Starting from year 2018 corporate income tax will be calculated at the profit distribution (20/80 from net amount to be paid to shareholders). Corporate income tax will be disclosed as tax payable at the period when shareholders decide to distribute profit.

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly to equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Where income taxes are payable at a higher or lower rate, if part or all of the net profit or retained earnings is paid out as a dividend to shareholders of the entity then current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Employee benefits

The company contributes towards the state pension in accordance with local legislation. The only obligation of the company is to make the required contributions. Costs are expensed in the period in which they are incurred.

Currency translation

The individual financial statements of each group entity are presented in their functional currency, being the currency of the primary economic environment in which the entity operates (its functional currency). For the purposes of the group financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the company.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in profit or loss. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains or losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting group financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Euro using exchange rates prevailing at the end of the reporting period. Income and expenses items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity and transferred to the Group Exchange Reserves. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows and are presented in current liabilities on the statement of financial position.

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Notes to the financial statements

31 December 2019

2 Significant accounting policies (continued)

Dividends

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared. Dividends to holders of equity instruments are recognised directly to equity.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the group's and company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements and, at the end of the reporting period, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed in notes 15, 17 and also as disclosed below:

Assessment for impairment of assets

The group reviews property, plant and equipment, intangible assets, investments, loans receivable, trade receivables, to evaluate whether events or changes in circumstances indicate that the carrying amounts may not be recoverable. The company reviews investment in subsidiaries, loans receivable, trade receivables and other investments for impairment. At the period-end there was no objective evidence of impairment in this respect.

Furthermore, financial assets measured at amortised cost are tested in terms of the new ECL model with effect from 1 January 2018.

In addition, the group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Determining whether the carrying amount of goodwill can be realised requires an estimation of the recoverable amount of the cash generating units.

Goodwill arising on a business combination is allocated, to the cash-generating units ("CGUs") that are expected to benefit from that business combination.

The carrying amount of goodwill amounting to € 13,184,904 arises on a business combination made in 2014 and has been allocated to the business of SIA Baltic Container Terminals.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors estimate discount rates using pre-tax rates that reflect current market assessment of the time value of money and specific risks. The growth rates are based on forecasts which are based on past experience and estimates which the directors consider to be appropriate in the circumstances. Changes in selling price and direct costs are based on best practices and expectations of future changes in the market. The group prepares cash flow forecasts derived from the most recent financial budgets approved by directors.

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Notes to the financial statements

31 December 2019

3 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

The assessment of recoverability of the carrying amount of goodwill includes:

- forecasted projected cash flows for the next 5 years and projection of terminal value using the perpetuity method;
- growth rate of 5% for next five years and 2% till perpetuity (2018: 2%); and
- use of 8.95% (pre-tax) (2018: 8.95%) to discount the projected cash flows to net present values.

Based on the above assessment, the directors expect the carrying amount of goodwill to be recoverable and there is no impairment in value of the goodwill.

Useful life and revaluation of property, plant and equipment

Useful lives of property, plant and equipment are assessed at each balance sheet date and changed, if necessary, to reflect the directors current view on their remaining useful lives in the light of changes in technology, the remaining prospective economic utilisation of the assets and their physical condition.

Effective from 1 January 2016, "BCT" has assessed the remaining useful lives of all buildings, structures and areas of cargo storage based on the evaluation performed by a certified independent valuator. As a result, the useful life of the majority of the above-noted assets was prolonged. After this change, the useful life of the buildings range from 20 year to 90 years.

The directors evaluate whether there have been significant changes in the fair values of property which is carried at revalued amounts. The directors consider that the fair value of the revalued property approximate the carrying amounts, and therefore, no significant adjustments to the carrying amounts of the property are necessary as of 31 December 2019.

4 Initial application of International Financial Reporting Standard and International Financial Reporting Standards

Initial application of International Financial Reporting Standards

The following standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** - adopted by the EU on 13 January 2016 (effective for annual periods beginning on or after 1 January 2019).

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group:

- a. Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- b. Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- c. Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

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Notes to the financial statements

31 December 2019

4 Initial application of International Financial Reporting Standard and International Financial Reporting Standards (continued)

Initial application of International Financial Reporting Standards (continued)

In the current year, the Group has applied IFRS 16 Leases. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and by requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. IFRS 16 supersedes the following lease Standards and Interpretations upon its effective date: IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives; and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The date of initial application is 1 January 2019. The disclosure requirements in IFRS 16 have not generally been applied to comparative information. Both the accounting policies under IAS 17 and the accounting policies under IFRS 16 are disclosed in the significant accounting policies.

In accordance with the transitional provisions of IFRS 16, the Group has measured the right-of-use asset at an amount equal to the lease liability. There were no prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'Administrative expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Financial impact of the initial application of IFRS 16

The incremental borrowing rate applied to land and pears lease liabilities recognised in the statement of financial position on 1 January 2019 is 4.38% and 4.63%, respectively.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	€
Operating lease commitments at 31 December 2018	4,629,626
Effect of discounting the above amounts	(1,998,071)
	<hr/>
Lease liabilities recognised at 1 January 2019	2,631,555
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31 December 2019

4 Initial application of International Financial Reporting Standard and International Financial Reporting Standards in issue but not yet effective (continued)

Initial application of International Financial Reporting Standards (continued)

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets of EUR 2,631,555 and lease liabilities of EUR 2,631,555. The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17.

The impact on the income statement in the reporting period is a reduction of the operating expenses by € 163k and increases of depreciation and interest expense by € 93k and € 115k respectively. This change in the presentation of the lease expense has resulted in an increase in EBIT of € 69k and an even greater increase in EBITDA of € 163k.

Impact of the new definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and related Interpretations.

For all contracts, the Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease at the date of initial application. Accordingly, the Group applies IFRS 16 to contracts that were previously identified as leases applying IAS 17 and related Interpretations and does not apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and related Interpretations. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into (or changed) on or after the date of initial application.

Impact on lessor accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required.

Impairment assessment

The Group has applied IAS 36 to right-of-use assets at the date of initial application. Based on this impairment review, no impairment losses were recognised at that date.

International Financial Reporting Standards in issue but not yet effective

IAS 1 & IAS 8 Amendment - The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. These amendments are effective as from 1 January 2020 these changes have been adopted by the European Union.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current. The amendments, which are effective for annual periods beginning on or after 1 January 2022, affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The directors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the company or the Group in the period of initial application.

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Notes to the financial statements

31 December 2019

5 Segment information

The group operates one main business activity which is the operation of a sea terminal in Riga, Latvia. Apart from this the group also owns an investment property in Riga which it rents to third parties. Each of these operating segments is managed separately as each of these lines requires local resources.

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

Revenue reported below represents revenue generated from external customers. There were no intersegment sales in the year. The group's reportable segments under IFRS 8 are direct sales attributable to each business activity.

The group operates solely in Latvia.

The group has in total two customers whose respective revenue generation exceeds 10% of the total Group's revenue. These two customers' represent 29% and 22% (2018 - 33% and 25%) of the cargo handling business.

Measurement of operating segment profit or loss, assets and liabilities

Segment profit represents the profit earned by each segment after allocation of central administration costs and finance costs, other than that related to the bonds issued by the holding company, based on services and finance provided. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 2.

The Group has initially applied IFRS 16 as from 1 January 2019. The impact of adopting the standard on the Group's other operating expenses, depreciation and finance costs (and thus the effect on EBITDA and EBIT) are outlined in Note 4.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to consolidated totals are reported below:

Profit before tax	2019	2018
	€	€
Total profit for reportable segments	7,292,074	7,462,129
Unallocated amounts:		
Bond interest expense	(1,855,000)	(1,855,000)
Other unallocated amounts	(216,881)	(109,185)
	5,220,193	5,497,944
Assets	2019	2018
	€	€
Total assets for reportable segments	68,701,194	56,305,541
Unallocated amounts:		
Goodwill	13,184,904	13,184,904
Trade and other receivables	43,385	13,147
Loans and receivables	12,886,709	13,276,930
Cash and cash equivalents	433,837	442,968
	95,250,029	83,223,490

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Notes to the financial statements

31 December 2019

5 Segment information (continued)

Liabilities	2019 €	2018 €
Total liabilities for reportable segments	12,487,689	3,456,331
Unallocated amounts		
Debt Securities in issue	34,648,036	34,583,213
Trade and other payables	1,014,558	1,005,574
	<u>48,150,283</u>	<u>39,045,118</u>

The group's revenue and results from continuing operations from external customers and information about its asset and liabilities by reportable segments are detailed below:

	Cargo handling and storage of containers 2019 €	Property rental 2019 €	Unallocated 2019 €	Total 2019 €
Continuing operations				
Revenue	16,614,321	-	-	16,614,321
Other operating income	124,075	464,212	-	588,287
Operating income	<u>16,738,396</u>	<u>464,212</u>	<u>-</u>	<u>17,202,608</u>
Interest income	279,285	68,337	829	348,451
Interest expense	278,400	-	1,855,000	2,133,400
Profit/(loss) before tax	<u>6,980,188</u>	<u>112,561</u>	<u>(1,872,556)</u>	<u>5,220,193</u>
Depreciation and amortisation	1,578,694	360	-	1,579,054
Segment assets	<u>63,447,983</u>	<u>5,253,211</u>	<u>26,548,835</u>	<u>95,250,029</u>
Capital expenditure	7,083,331	-	-	7,083,331
Segment liabilities	<u>12,439,504</u>	<u>48,185</u>	<u>35,662,594</u>	<u>48,150,283</u>
Income tax expense	<u>301,202</u>	<u>50</u>	<u>14,951</u>	<u>316,203</u>

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5 Segment information (continued)

	Cargo handling and storage of containers 2018 €	Property rental 2018 €	Unallocated 2018 €	Total 2018 €
Continuing operations				
Revenue	16,474,614	-	-	16,474,614
Other operating income	114,370	441,748	-	556,118
Operating income	16,588,984	441,748	-	17,030,732
Interest income	396,660	26,637	7,372	430,669
Interest expense	134,139	-	1,841,325	1,975,464
Profit/(loss) before tax	7,232,198	250,333	(1,984,587)	5,497,944
Depreciation and amortisation	1,481,113	388	-	1,481,501
Segment assets	47,494,946	8,810,598	26,917,949	83,223,493
Capital expenditure	4,109,478	-	-	4,109,478
Segment liabilities	3,397,441	58,890	35,588,787	39,045,118
Income tax expense	-	3,218	17,323	20,541

6 Revenue

Revenue represents the amount receivable for services rendered during the year, net of any indirect taxes, as follows:

	Group		Holding company	
	2019 €	2018 €	2019 €	2018 €
Cargo handling and storage of containers	16,614,321	16,474,614	-	-

The current year group revenue is made up of revenue from cargo handling amounting to €15,262,449 (2018: € 15,168,277) and revenue from storage of containers amounting to € 1,351,872 (2018: € 1,306,337). All this revenue is recognised over time. Contracts with customers for cargo handling and the storage of containers generally have an original expected duration of one year or less and are recognised in terms of the Group's accounting policies for revenues.

7 Other operating income

	Group		Holding company	
	2019 €	2018 €	2019 €	2018 €
Rental and related income	550,948	530,874	235,328	-
Other operating income	37,339	25,244	7,969	-
	588,287	556,118	243,297	-

The rental and related income of the holding company is as a result of the cross border merger with Mariner Baltic Holdings SIA, as disclosed in Note 35.

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8 Investment income

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
Interest income on bank deposits	1,177	20,861	424	416
Interest income on related party loans	344,808	340,640	2,054,342	2,086,083
Total interest income on financial assets not classified at fair value through profit and loss	345,985	361,501	2,054,766	2,086,499
Fair value change on derivatives	-	68,294	-	-
Liquidation proceeds from investments	-	874	-	874
Income from other investments	2,466	-	405	-
	348,451	430,669	2,055,171	2,087,373

9 Finance costs

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
Interest on bank loans and overdraft	162,910	42,384	-	-
Interest on lease liabilities	115,490	-	-	-
Interest on debt securities in issue	1,855,000	1,855,000	1,855,000	1,855,000
Other finance costs	-	9,964	-	(15,474)
Interest on swap agreements	-	68,116	-	-
	2,133,400	1,975,464	1,855,000	1,839,526

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10 Profit before tax

	Group		Holding company	
	2019 €	2018 €	2019 €	2018 €
<i>This is stated after charging</i>				
Depreciation of property, plant and equipment	1,419,878	1,415,739	150	-
Depreciation of right-of-use assets	93,152	-	-	-
Amortisation	66,024	65,762	-	-
Foreign exchange losses/(gains)	-	610	-	(15,474)
Utilities, maintenance, transport and other operating costs	1,468,445	1,536,908	-	-
Fuel, lubricants, spare parts and other materials	1,034,861	1,057,639	-	-
	4,082,360	4,076,658	150	(15,474)

The amount that is payable to the auditor is as follows:

	Group		Holding company	
	2019 €	2018 €	2019 €	2018 €
Total remuneration payable to the parent company's auditors for the audit of the financial statements	32,245	17,850	3,000	3,000
Total fees payable to other auditors	33,100	41,450	-	-
Total fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services - other than assurance and tax advisory	-	-	-	-
	65,345	59,300	3,000	3,000

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11 Key management personnel compensation

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
Directors' compensation				
<i>Short-term benefits:</i>				
Fees	15,000	15,000	15,000	15,000
Management remuneration	43,227	44,400	-	-
Other key management personnel:				
<i>Short-term benefits:</i>				
Management remuneration	518,719	526,096	-	-
	576,946	585,496	15,000	15,000

12 Staff costs and employee information

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
<i>Staff costs:</i>				
Wages and salaries	3,178,422	3,128,274	-	-
Social security costs	761,853	743,854	-	-
	3,940,275	3,872,128	-	-

The average number of persons employed during the year, including executive directors, was made up as follows:

	Group		Holding company	
	2019	2018	2019	2018
Operations	175	174	-	-
Administration	12	11	-	-
	187	185	-	-

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13 Income tax expense

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
Current tax expense	85,245	20,541	14,951	17,273
Deferred tax expense (note)	230,958	-	-	-
	<u>316,203</u>	<u>20,541</u>	<u>14,951</u>	<u>17,273</u>

Tax applying the statutory domestic income tax rate and the income tax expense for the year are reconciled as follows:

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
Profit before tax	5,220,193	5,497,944	188,316	101,292
Tax at the applicable rate of 35%	1,827,068	1,924,280	65,911	35,452
Tax effect of:				
Disallowed expenditure	86,318	109,300	86,318	45,820
Tax deductions		-		-
Income subject to lower tax rates	(54,872)	(63,693)	(54,872)	(63,693)
Different tax rates of subsidiaries operating in other jurisdictions		-		-
Reversal of deferred tax		-		-
Income not subject to tax	(1,542,311)	(1,949,346)	(82,406)	(306)
Income tax expense for the year	<u>316,203</u>	<u>20,541</u>	<u>14,951</u>	<u>17,273</u>

Based on the new Corporate Income tax law of the Republic of Latvia announced in 2017, starting from 1 January 2018 corporate income tax ("CIT") will be applicable to distributed profits and several expenses that would be treated as profit distribution. In case of reinvestment of profit CIT shall not be applied. The applicable CIT rate has increased from the 15% to 20%. In Latvia the applicable rate for undistributed profits is 0%.

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14 Dividend

A dividend was declared during the year ended 31 December 2019 amounting to € 8,000,000 (2018 - Nil), which is equivalent to Euro 160 (2018: Nil) per share.

15 Property, plant and equipment

Group

	Land and buildings €	Plant and equipment €	Furniture fittings and equipment €	Fixed assets under construction €	Total €
Cost or valuation					
At 01.01.2018	33,229,557	15,180,708	1,207,969	286,423	49,904,657
Additions	4,831	438,220	33,575	3,600,133	4,076,759
Disposals	(6,902)	(5,323)	(18,398)	-	(30,623)
Reclassification	53,329	219,039	-	(272,368)	-
At 01.01.2019	33,280,815	15,832,644	1,223,146	3,614,188	53,950,793
Additions	74,799	75,616	65,905	6,866,511	7,082,831
Revaluation	7,009,349	-	-	-	7,009,349
Disposals	-	(60,368)	(45,288)	-	(105,656)
Reclassification	256,035	24,392	71,316	(381,897)	(30,154)
At 31.12.2019	40,620,998	15,872,284	1,315,079	10,098,802	67,907,163
Accumulated depreciation					
At 01.01.2018	5,238,042	9,428,360	791,750	-	15,458,152
Provision for the year	710,710	595,613	109,415	-	1,415,738
Eliminated on disposal	(6,557)	(444)	(17,185)	-	(24,186)
At 31.12.2018	5,942,195	10,023,529	883,980	-	16,849,704
Revaluation	991,965	-	-	-	991,965
Provision for the year	719,917	596,103	103,858	-	1,419,878
Eliminated on disposal	-	(46,413)	(45,288)	-	(91,701)
At 31.12.2019	7,654,077	10,573,219	942,550	-	19,169,846
Carrying amount					
At 31.12.2018	27,338,620	5,809,115	339,166	3,614,188	37,101,089
At 31.12.2019	32,966,921	5,299,065	372,529	10,098,802	48,737,317

The Group has revalued property which includes warehouses complex, administrative buildings, open areas for cargo storage, access roads to railway and a warehouse building completed in January 2020, which is presented under Fixed assets under construction as of 31 December 2019 in amount of € 7,266,855, with estimating total fair value of € 39,550,000 as of 31 December 2019. The new fair value was determined based on the independent certified expert' valuation dated 3 February 2020. As a result of revaluation in 2019, the fair value of the revalued property increased by € 6,017,384. The Group has chosen to restate the gross carrying amount and accumulated depreciation of the revalued assets proportionally to the change in carrying amount.

In the prior year, an evaluation was done using an independent certified expert's valuation who issued their report on 6 March 2019. The independent valuator used the income approach. Based on the analysis the management concluded that the fair value of the revalued land and buildings approximated the carrying amounts, and, therefore, no significant adjustments to the carrying amounts of the land and buildings are necessary as of 31 December 2018.

The fair value was determined based on income approach. The valuation corresponds to Level 3 of fair value determination hierarchy as per IFRS 13. The main Level 3 inputs used by the Group are discount rates, terminal yields, expected vacancy rates and rental rates estimated by external certified valuator based on comparable transactions and industry data.

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15 Property, plant and equipment (continued)

Group (continued)

In estimating the fair value of the properties, the highest and best use of the property is its current use. The fair value measurement of the group's land and buildings is classified as Level 3 (2018 - Level 3) at the end of the reporting period.

The following table summarizes the key quantitative information about the significant unobservable inputs used in recurring Level 3 fair value measurements as of 31 December 2019.

Unobservable inputs	2019 Amount	2018 Amount	Relationship of unobservable inputs to fair value
Discount rate	11.95%	10.12%	The higher the discount rate and capitalisation rate, the lower the fair value
Capitalisation rate	10.95%	12.92%	
Expected utilisation rate	68 - 73%	67 - 72%	The higher the utilisation rate, the higher the fair value

The carrying amount of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation and accumulated impairment losses is € 25,203,317 (2018: € 24,872,483).

The depreciation charge is presented within cost of sales and administrative expenses in the statement of profit or loss and other comprehensive income.

Holding company

	Furniture, fittings and equipment €
Cost or valuation	
At 01.01.2019	-
Acquired upon merger (note 35)	1,705
At 31.12.2019	1,705
Accumulated depreciation	
At 31.12.2018	-
Provision for the year	353
At 31.12.2019	353
Carrying amount	
At 31.12.2018	-
At 31.12.2019	1,352

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16 Intangible assets

Group

	Computer Software
	€
Cost	
At 01.01.2018	931,057
Additions	32,719
	<hr/>
At 01.01.2019	963,776
Additions	500
	<hr/>
At 31.12.2019	964,276
	<hr/>
Accumulated Depreciation	
At 01.01.2018	218,534
Provision for the year	65,762
	<hr/>
At 01.01.2019	284,296
Provision for the year	66,024
	<hr/>
At 31.12.2019	350,320
	<hr/>
Carrying amount	
At 31.12.2018	679,480
	<hr/>
At 31.12.2019	613,956
	<hr/> <hr/>

Computer software pertains to the terminal operating software used to control and manage the operations throughout the terminal.

The amortisation expenses on intangible assets has been included in the line item "Administrative expenses" in the statement of profit or loss and other comprehensive income.

The group holds software with a carrying amount of €505,928 (2018: € 560,543) and will be fully amortised in 16 years.

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17 Investment property

Group and Holding Company

	Group €	Holding Company €
Fair value		
At 01.01.2018	5,115,000	-
At 01.01.2019	5,115,000	-
Acquired upon merger (note 35)	-	5,115,000
At 31.12.2019	5,115,000	5,115,000
Carrying amount		
At 31.12.2018	5,115,000	-
At 31.12.2019	5,115,000	5,115,000

The fair value of investment properties has been arrived at on the basis of recent valuations carried out by independent professionally qualified valuers on the basis set out below. In estimating the fair values of properties, the highest and best use of the properties was used. The fair value of the group's investment property has been arrived at using Level 3 (2018 - Level 3) inputs as defined in IFRS.

The expenses incurred in operating the investment property amounted to € 101,644 (2018 - € 96,036).

Investment property carried at € 5,033,000

The investment property represents a building in Riga, Latvia. The fair value has been determined based on independent certified expert's valuation dated December 2019. The fair value has been determined based on the income approach assuming utilisation rates from 83% to 100% (2018 - 90% to 95%) discount rate of 9.47% (2018 - 5.62%) for the forecasted period, projected annual growth rate of 2.5% (2018 - 0%) and a capitalisation rate of 6.97% (2018 - 5.80%). The higher the discounting rate, the lower the fair value. The higher the utilisation rate, the higher the fair value.

Investment property carried at € 82,000

The investment property represents a land in the territory of Latvia. The fair value has been determined based on independent certified expert's valuation dated 30 January 2018. The fair value has been determined based on the income approach assuming that the land plot is separated in 3 land plots and certain investments in infrastructure are made and sold within a two year period. Discount rate applied is 8.12%.

The Group's management evaluated whether there have been significant changes in the fair value of investment property since December 2017 and concluded that the fair value approximates the carrying amount.

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17 Investment property (continued)

Operating leases - as Lessor

Operating leases related to investment property owned by the company with lease terms of between 5-10 years. The rental income earned by the group under operating leases amounted to € 464,212 (2018 - € 441,748). The rental income derived by the company under operating leases subsequent to the merger as disclosed in Note 35 amounted to € 235,328 (2018 - €285,615). Direct operating expenses incurred by the group are € 134,804 (2018 - Nil) and those by the company are € 69,373 (2018 - Nil) in relation to the investment property during the year. In 2019, the income relating to variable lease payments by the company that do not depend on an index or a rate amounted to € 209,030. The unguaranteed residual values do not represent a significant risk for the Company, as they relate to property which is located in a location with a stable value over the last few years. The Company did not identify any indications that this situation will change.

At the end of the reporting period, the respective lessees had outstanding commitments under non-cancellable undiscounted lease payments for operating leases, which fall due as follows:

	Group and Holding Company	
	2019 €	2018 €
Within 1 year	327,403	339,928
Within 2 years	338,934	327,403
Within 3 years	323,081	338,934
Within 4 years	242,605	323,081
Within 5 years	70,645	242,605
Over 5 years	4,126	74,771
	1,306,794	1,646,722

18 Right-Of-Use assets

	Land €	Piers €	Total €
Cost			
At 31.12.2018	-	-	-
At 1 January upon initial adoption of IFRS 16	1,513,114	1,118,441	2,631,555
At 31.12.2019	1,513,114	1,118,441	2,631,555
Accumulated depreciation			
At 31.12.2018	-	-	-
Provision for the year	53,562	39,591	93,153
At 31.12.2019	53,562	39,591	93,153
Carrying amount			
At 31.12.2018	-	-	-
At 31.12.2019	1,459,552	1,078,850	2,538,402

The Company leases land and piers. The average lease term is 28 years. The maturity analyses of lease liabilities is presented in Note 25.

	2019 €
Amounts recognised in profit and loss:	
Depreciation expense on right-of-use assets	93,152
Interest expense on lease liabilities	115,490
	208,642

Total cash outflow for leases amounted to € 163,064.

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19 Financial assets

Investments in subsidiaries

Holding company

These are stated at cost and comprise:

	Investment in subsidiaries €
Carrying amount	
At 31.12.2018	2,800
Additions (Note 35)	26,896,005
At 31.12.2019	26,898,805

The company's proportion of ownership interest in subsidiaries at 31 December 2019 and their principal activities are as follows:

	Proportion of ownership interest %	Principal activities
Mariner Baltic Holdings SIA	0 (2018 - 100%)	Holding/property rental company
Mariner Finance Baltic SIA	100 (2018 - 100%)	Holding company
Baltic Container Terminals SIA (indirectly through Mariner Finance Baltic SIA)	100 (2018 - 100%)	Maritime operations

(i) In February 2018, Equinor Riga SIA was merged into Mariner Baltic Holdings SIA. As a result of this merger, the investment property of the Group previously owned by Equinor Riga SIA is now owned by Mariner Baltic Holdings SIA.

(ii) In June 2019, Mariner Baltic Holdings SIA was merged into Mariner Finance PLC. As a result of this merger, the investment property of the Group previously owned by Mariner Baltic Holdings SIA is now owned by Mariner Finance PLC.

The registered offices of the following subsidiaries are:

Mariner Finance Baltic SIA - 1, Merkela Street, Riga, LV-1050, Latvia.
Baltic Container Terminals SIA - 32, Uriekstes iela, Riga, LV-1005, Latvia

These represent the non-consolidated results of the following:

	2019 €	2018 €
Capital and reserves:		
Mariner Baltic Holdings SIA	43,943,724	43,831,164
Mariner Finance Baltic SIA	31,371,234	31,988,670
Profit or loss:		
Mariner Baltic Holdings SIA	112,561	6,090,546
Mariner Finance Baltic SIA	(617,436)	6,939,781

The above results for Mariner Baltic Holdings SIA are the results up to the date of merger, as described in note 35.

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19 Financial assets (continued)

Loans receivable

	Loan to parent €	Group Related party loans €	Total €	Loan to parent €	Holding Company Loan to subsidiaries €	Total €
Amortised cost At 31.12.2018	22,464,271	-	22,464,271	13,276,930	33,770,000	47,046,930
Less: Amount expected to be settled within 12 months (shown under current assets)	-	-	-	-	-	-
Amount expected to be settled after 12 months	22,464,271	-	22,464,271	13,276,930	33,770,000	47,046,930
Amortised cost At 31.12.2019	18,855,416	1,727,671	20,583,087	12,886,709	38,230,844	51,117,553
Less: Amount expected to be settled within 12 months (shown under current assets)	-	-	-	-	-	-
Amount expected to be settled after 12 months	18,855,416	1,727,671	20,583,087	12,886,709	38,230,844	51,117,553

	Loan to parent €	Group Related party loans €	Total €	Loan to parent €	Holding company Loan to subsidiaries €	Total €
Amortised cost At 01.01.2018	16,188,456	503,333	16,691,789	9,408,712	37,525,690	46,934,402
Advances	6,275,815	-	6,275,815	3,868,218	-	3,868,218
Repayments	-	(503,333)	(503,333)	-	(3,755,690)	(3,755,690)
At 01.01.2019	22,464,271	-	22,464,271	13,276,930	33,770,000	47,046,930
Advances	4,391,145	3,134,400	7,525,545	2,344,856	-	2,344,856
Dividend	(8,000,000)	-	(8,000,000)	(8,000,000)	-	(8,000,000)
Cross boarder merger	-	-	-	5,264,923	6,400,196	11,665,119
Repayments	-	(1,406,729)	(1,406,729)	-	(1,939,352)	(1,939,352)
At 31.12.2019	18,855,416	1,727,671	20,583,087	12,886,709	38,230,844	51,117,553

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31 December 2019

19 Financial assets (continued)

Loans receivable (continued)

Loan to subsidiaries and related party

Holding company:

The amounts owed by subsidiaries as at December 2019 of € 4,460,844 bearing no interest and repayable on demand. The remaining loan due by subsidiary of € 33,770,000 (2018 – € 33,770,000) bears interest at the rate of 6% and is repayable by June 2024.

Group and holding company:

Loan to parent

Holding company:

The amount owed by parent company is interest free and repayable on demand, however it is not expected to be repaid within twelve months after the end of the reporting period.

Group:

In addition to the amounts owed by the parent as described above, the group had loans for the nominal amounts of € 1,700,000, € 2,250,000 and € 1,600,000 which are repayable by January 2021, June 2022 and July 2021 respectively. All of these loans are unsecured and bear interest at the rate of 3.5% per annum.

The remaining loan of € 12,886,709 (2018 - € 3,015,909) is interest free and has no fixed date of repayment, however, this is not expected to be repaid within 12 months from the end of the reporting period.

During the reporting year the Group had issued a new loan to related company, Mariner Logistics SIA, for the amount of € 3,134,400. Interest rate for the loan is 3.5% per annum. Loan is not secured. During the reporting year Mariner Logistics SIA has paid back € 1,486,250. Calculated interest for the reporting year is € 79,521. The loan should be repaid by February 2024.

20 Inventories

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
Spare parts	342,682	310,635	-	-
Raw materials	86,788	47,656	-	-
Fuel	20,400	11,932	-	-
Other	15,385	10,703	-	-
	465,255	380,926	-	-

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21 Trade and other receivables

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
Trade receivables	3,113,973	2,896,815	25,812	-
Other receivables	233,443	186,215	33,279	-
Accrued income	-	-	517,807	517,807
Prepayments	49,397	51,949	13,147	13,147
	3,396,813	3,134,979	590,045	530,954

Trade and other receivables are unsecured, interest free and repayable on demand.

The accrued income represents the interest accrued from Mariner Finance Baltic SIA as at year-end on the loans and receivables, described in note 19.

22 Trade and other payables

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
Trade payables	586,196	916,580	6,453	9,603
Other payables	374,699	220,672	31,841	-
Accrued interest	941,978	939,266	941,978	939,266
Other accruals	437,280	822,850	51,802	40,928
	2,340,153	2,899,368	1,032,074	989,797

No interest is charged on trade and other payables.

23 Bank loans and overdrafts

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
Bank loans	2,347,826	1,272,096	-	-
Bank overdrafts	6,016,399	-	-	-
Less: amount due for settlement within 12 months (shown under current liabilities)	(6,323,335)	(309,270)	-	-
Amount due for settlement after 12 months	2,040,890	962,826	-	-

The bank loans and overdrafts are repayable as follows:

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
On demand or within one year	6,323,335	309,270	-	-
In the second year	1,691,937	306,937	-	-
In the third year	306,937	306,937	-	-
Forth year onwards	42,016	348,952	-	-
	8,364,225	1,272,096	-	-

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23 Bank loans (continued)

The maturity of the loan in amount of € 962,825 as of 31 December 2019 is 30 April 2023. Average interest rate for long term loan in 2019 was 3% (2018: 3 %).

During the reporting year a subsidiary company has signed a new loan agreement with a bank for the amount of € 4,720,000. Average interest rate for the loan in 2019 was 3%. As of 31 December 2019 the subsidiary company had used € 1,385,000 of the loan amount. The maturity of loan is 15 January 2021.

The Group has a credit line agreement and an overdraft and guarantee facility agreement with a Latvian commercial bank.

The limit of credit line is € 6,000,000, and limit for overdraft and guarantee is € 6,000,000. Average interest rate for overdraft, credit line in 2019 was 3 % .The maturity of credit line, overdraft and guarantee facility is 31 August 2020 and 31 July 2020 respectively. As of 31 December 2019 the overdraft in the amount of € 4,386,458 (2018: € 2,334) was used. As of 31 December 2019 the credit line was used in the amount of € 1,629,941.

In 2018, a subsidiary company had signed a new loan agreement with the bank for the amount of € 6,000,000. Interest for the loan is 1.75% p.a. plus 3 month EURIBOR, commitment fee 0.5% from the undistributed loan amount, arrangement fee 0.2 % from the loan amount. Repayment date of respective loan is 3 September 2023, which as of 31 December 2019 had not yet been drawn down. This facility will be utilised to finance the group's investing activities of € 7,072,565, which as at 31 December 2019 have been financed through the utilisation of the group's overdraft facility mentioned above.

The borrowings from credit institutions are secured by the following agreements: mortgage collaterals and commercial pledge agreement, totalling € 21,204,262, which includes all movable property owned by the Group as of date of signing of the pledge agreement and in the future, cession agreement on trade receivables.

24 Other financial liabilities

	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
Other loans	15,144	72,525	15,846	-
Deferred income	27,699	38,779	-	-
	42,843	111,304	15,846	-
	Group		Holding company	
	2019	2018	2019	2018
	€	€	€	€
Amount due for settlement within 12 months (shown under current liabilities)	-	(57,381)	-	-
Amount due for settlement after 12 months	42,843	53,923	15,846	-

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25 Lease Liabilities

	Group 2019 €
Maturity analysis:	
Year 1	49,074
Year 2	51,635
Year 3	53,984
Year 4	56,439
Year 5	58,705
Onwards	2,314,144
	<u>2,583,981</u>
	Group 2019 €
Within 1 year	49,074
After 1 year	2,534,907
	<u>2,583,981</u>

The group does not face a significant liquidity risk with regard to its lease liabilities.

The group has a land lease and piers agreement with the Riga Freeport Authority which is valid until 22 March 2047. The annual rent charge is € 92,272 (2018: € 92,272) and € 70,792 (2018: € 70,792). At the end of the reporting period, the group had the following outstanding commitments:

	Group 2019 €	2018 €
Maturity analysis:		
Within 1 year	163,064	163,064
2 to 5 year	652,256	652,256
More than 5 years	3,651,242	3,814,306
	<u>4,466,562</u>	<u>4,629,626</u>

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26 Deferred taxation

Group

	Opening balance €	Other comprehensive income €	Recognised in profit or loss €	Closing balance €
2019				
Arising on:				
Unremitted earnings earmarked for future distribution	-	-	230,958	230,958
	<u>-</u>	<u>-</u>	<u>230,958</u>	<u>230,958</u>

Taxation in Latvia

In years prior to 2017 the Deferred tax for the period until 2035 was calculated at 3% tax rate, which represents the rate that had been substantively enacted for the Company based on Certificate No.33 for the right to apply direct tax relief expiring on 31 December 2035. Deferred tax liability on revaluation of fixed assets that is expected to be settled after 2035 was calculated at standard rate of 15% based on Latvian law on Corporate income tax enacted at the time.

Based on the new Corporate Income tax law of the Republic of Latvia announced in 2017, starting from 1 January 2018 corporate income tax (CIT) will be applicable to distributed profits and several expenses that would be treated as profit distribution. In case of reinvestment of profit CIT shall not be applied. The applicable CIT rate has increased from the 15% to 20%. The Company has rights to apply direct tax relief expiring on 31 December 2035 and reduce calculated tax amount by 80%.

Under International Accounting Standard 12, if Income taxes are payable at a higher or lower rate if part or all of the net profit or retained earnings is paid out as a dividend to shareholders of the entity then current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia, the applicable rate for undistributed profits is 0%. Therefore, in the individual financial statements the deferred tax assets and liabilities as of 31 December 2017 are released to the income statement for 2017 except for any deferred tax assets and liabilities related to the items accounted directly to the equity which are reversed through equity.

At 31 December 2019 the company had unused tax credits in SIA Baltic Container Terminal of € 3,502,855 (2018 – € 2,966,989) for which no deferred tax asset has been recognised. The expiry date of the unutilised tax credit is 2035 as per currently enacted Latvian law on Corporate income tax.

The aggregate amount of temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognised amounts to € 15,549,028 (2018 - €30,297,088).

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27 Debt securities in issue

	Group and Holding company	
	2019	2018
	€	€
Non-current		
5.3% bonds redeemable 2024	34,648,036	34,583,213
The bonds are disclosed at the value of the proceeds less the net book amount of the unamortised issue costs as follows:		
Face value of bonds	35,000,000	35,000,000
Issue costs	656,198	656,198
Accumulated amortisation	(304,234)	(239,411)
Net book amount	351,964	416,787
Amortised cost	34,648,036	34,583,213

In June 2014, the company issued an aggregate principal amount of € 35 million in Bonds, having nominal value of € 100 each, bearing interest at the rate of 5.3% per annum, payable in arrears. These bonds are unsecured pursuant and subject to terms and conditions in the prospectus dated 2 June 2014, are redeemable at their nominal value in July 2024.

The quoted market price as at 31 December 2019 for the 5.3% Bonds 2024 was € 105.2 (2018: € 109.64) The weighted average effective interest rate at the end of the reporting period was 5.21% (2018: 5.22%).

The market value of debt securities on the last trading day before the statement of financial position date was € 36,820,000 (2018: € 38,374,000).

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28 Share capital

	2019 and 2018	
	Authorised €	Issued and called up €
50,000 ordinary shares of € 10 each, all of which have been issued and called up	<u>500,000</u>	<u>500,000</u>

29 Reserves

Other equity

This represents a contribution of € 10,000,000 from the parent, Mariner Capital Limited. This amount is interest free, unsecured and carries no fixed date of repayment. This amount was recognised directly in equity since there is no contractual obligation to repay this amount.

Revaluation reserve

This represents the revaluation of the group's land and buildings consisting of the following:

- (i) the increase in the revaluation reserve in 2017 resulting from the reversal of the deferred tax liability;
- (ii) the increase in the revaluation reserve in 2019 resulting from the increase in fair value of the group's land and buildings.

According to Latvian Commercial Law requirements, the revaluation reserve cannot be distributed to shareholders.

Other reserves

These represent the effect on other equity recognised on acquisition of subsidiaries in 2013 and cross border merger of Mariner Baltic Holdings SIA in 2019 (note 35).

30 Cash and cash equivalents

	Group		Holding company	
	2019 €	2018 €	2019 €	2018 €
Cash at bank	<u>615,296</u>	<u>1,162,841</u>	<u>531,524</u>	<u>438,682</u>

Cash at bank earns interest at floating rates based on deposit rates.

Significant non-cash transactions

During the year under review, the company distributed a dividend of € 8,000,000, as described in Note 14, which amount was credited against a receivable from the parent.

Furthermore, as described in note 35, the company took over the assets and liabilities of Mariner Baltic Holdings SIA as a result of the merger into Mariner Finance p.l.c.

The above transactions did not involve the movement of cash and cash equivalents and are therefore not reflected in the Statement of Cash Flows.

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31 Related party disclosures

The parent and ultimate parent company of the group is Mariner Capital Limited and MEH Holdings Limited, respectively, which are both incorporated in Malta. The registered address of both Mariner Capital Ltd and MEH Holdings Ltd is 37, Censu Tabone Street, St. Julians STJ 1218 Malta.

Both Mariner Capital Ltd and MEH Holdings Ltd prepare consolidated financial statements which may be obtained from the Malta Business Registry.

The directors consider the ultimate controlling party to be Marin Hili who indirectly owns 60% (2018: 60%) of Mariner Finance p.l.c.

During the year the group and company paid remuneration to key management personnel as disclosed in note 11.

During the year under review, the group and company entered into transactions with related parties as set out below.

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31 Related party disclosures (continued)

Group	2019			2018		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
Administration expenses <i>Related party transactions with:</i>						
Parent	<u>932,467</u>	<u>2,367,440</u>	<u>39</u>	<u>762,268</u>	<u>2,136,747</u>	<u>36</u>
Investment income <i>Related party transactions with:</i>						
Other related parties	<u>276,470</u>	<u>348,451</u>	<u>79</u>	<u>340,640</u>	<u>430,669</u>	<u>79</u>
Holding Company						
Administration expenses <i>Related party transactions with:</i>						
Parent	<u>30,000</u>	<u>185,779</u>	<u>16</u>	<u>-</u>	<u>146,555</u>	<u>-</u>
Investment income <i>Related party transactions with:</i>						
Subsidiaries	<u>2,054,342</u>			<u>2,080,001</u>		
Other related parties	<u>-</u>			<u>6,082</u>		
	<u>2,054,342</u>	<u>2,055,171</u>	<u>99</u>	<u>2,086,083</u>	<u>2,087,373</u>	<u>99</u>

Other related parties consist of related parties other than the parent, entities with a joint control or significant influence over the company, subsidiaries, associates, joint ventures in which the company is a joint venturer and key management personnel of the company or its parent.

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31 Related party disclosures (continued)

No expense has been recognised during the year arising from bad and doubtful debts in respect of amounts due by related parties.

The terms and conditions of amounts owed by/to parent and related parties are disclosed in note 19, 21 and 29. These amounts are unsecured and no guarantees were given/received. The terms and conditions in respect of these amounts do not specify the nature of the consideration to be provided in settlement.

As at 31 December 2019 and 31 December 2018, the group, through one of its subsidiaries, had issued a guarantee in favour of a related party for a bank loan amounting to € 2,500,000.

32 Fair value of financial assets and financial liabilities

At 31 December 2019 and 31 December 2018 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated the fair values due to the short-term maturities of these assets and liabilities. The fair values of non-current financial assets that are not measured at fair value, other than investments in subsidiaries, and the fair values of non-current bank loans are not materially different from their carrying amounts due to their current rates of interest. The fair values of financial assets and financial liabilities included in level 2 and level 3 categories below, other than debt securities and derivatives, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects a market interest rate plus the credit risk of counter parties. The fair value of debt securities is disclosed in note 27.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

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32 Fair value of financial assets and financial liabilities (continued)

The following tables provide an analysis of financial instruments, other than investments in subsidiaries that are not measured subsequent to initial recognition at fair value, other than those with carrying amounts that are reasonable approximations of fair value, grouped into Levels 1 to 3.

Group

	Fair value measurement at end of the reporting period using:				Carrying amount €
	Level 1 €	Level 2 €	Level 3 €	Total €	
2019					
Financial assets					
Loans and receivables					
Loans to parent	-	-	18,855,416	18,855,416	18,855,416
Loans to other related parties	-	-	1,727,671	1,727,671	1,727,671
	<u>-</u>	<u>-</u>	<u>20,583,087</u>	<u>20,583,087</u>	<u>20,583,087</u>
Financial liabilities					
Financial liabilities at amortised cost					
Debt securities	36,820,000	-	-	36,820,000	34,648,036
Bank loans	-	2,347,826	-	2,347,826	2,347,826
Bank overdrafts	-	6,016,399	-	6,016,399	6,016,399
	<u>36,820,000</u>	<u>8,364,225</u>	<u>-</u>	<u>45,184,225</u>	<u>43,012,261</u>
2018					
Financial assets					
Loans and receivables					
Loans to parent	-	-	22,464,271	22,464,271	22,464,271
	<u>-</u>	<u>-</u>	<u>22,464,271</u>	<u>22,464,271</u>	<u>22,464,271</u>
Financial liabilities					
Financial liabilities at amortised cost					
Debt securities	38,374,000	-	-	38,374,000	34,583,213
Bank loans	-	1,272,096	-	1,272,096	1,272,096
	<u>38,374,000</u>	<u>1,272,096</u>	<u>-</u>	<u>39,646,096</u>	<u>35,855,309</u>

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32 Fair value of financial assets and financial liabilities (continued)

Holding company

	Fair value measurement at end of the reporting period using:				Carrying amount €
	Level 1 €	Level 2 €	Level 3 €	Total €	
2019					
Financial assets					
<i>Loans and receivables</i>					
- receivables from parent company	-	-	12,886,709	12,886,709	12,886,709
subsidiaries	-	-	33,770,000	33,770,000	33,770,000
related parties	-	-	4,460,844	4,460,844	4,460,844
Total	-	-	51,117,553	51,117,553	51,117,553
Financial liabilities at amortised cost					
- Debt securities	36,820,000	-	-	36,820,000	34,648,036
Total	36,820,000	-	-	36,820,000	34,648,036
	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
2018					
Financial assets					
<i>Loans and receivables</i>					
- receivables from parent company	-	-	13,276,930	13,276,930	13,276,930
subsidiaries	-	-	33,770,000	33,770,000	33,770,000
Total	-	-	47,046,930	47,046,930	47,046,930
Financial liabilities at amortised cost					
- Debt securities	38,374,000	-	-	38,374,000	34,583,213
Total	38,374,000	-	-	38,374,000	34,583,213

In respect of the interest-free loans to parent, their fair values at year end are not materially different from their carrying amount, which takes into consideration the initial measurement of interest-free element as an adjustment through equity.

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33 Financial risk management

The group's activities are exposed to a variety of financial risks including foreign, currency, liquidity, interest rate risk and credit risk. The group's management seeks to minimize its potential adverse effects of financial risks on the group's financial performance.

The exposures to risk and the way risks arise, together with the group's and the company's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the company's exposure to financial risks or the manner in which the company manages and measures these risks are disclosed below.

Where possible, the company and the group aim to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

Credit risk

Financial assets which potentially subject the company and group to concentrations of credit risk consist principally of loans receivable, trade receivables, and cash at bank which are measured at amortised cost.

These financial assets are presented net of an allowance for doubtful debts up to 31 December 2019. In terms of IFRS 9, the Group and the Company apply an ECL model as apposed to an incurred loss model. Credit risk with respect to trade receivables is limited due to credit control procedures and the large number of customers comprising the company's debtor base. Credit risk in relation to the loans and receivables due from related parties is also limited given the cash flows generated by the underlying subsidiary.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained. The Group's maximum exposure also includes the financial guarantee issued in favour of a related party for a bank loan with a carrying amount as at 31 December 2019 of € 1,600,000 (2018: € 1,600,000).

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33 Financial risk management (continued)

Credit risk (continued)

The tables below detail, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to financial guarantee contracts.

	Group		Holding	
	2019 12m ECL €	2018 12m ECL €	2019 12m ECL €	2018 12m ECL €
Bank balances				
<i>External rating grades</i>				
A+ to BBB	237,622	799,998	62,428	85,505
Unrated	377,674	362,843	469,096	353,178
Gross/net carrying amount	615,296	1,162,841	531,524	438,683

Cash at bank is placed with reliable financial institutions. The credit rating of the major financial institutions, representing 39% (2018 – 69%) of the total cash at bank at the end of the reporting period using Fitch credit rating symbols was A+ to BBB (2018 – AA- to BBB). The remaining cash and at bank balance is held with financial institutions which are unrated.

	Group		Holding	
	2019 12m ECL €	2018 12m ECL €	2019 12m ECL €	2018 12m ECL €
Loans to related parties				
<i>Internal rating grades</i>				
Performing (i)	20,583,087	22,464,271	51,117,553	47,046,930
Gross/net carrying amount	20,583,087	22,464,271	51,117,553	47,046,930

i) Performing - The counterparty has a low risk of default and does not have any past due amounts (12m ECL).

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33 Financial risk management (continued)

Credit risk (continued)

	Group			Total
	12m ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired but not POCl)	
	€	€	€	€
Financial guarantee contracts				
<i>Internal rating grades</i>				
Performing (i)	1,600,000	-	-	1,600,000
Maximum exposure at 31 December 2018 and at 31 December 2019	1,600,000	-	-	1,600,000

	Group	
	2019	2018
	Lifetime ECL (not credit impaired)	Lifetime ECL (not credit impaired)
	€	€
Trade receivables tested individually		
<i>Internal rating grades</i>		
Performing (i)	1,787,779	1,598,869
Gross / net carrying amount at 31 December	1,787,779	1,598,869

i) Performing - The amounts are not credit-impaired. Lifetime ECLs apply under the simplified model.

58% (2018: 53%) of the Group's trade receivables as at year-end arises from two customers operating in the shipping industry.

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33 Financial risk management (continued)

Credit risk (continued)

Provision matrix

The table below details the risk profile of trade receivables (or contract assets or lease receivables) based on the Group's provision matrix.

	Not past due	Days past due - simplified approach			Total
		< 45	45 - 90	> 90	
	€	€	€	€	€
2019					
Trade receivables tested collectively					
Estimated total gross carrying amount at default	934,865	351,600	9,553	55,588	1,351,606
Lifetime ECL at 31 December 2019					(15,382)
Net carrying amount at 31 December 2019					1,336,224
2018					
Trade receivables tested collectively					
Estimated total gross carrying amount at default	444,918	994,899	39,086	20,640	1,499,543
Lifetime ECL at 31 December 2018					(15,382)
Net carrying amount at 31 December 2018					1,484,161

The following table shows the movement in lifetime ECLs that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	Lifetime ECL (not credit-impaired)		Lifetime ECL (credit-impaired but not POCI)	
	Trade receivables no SFC (Collective) €	Trade receivables no SFC (Individual) €	Trade receivables no SFC (Collective) €	Trade receivables no SFC (Individual) €
Gross carrying amount at 31 December 2018	1,484,161	1,598,869	15,382	-
Gross carrying amount at 31 December 2019	1,336,224	1,787,779	-	-

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33 Financial risk management (continued)

Currency risk

Foreign currency transactions arise when the group buys or sells goods or services whose price is denominated in a foreign currency, borrows or lends funds when the amount payable or receivable are denominated in a foreign currency, acquires or disposes of assets or incurs or settles a liabilities denominated in a foreign currency. Foreign currency transactions comprise mainly transactions in USD. The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and directors' reaction to material movements thereto.

The group is exposed to foreign currency risk arising from the below financial assets:

Foreign currency risk

	USD and USD pegged currencies	
	2019	2018
Trade and other receivables	1,020,118	679,124
Balance sheet exposure	1,020,118	679,124

Interest rate risk

The company and group has taken out bank, debt securities and other facilities to finance its operations as disclosed in notes 23, 24 and 27. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The interest rates on loans receivable and cash are disclosed in notes 19 and 30.

The group is exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest rate and to fair value interest rate risk on borrowings and debt instruments carrying a fixed interest rate to the extent that they are measured at fair value. Investments in equity instruments are not exposed to interest rate risk.

Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by adjusting its selling prices or by restructuring its financing structure.

The carrying amounts of the company's financial instruments carrying a rate of interest at the end of the reporting period are disclosed in the notes to the financial statements.

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33 Financial risk management (continued)

Liquidity risk

The Group has as a net current liability position as at 31 December 2019 of € 4,175,284. The reason for this is that the group's investing activities for the year totaling € 7,072,565 have been initially financed via a bank overdraft. This overdraft will be refinanced via a new loan agreement entered into by a subsidiary company with a bank for the amount of € 6,000,000. The repayment date of this loan is 3 September 2023. As of the 31 December 2019 and signing of these financial statements the loan has not yet been drawn down.

The company monitors and manages its risk to a shortage of funds by maintaining sufficient cash, by matching the maturity of both its financial assets and financial liabilities and by monitoring the availability of raising funds to meet commitments associated with financial instruments.

The following maturity analysis for financial liabilities shows the remaining contractual maturities using the contractual undiscounted cash flows on the basis of the earliest date on which the group and company can be required to pay. The analysis includes both interest and principal cash flows.

Group

	On demand or within 1 year €	2 years €	3 years €	4 years €	5 years and over €	Total €
2019						
Non-derivative financial liabilities						
Non-interest bearing	2,340,153	-	-	-	-	2,340,153
Fixed rate instruments	1,855,000	1,855,000	1,855,000	1,855,000	37,782,500	45,202,500
Variable rate instruments	6,520,986	1,742,693	316,145	43,279	-	8,623,103
Lease liabilities	163,064	163,064	163,064	163,064	3,814,306	4,466,562
	<u>10,879,203</u>	<u>3,760,757</u>	<u>2,334,209</u>	<u>2,061,343</u>	<u>41,596,806</u>	<u>60,632,318</u>
2018						
Non-derivative financial liabilities						
Non-interest bearing	2,899,368	-	-	-	-	2,899,368
Fixed rate instruments	1,855,000	1,855,000	1,855,000	1,855,000	37,782,500	45,202,500
Variable rate instruments	338,537	330,146	321,700	313,365	42,306	1,346,053
	<u>5,092,905</u>	<u>2,185,146</u>	<u>2,176,700</u>	<u>2,168,365</u>	<u>37,824,806</u>	<u>49,447,921</u>

Undrawn facilities are described in note 23.

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33 Financial risk management (continued)

Liquidity risk (continued)

Holding company

	On demand or within 1 year €	2 years €	3 years €	4 years €	5 years and over €	Total €
2019						
Non-derivative financial liabilities						
Non-interest bearing	1,032,074	-	-	-	-	1,032,074
Fixed rate instruments	1,855,000	1,855,000	1,855,000	1,855,000	37,782,500	45,202,500
	<u>2,887,074</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>37,782,500</u>	<u>46,234,574</u>
2018						
Non-derivative financial liabilities						
Non-interest bearing	989,797	-	-	-	-	989,797
Fixed rate instruments	1,855,000	1,855,000	1,855,000	1,855,000	37,782,500	45,202,500
	<u>2,844,797</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>37,782,500</u>	<u>46,192,297</u>

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities are those classified in the Statement of Cash Flows as cash flows used in financing activities.

Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of bank loans, other financial liabilities and debt securities included in notes 23, 24 and 27 respectively, and items presented within equity net of cash at bank balances.

The company's directors manage the company's capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the company balances its overall capital structure through the payment of dividends, the issue of new debt or the redemption of existing debt.

The company's overall strategy remains unchanged from the prior year.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2019

34 Capital Commitments

The Group, through one of its subsidiaries, has future payment commitments for capital expenditure in relation to property, plant and equipment was contracted for at the end of the reporting year, but not yet incurred in the amount of € 5,700,000.

35 Assets and liabilities taken over on merger

By virtue of a shareholder's resolution signed on 29 March 2019, the activities of Mariner Baltic Holdings SIA were merged into Mariner Finance p.l.c. For accounting purposes, all transactions of Mariner Baltic Holdings SIA were treated as being part of Mariner Finance p.l.c as from 1 July 2019.

Assets acquired and liabilities recognised at the date of merger

	Upon merger €
Non-current assets	
Property, plant and equipment	1,502
Investment property	5,115,000
Investment in subsidiaries	26,898,805
Loans receivable	4,953,943
	36,969,250
Current assets	
Trade and other receivables	55,051
Loans receivable	6,710,630
Cash and cash equivalents	285,252
	7,050,933
Non-current liabilities	
Other payables	15,144
Current liabilities	
Other payables	30,113
Other financial liabilities	31,202
	61,315
Total identifiable net assets acquired	43,943,724
Less: Carrying value of investment at transaction date	(2,800)
Excess of net assets acquired credited to equity	43,940,924

36 Post balance sheet events

Subsequent to the end of the reporting period, the global economy is experiencing the impact of the COVID-19 pandemic. Such pandemic is unprecedented and therefore at date of signing of these financial statements, one is not in a position to accurately forecast the extent of the impact such events will have on the Group's operations. Nonetheless, as at the date of signing of these financial statements, the Group's activities have continued to operate normally irrespective of the pandemic. The group's senior management team are constantly monitoring the situation and the impact this is having on the level of operations in comparison with the historic levels of operations. In fact, management have revised projections for the year ending 31 December 2020 to incorporate the potential impact of such pandemic and based these revisions on a stressed scenario. Under these revised projections the Group is expected to continue operating at satisfactory profitable levels and also have sufficient liquidity and financial resources available to meet all its obligations.

The Group has a strong financial position and significant resources at its disposal, which will assist it during the economic slow down. Furthermore, the group's container terminal as well as the property in Latvia, are both well-positioned to continue to be a long-term sustainable businesses.

Independent auditor's report

to the members of
Mariner Finance plc

Report on the audit of the financial statements

Opinion

We have audited the individual financial statements of Mariner Finance plc (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group), set out on pages 11 to 77, which comprise the Statements of Financial Position of the Company and the Group as at 31 December 2019, and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Company and the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2019, and of the Company's and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

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 are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that are relevant to our audit of the financial statements in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Company and the Group and have not provided any of the non-audit services prohibited by article 18A(1) of the Accountancy Profession Act (Cap. 281).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. 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.

Impairment testing of goodwill allocated to SIA Baltic Container Terminal in the consolidated financial statements

Under IFRSs, the Group is required to test goodwill acquired in a business combination for impairment annually. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. As at 31 December 2019, the carrying amount of goodwill amounted to *Eur13.2m*, which arose on the acquisition of SIA Baltic Container Terminal in 2013. Accordingly, the carrying amount of goodwill had been allocated to the business of SIA Baltic Container Terminal, hereafter referred to as the cash generating unit (the "CGU"), which represents a significant portion of the Group's assets and liabilities. The directors' process in determining the recoverable amount of the CGU is highly judgmental and is based on assumptions, such as forecast business growth rates, profit margins, projected capital expenditure, weighted average cost of capital and effective tax rate, which are affected by expected future market or economic conditions.

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Independent auditor's report (continued)

to the members of
Mariner Finance plc

Impairment testing of goodwill allocated to SIA Baltic Container Terminal in the consolidated financial statements(Continued)

Our audit procedures included:

- Using an internal valuation expert to assist us in evaluating the Group's impairment methodology determined from value in use calculations and the key assumptions and inputs used by the Group for this purpose;
- Performing sensitivity analysis of the impairment testing calculations to changes in key inputs; and
- Reviewing the impairment testing calculations for reasonability, mathematical accuracy and consistency.

We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of goodwill.

The Group's disclosures about goodwill are included in Note 3, which explains that the directors have assessed the carrying amount of goodwill as at 31 December 2019 to be recoverable and that there is no impairment in the value of the goodwill.

Valuation of land and buildings in the consolidated financial statements

The Group accounts for its land and buildings at their revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. Accordingly, the establishment of the fair value of land and buildings is significant to our audit because the recognised revalued amount of land and buildings held by the Group as at 31 December 2019 amounted to *Eur39.55m* and this amount is material to the consolidated financial statements.

In determining the fair value of the Group's land and buildings as at 31 December 2019, including a warehouse which as at that date was still under construction which was made available for use in January 2020, (collectively referred to as "land and buildings"), the directors utilised the services of an independent external valuer. This process is highly judgmental and is based on discounted future cash flows using assumptions such as discount rates, utilisation rates and projected cash flows, which are affected by expected future market or economic conditions. In determining the fair value of the land and buildings as at 31 December 2019, the directors have evaluated whether there have been significant changes in the fair value of land and buildings since December 2018 by assessing whether key valuation assumptions are still appropriate in determining the fair value as at 31 December 2019, and concluded that the fair value as at that date increased by *Eur6m*.

Our audit response in respect of the valuation of land and buildings as at 31 December 2019 included the following:

- Assessing the competence, capability and objectivity of the independent external valuer appointed by the directors;
- Reviewing the underlying basis of valuation applied by the directors to assess whether the valuation approach was consistent with IFRS and industry norms;
- Involving internal valuation specialists to review the directors' assessment of fair value in order to determine whether the directors' assessment falls within an acceptable range which included reviewing the appropriateness of the underlying key assumptions and factors used by the directors in their assessment.

We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the valuation is most sensitive, that is, those that have the most significant effect on the determination of the fair value of the land and buildings.

The Group's disclosures about fair value are included in Note 15, which explains the manner in which the fair value of the land and buildings was determined by the directors.

Valuation of investment property in the individual and consolidated financial statements

The Company accounts for its investment properties at fair value. Accordingly, the establishment of the fair value of investment properties is significant to our audit because the recognised fair value of investment properties held by the Company as at 31 December 2019 amounted to *Eur5.1m* and this amount is material to

Independent auditor's report (continued)

to the members of
Mariner Finance plc

the both the individual financial statements of the Company and the consolidated financial statements of the Group.

In determining the fair value of the Company's investment properties as at 31 December 2019, the directors utilised the services of an independent external valuer. This process is highly judgmental and is based on discounted future cash flows using assumptions such as discount rates and future increases in fair market rents, which are affected by expected future market or economic conditions. There have been no acquisitions or disposals of investment properties during the year ended 31 December 2019. Accordingly, in determining the fair value of the investment properties as at 31 December 2019, the directors have evaluated whether there have been significant changes in the fair value of the investment properties since 31 December 2018 by assessing whether key valuation assumptions are still appropriate in determining the fair value as at 31 December 2019, and concluded that the carrying amount approximates the fair value as at that date.

Our audit response in respect of the valuation of investment properties as at 31 December 2019 included the following:

- Assessing the competence, capability and objectivity of the independent external valuer appointed by the directors;
- Reviewing the underlying basis of valuation applied by the directors to assess whether the valuation approach was consistent with IFRS and industry norms;
- Confirming that there were no acquisitions or disposals of investment properties during the year ended 31 December 2019;
- Involving internal valuation specialists to review the directors' assessment of fair value in order to determine whether the directors' assessment falls within an acceptable range which included reviewing the appropriateness of the underlying key assumptions and factors used by the directors in their assessment.

We also focused on the adequacy of the Company's disclosures about those assumptions to which the outcome of the valuation is most sensitive, that is, those that have the most significant effect on the determination of the fair value of the investment property.

The Company's disclosures about fair value are included in Note 17, which explains the manner in which the fair value of the investment properties was determined by the directors.

Information other than the financial statements and the auditor's report thereon

The directors are responsible for the other information. The other information comprises the company information on page 1, the Directors' Report on pages 2 to 5, the Statement of Directors' responsibilities on page 6 and the Corporate Governance Statement on pages 7 and 10. However, the other information does not include the individual and consolidated financial statements and our auditor's report thereon.

Except for our opinions on the Directors' Report in accordance with the Companies Act (Cap. 386) and on the Corporate Governance Statement in accordance with the Listing Rules issued by the Maltese Listing Authority, our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosure requirements of article 177 of the Companies Act (Cap. 386), and the statement required by Listing Rule 5.62 on the Company's and the Group's ability to continue as a going concern.

Independent auditor's report (continued)

to the members of
Mariner Finance plc

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report on pages 2 to 5, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the individual and consolidated financial statements are prepared is consistent with those financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company, the Group and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities of the directors and the Audit Committee for the financial statements

As explained more fully in the Statement of Directors' Responsibilities on page 6, 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 European Union and the requirements of the Companies Act (Cap. 386), and for such internal control as they 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and the Group or to cease operations, or have no realistic alternative but to do so.

The directors have delegated the responsibility for overseeing the Company's and the Group's financial reporting process to the Audit Committee.

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.

In terms of sub-article 179A(4) of the Companies Act (Cap.386), the scope of our audit does not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the

Independent auditor's report (continued)

to the members of
Mariner Finance plc

date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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 Audit Committee 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 the Audit Committee 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.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the individual and consolidated 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 Corporate Governance Statement

Pursuant to Listing Rule 5.94 issued by the Malta Financial Services Authority, in its capacity as the Listing Authority in Malta, the directors are required to include in the Company's annual financial report a Corporate Governance Statement explaining the extent to which they have adopted the Code of Principles of Good Corporate Governance set out in Appendix 5.1 to Chapter 5 of the Listing Rules, and the effective measures that they have taken to ensure compliance with those principles. The Corporate Governance Statement is to contain at least the information set out in Listing Rule 5.97.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report to shareholders on the Corporate Governance Statement in the Company's annual financial report.

We read the Corporate Governance Statement and consider the implications for our report if we become aware of any information therein that is materially inconsistent with the financial statements or our knowledge obtained in the audit, or that otherwise appears to be materially misstated. We also review whether the Corporate Governance Statement contains at least the information set out in Listing Rule 5.97. We are not required to, and we do not, consider whether the directors' statements on internal control 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 Corporate Governance Statement set out on pages 7 to 10 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.

Matters on which we are required to report by exception under the Companies Act

Under the Companies Act (Cap. 386), we have responsibilities to report to you if in our opinion:

- proper accounting records have not been kept;
- proper 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; or
- we have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Independent auditor's report (continued)

to the members of
Mariner Finance plc

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

Auditor tenure

We were first appointed by the members of the Company to act as statutory auditor of the Company and the Group, following the Company's debt listing in June 2014 by the members of the Company on 28 April 2015 for the financial year ended 31 December 2015, and were subsequently reappointed as statutory auditors by the members of the Company on an annual basis. The period of total uninterrupted engagement as statutory auditor since the Company became a public interest entity, including previous reappointments of the firm, covers financial periods totalling 5 years.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with the provisions of article 11 of the EU Audit Regulation No. 537/2014.



Antoine Carabott as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District, Birkirkara, Malta

28 April 2020