Mariner Finance plc

Interim condensed consolidated financial statements and Directors' report

For the six months ended 30 June 2018

Contents

Mariner Finance plc

Interim Directors' report pursuant to Listing Rule 5.75.2

Interim condensed consolidated financial statements 30 June 2018

These interim condensed consolidated financial statements comprise the interim consolidated financial statements of Mariner Finance plc and its subsidiaries Mariner Baltic Holdings SIA, Mariner Finance Baltic SIA, Baltic Container Terminal SIA and Equinor Riga SIA (merged into Mariner Baltic Holdings SIA on 28th February 2018).

Performance review
During the first six months of the year the group continued to operate in its two core markets, precisely operation of sea terminals and property rentals.

The group's operational results for the first six months of 2018 were marginally lower than those attained in the same period last year. Despite this, the group's profit before tax of Eur 2,785,685 (30 June 2017 – Eur 2,786,700), was in line with that attained last year. The reason for this was lower finance costs incurred.

Baltic Container Terminal SIA volumes for the first six months of the current year were similar to those handled in the first half of the previous year. Turnover for the first six months of the current year exceeded that attained in the previous year due to higher warehouse revenue. Despite this, operating profit fell short of previous year level due to a higher cost of sale brought about by a statutory increase of salaries in Latvia.

Total finance cost for the current period amounted to Eur 965,836, which is lower than that incurred throughout the same period last year. The group's rental business was up when compared with the first 6 months of 2017 with an average occupancy of 97%.

The group has a healthy working capital ratio as at 30 June 2018 of 2.46 (December 2017: 1.96) with current assets exceeding current liabilities by Eur 4,265,208 (December 2017: Eur 3,637,050)

Result and dividends
The result for the period ended 30 June 2018 is shown in the statement of comprehensive income on page two. The group registered a profit after tax for the period of Eur *2,772,657* as compared to Eur *2,666,685* in June 2017. No interim dividend is being recommended.

Approved by the Board of Directors on 29 August 2018 and signed on its behalf by:

Marin Hili
Director

Kevin Saliba
Director

Mariner Finance plc

Condensed consolidated statement of comprehensive income

Six-month period ended 30 June 2018

	Group	
	30 Jun 2018 6 months (unaudited) EUR	30 Jun 2017 6 months (unaudited) EUR
Revenue	**8,184,383**	7,991,009
Cost of sales	**(3,684,734)**	(3,200,048)
Gross profit	**4,499,649**	4,790,061
Administrative expenses	**(982,389)**	(980,976)
Other operating income	**216,253**	174,990
Operating profit	**3,733,513**	3,984,975
Investment income	**18,008**	67,823
Finance costs	**(965,836)**	(1,266,098)
Profit before tax	**2,785,685**	2,786,700
Income tax expense	**(13,028)**	(120,015)
Profit for the period representing total comprehensive income attributable to equity holders of the holding company	**2,772,657**	2,666,685

Mariner Finance plc

Condensed consolidated statement of financial position
30 June 2018

	Group	
	30 Jun 2018 (unaudited) EUR	31 Dec 2017 (audited) EUR
ASSETS AND LIABILITIES		
Non-current assets		
Goodwill	**13,184,904**	13,184,904
Intangible asset	**707,712**	712,523
Property, plant and equipment	**34,820,337**	34,446,505
Investment property	**5,115,000**	5,115,000
Loan and receivables	**19,242,993**	16,191,789
	73,070,946	69,650,721
Current assets		
Loans and receivables	-	500,000
Inventories	**368,623**	371,310
Trade and other receivables	**2,677,497**	2,864,898
Cash and cash equivalents	**4,142,204**	3,701,373
	7,188,324	7,437,581
Total assets	**80,259,270**	77,088,302
Current liabilities		
Trade and other payables	**2,687,902**	2,085,745
Bank loans	**189,764**	1,576,699
Current tax liability	**45,450**	138,087
	2,923,116	3,800,531
Non-current liabilities		
Other financial liabilities	**65,003**	65,003
Debt securities in issue	**34,564,059**	34,521,799
Bank loans	**1,233,467**	-
	35,862,529	34,586,802
Total liabilities	**38,785,645**	38,387,333
Net assets	**41,473,625**	38,700,968

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Condensed consolidated statement of financial position (continued)
30 June 2018

	Group	
	30 Jun 2018 (unaudited) EUR	31 Dec 2017 (audited) EUR
EQUITY		
Equity attributable to the owners of the holding company		
Share capital	**500,000**	500,000
Other equity	**10,000,000**	10,000,000
Other reserves	**(1,898,805)**	(1,898,805)
Reveluation reserve	**3,351,015**	3,351,015
Retained earnings	**29,521,415**	26,748,758
Total equity	**41,473,625**	38,700,968

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Condensed consolidated statement of changes in equity

Period ended 30 June 2018

	Share capital Eur	Other equity Eur	Other reserves Eur	Revaluation reserve Eur	Retained earnings Eur	Total Eur
Balance at 1 January 2017	**500,000**	**10,000,000**	**(1,898,805)**	**1,123,731**	**20,655,563**	**30,380,489**
Profit for the period	-	-	-	-	2,666,685	2,666,685
Total comprehensive Income for the period	-	-	-	-	2,666,685	2,666,685
Balance at 30 June 2017	**500,000**	**10,000,000**	**(1,898,805)**	**1,123,731**	**23,322,248**	**33,047,174**
Profit for the period	-	-	-	-	3,426,510	3,426,510
Other comprehensive loss for the period	-	-	-	2,227,285	-	2,227,285
Total comprehensive income for the period	-	-	-	2,227,285	3,426,510	5,653,795
Balance at 31 December 2017	**500,000**	**10,000,000**	**(1,898,805)**	**3,351,015**	**26,748,758**	**38,700,968**
Profit for the period	-	-	-	-	2,772,657	2,772,657
Total comprehensive income for the period	-	-	-	-	2,772,657	2,772,657
Balance at 30 June 2018	**500,000**	**10,000,000**	**(1,898,805)**	**3,351,015**	**29,521,415**	**41,473,625**

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Condensed consolidated statement of cash flows

Six-month period ended 30 June 2018

	Group	
	30 Jun 2018 6 months (unaudited) EUR	30 Jun 2017 6 months (unaudited) EUR
Cash flows from operating activities	**3,938,563**	2,628,754
Cash flows used in investing activities	**(3,386,523)**	(4,208,617)
Cash flows used in financing activities	**(111,209)**	(148,474)
Net movement in cash and cash equivalents	**(440,831)**	(1,728,337)
Cash and cash equivalents at the beginning of the period	**3,701,373**	3,361,405
Cash and cash equivalents at the end of the period	**4,142,204**	1,633,068

1. Corporate information

The interim condensed consolidated financial statements of the group for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors of the 29 August 2018.

The principal activities of the group are investment, development, operation and management of sea terminals namely in Riga Latvia as well as property development.

2. Basis of preparation and significant accounting policies

Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2018 have been extracted from the unaudited management accounts of the group and have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and in terms of the Malta Financial Services Authority Listing Rules.

The financial information of the group as at 30 June 2018 and for the six months then ended reflect the financial position and the performance of Mariner Finance plc and its subsidiaries Mariner Baltic Holdings SIA, Mariner Finance Baltic SIA, Baltic Container Terminal SIA and Equinor Riga SIA. The comparative amounts reflect the position of the group as included in the audited financial statements for the year ended 31 December 2017 and the unaudited results for the period ended 30 June 2017.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group annual financial statements as at 31 December 2017.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 December 2017 with the exception of those resulting from the new International Financial Reporting Standards that are applicable to the current reporting period, as reported below.

Financial Instruments

The Group has initially adopted IFRS9 Financial Instruments in the current period from 1 January 2018. The standard was adopted using the cumulative effect method with the effects of initially applying the standard recognised in equity at the date of initial application, at 1 January 2018. The initial application of IFRS 9 did not have a significant impact on the Group's accounting policies and no material effect on the Group's financial position as at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 39 Financial Instruments; Recognition and Measurement.

2. Basis of preparation and significant accounting policies (continued)

The significant accounting policies under IAS 39 disclosed in the Group's Annual Financial Statements as at 31 December 2017 continued to apply to the 2017 comparative figures.

IFRS 9 replaces the existing requirements of IAS 39. IFRS 9 contains revised requirements for the classification and measurement of financial instruments, including a new model of expected credit losses to calculate impairment of Financial Assets and new general accounting rules for hedges.

In accordance with the transitional provisions of the Standard, the Group has not applied the requirements of IFRS 9 to instruments that have already been derecognised as at 1 January 2018.

IFRS 9 introduced a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. The new model also resulted in a single, forward-looking 'expected loss' impairment model that requires more timely recognition of expected credit losses.

The majority of the Group's financial assets comprising loans and receivables, trade receivables and cash continue to be measured at amortised cost using the effective interest method on the same basis as previously adopted under IAS 39 to the extent that these meet the contractual cash flow characteristics test. IFRS 9 requires the Group to recognise expected credit losses on financial assets that meet the contractual cash flow characteristics test and that are measured at amortised cost or at fair value through other comprehensive income, either on a 12-month or a lifetime basis. The Group applies the simplified approach and recognises lifetime expected credit losses on trade receivables without a significant financing component. For the remaining financial assets that need to be assessed for impairment in terms of IFRS 9, lifetime expected credit losses apply if there is a significant increase in the credit risk at the reporting date.

Revenue recognition

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (as amended in April 2016 by Clarifications to IFRS 15) in the current period from 1 January 2018. The standard was adopted using the cumulative effect method with the effects of initially applying this standard recognised in equity at the date of initial application at 1 January 2018. The initial application of IFRS 15 did not have a significant impact on the Group's accounting policies and no material effect on the Group's financial position as at 1 January 2018. Accordingly, the comparative information for 2017 has not been restated and continues to be reported under IAS 18 Revenue. The significant accounting policies under IAS 18 disclosed in the Group's annual financial statements as at 31 December 2017 continue to apply to the 2017 comparative figures.

2. Basis of preparation and significant accounting policies (continued)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18, IAS 11 Construction Contracts and related interpretations. IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

IFRS 15 must be applied to all contracts with customers that the Group enters into, which for the Group relate to the revenue arising primarily from cargo handling.

Apart from providing more extensive disclosures on the Group's revenue transactions, the initial application of IFRS 15 does not have a material effect on the Group's interim statement of financial position as at 30 June 2018 and its interim statement of comprehensive income for the six months then ended.

The details of the new significant accounting policies under IFRS 15 applicable during the current period and the nature and effect of the changes to previous accounting policies in relation to the Group's revenue streams are set out below.

The Group recognises revenue when (or as) it satisfies a performance obligation by transferring control of a promised service to the customer.

Cargo handling represents revenue generated through the provision of loading, unloading and shifting services. These services are mainly provided aboard berthed ships and also with the terminal's yard. The group's performance obligation is the handling of cargo within the terminal area, which includes berthed ships, terminal yard and rail tracks. The performance obligation is satisfied over time, which corresponds to the revenue recognition methodology applied by the Group in terms of IAS 18.

3. International Financial Reporting Standards in issue but not yet effective

At the date of approval of these interim financial statements, a number of International Financial Reporting Standards were in issue but not yet effective. The directors are assessing the potential impact of these International Financial Reporting Standards on the Group's financial statements.

IFRS16 Leases, which was issued on 13 January 2016, brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains substantially unchanged (except for a requirement to provide enhanced disclosures) and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 Leases and related interpretations. IFRS 16 is effective for periods beginning on or after 1 January 2019. Early application is permitted for companies that also apply IFRS 15. The standard has been endorsed by the EU at the date of authorization of these financial statements. In view of the lease agreement with the Riga Port Authority, the impact of this International Financial Reporting Standard is expected to be material.

3. International Financial Reporting Standards in issue but not yet effective (continued)

The directors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of this interim report, but not yet effective, will have no material impact on the interim report of the group in the period of initial application.

4. Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the group'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 below.

The group reviews property, plant and equipment, investments and loans and receivables, including 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 and receivables and other investments for impairment. At the period-end there was no objective evidence of impairment in this respect.

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 amounts of these assets 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 *Eur13,184,904* arises on a business combination made in 2014 and has been allocated to the business of Baltic Container Terminal SIA. At the end of the current period there was no objective evidence that goodwill might be impaired.

5. Operating 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.

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 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.

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

Profit before tax

	30 Jun 2018 6 months (unaudited) Eur	30 Jun 2017 6 months (unaudited) Eur
Total profit for reportable segments	**3,780,831**	3,774,668
Unallocated amounts:		
Bond interest expense	**(919,877)**	(919,877)
Other unallocated amounts	**(75,269)**	(68,091)
	2,785,685	2,786,700

5. Operating segment information (continued)

Assets

	30 Jun 2018 (unaudited) Eur	31 Dec 2017 (audited) Eur
Total assets for reportable segments	**51,950,592**	53,530,053
Unallocated amounts:		
Goodwill	**13,184,904**	13,184,904
Trade and other receivables	**1,878**	42,581
Loan and receivables	**12,878,224**	9,908,712
Cash and cash equivalents	**2,243,672**	422,052
	80,259,270	77,088,302

Liabilities

	30 Jun 2018 (unaudited) Eur	31 Dec 2017 (audited) Eur
Total liabilities for reportable segments	**2,275,372**	2,833,668
Unallocated amounts:		
Debt Securities in Issue	**34,564,059**	34,521,799
Trade and other payables	**1,946,214**	1,031,866
	30,785,645	38,387,333

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

	Cargo handling and storage of containers 2018 Eur	Property rental 2018 Eur	Unallocated 2018 Eur	Total 2018 Eur
Continuing operations				
Revenue	8,184,383	-	-	8,184,383
Other operating income	-	216,253	-	216,253
Profit before tax	3,688,914	91,917	(995,146)	2,785,685
Segment assets	45,776,564	6,174,028	28,308,678	80,259,270
Segment liabilities	2,232,577	42,795	36,510,273	38,785,645

5. Operating segment information (continued)

	Cargo handling and storage of containers 2017 Eur	Property rental 2017 Eur	Unallocated 2017 Eur	Total 2017 Eur
Continuing operations				
Revenue	7,991,009	-	-	7,991,009
Other operating income	-	174,990	-	174,990
Profit before tax	3,686,932	87,736	(987,968)	2,786,700
Segment assets	45,292,787	8,237,266	23,558,249	77,088,302
Segment liabilities	2,722,969	110,699	35,553,665	38,387,333

6. Intangibles

During the first six months ended 30 June 2018 the group undertook capital expenditure amounting to Eur27,417 (Jan to Jun 2017: Eur 32,442).

7. Property, plant and equipment

During the first six months ended 30 June 2018 the group's capital expenditure amounted to Eur804,643 (Jan to Jun 2017: Eur467,599).

9. Borrowings

Repayments of bank loans undertaken during the first six month of the year amounted to Eur153,469 (Jan to Jun 2017: Eur153,470).

10. Related party disclosures

During the course of the period, the group entered into transactions with related parties as set out below:

	30.06.18			30.06.17		
	Related party activity Eur	**Total activity Eur**	**%**	Related party activity Eur	Total activity Eur	%
Administration expenses						
Related party transactions with:						
Other related parties	**330,000**	**982,389**	**34**	330,000	980,976	34

	30.06.18			30.06.17		
	Related party activity Eur	**Total activity Eur**	**%**	Related party activity Eur	Total activity Eur	%
Investment income						
Related party transactions with:						
Other related parties	**16,951**	**18,008**	**94**	49,464	67,823	73

11. Fair value of financial assets and financial liabilities

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.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- 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 assets of liability.

11. Fair value of financial assets and financial liabilities (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

	Fair value measurement at end of the reporting period using:			
	Level 1	Level 2	Level 3	Total
	Eur	Eur	Eur	Eur
30 June 2018				
Financial liabilities				
At fair value through profit and loss				
- Derivative financial instruments	-	-	-	-
31 December 2017				
Financial liabilities				
At fair value through profit and loss				
- Derivative financial instruments	-	**68,294**	-	**68,294**

12. Subsequent events

There were no material events which occurred subsequent to Balance Sheet Date, which need to be reflected in these interim financial statements in terms of IAS 10.

Mariner Finance plc

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

30 June 2018

We confirm that to the best of our knowledge:

a. the condensed consolidated financial statements give a true and fair view of the financial position of the group as at 30 June 2018, financial performance and cash flows for the period then ended, in accordance with accounting standards adopted for use in the EU for interim financial statements *(adopted IAS 34 'Interim Financial Reporting')*; and

b. the interim Directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

Marin Hili
Director

Kevin Saliba
Director