Mariner Finance plc

Interim condensed consolidated financial statements and Directors' report

For the six months ended 30 June 2019

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Mariner Finance plc

Interim Directors' report pursuant to Listing Rule 5.75.2

Interim condensed consolidated financial statements for the period ended 30 June 2019

These interim condensed consolidated financial statements comprise the interim consolidated financial statements of Mariner Finance plc and its subsidiaries Mariner Baltic Holdings SIA (merged into Mariner Baltic Holdings SIA on 19th June 2019), 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 rental.

The group's operational results for the first six months of 2019 exceeded those attained in the same period last year. As a result of this the group's profit before tax of Eur 2,896,322 (30 June 2018 – Eur 2,785,685), was higher than that attained last year. The main reasons for this were higher turnover and investment income.

Volumes handled at Baltic Container Terminal SIA during the first six months of the current year were 10% higher than those handled in the same period of the previous year. This implied that turnover for the first six months of the current year exceeded that attained in the previous year.

Total finance cost for the current period amounted to Eur 1,041,168 (30 June 2018 – Eur 965,836). The group's rental business was in line with the first 6 months of 2018 with an average occupancy of 97%.

The group has a net current liability position as at 30 June 2019 of Eur 2,727,111 (December 2018: net current assets of Eur 1,233,590). The reason for this is that the group's investing activities for the period, totaling Eur 7,056,455 have been initially financed via a bank overdraft as specific financing was still being concluded. Subsequent to period end, the group has finalised a four-year term loan facility of Eur 6,000,000 as refinancing of same investments. Had this term loan facility been in place at 30 June 2019, the Group would have had a working capital ratio of 1.79 with current assets exceeding current liabilities by Eur 2,870,751.

Result and dividends

The result for the period ended 30 June 2019 is shown in the condensed consolidated statement of profit and loss and other comprehensive income on page 2. The group registered a profit after tax for the period of Eur 2,888,571 as compared to Eur 2,772,657 in June 2018. No interim dividend is being recommended.

Approved by the Board of Directors on 23 August 2019 and signed on its behalf by:

Marin Hili
Director

Kevin Saliba
Director

Mariner Finance plc

Condensed consolidated statement of profit and loss and other comprehensive income
Six-month period ended 30 June 2019

	Group	
	30 Jun 2019 6 months (unaudited) EUR	30 Jun 2018 6 months (unaudited) EUR
Revenue	**8,563,665**	8,184,383
Cost of sales	**(3,884,496)**	(3,684,734)
Gross profit	**4,679,169**	4,499,649
Administrative expenses	**(1,033,771)**	(982,389)
Other operating income	**220,361**	216,253
Operating profit	**3,865,759**	3,733,513
Investment income	**71,731**	18,008
Finance costs	**(1,041,168)**	(965,836)
Profit before tax	**2,896,322**	2,785,685
Income tax expense	**(7,751)**	(13,028)
Profit for the period representing total comprehensive income attributable to equity holders of the holding company	**2,888,571**	2,772,657

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Condensed consolidated statement of financial position

As at 30 June 2019

	Group	
	30 Jun 2019 (unaudited) EUR	31 Dec 2018 (audited) EUR
ASSETS AND LIABILITIES		
Non-current assets		
Goodwill	**13,184,904**	13,184,904
Intangible asset	**646,212**	679,480
Right-of-use assets	**2,584,983**	-
Property, plant and equipment	**39,206,279**	37,101,089
Investment property	**5,115,000**	5,115,000
Loans receivable	**27,128,744**	22,464,271
	87,866,122	78,544,744
Current assets		
Inventories	**454,851**	380,926
Trade and other receivables	**3,487,093**	3,134,979
Cash and cash equivalents	**2,579,949**	1,162,841
	6,521,893	4,678,746
Total assets	**94,388,015**	83,223,490
Current liabilities		
Trade and other payables	**3,174,744**	2,956,749
Lease liability	**81,532**	-
Bank overdraft and loans	**5,907,131**	309,270
Current tax liability	**85,597**	179,137
	9,249,004	3,445,156
Non-current liabilities		
Other financial liabilities	**53,923**	53,923
Lease liability	**2,583,981**	-
Debt securities in issue	**34,627,140**	34,583,213
Bank loans	**807,024**	962,826
	38,072,068	35,599,962
Total liabilities	**47,321,072**	39,045,118
Net assets	**47,066,943**	44,178,372

Mariner Finance plc

Condensed consolidated statement of financial position (continued)
As at 30 June 2019

	Group	
	30 Jun 2019 (unaudited) EUR	31 Dec 2018 (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	**35,114,733**	32,226,162
Total equity	**47,066,943**	44,178,372

Mariner Finance plc

Condensed consolidated statement of changes in equity

Period ended 30 June 2019

	Share capital Eur	Other equity Eur	Other reserves Eur	Revaluation reserve Eur	Retained earnings Eur	Total Eur
Balance at 1 January 2018	**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**
Profit for the period	-	-	-	-	2,704,747	2,704,747
Total comprehensive income for the period	-	-	-	-	2,704,747	2,704,747
Balance at 31 December 2018	**500,000**	**10,000,000**	**(1,898,805)**	**3,351,015**	**32,226,162**	**44,178,372**
Profit for the period	-	-	-	-	2,888,571	2,888,571
Total comprehensive income for the period	-	-	-	-	2,888,571	2,888,571
Balance at 30 June 2019	**500,000**	**10,000,000**	**(1,898,805)**	**3,351,015**	**35,114,733**	**47,066,943**

Mariner Finance plc

Condensed consolidated statement of cash flows

Six-month period ended 30 June 2019

	Group	
	30 Jun 2019 6 months (unaudited) EUR	30 Jun 2018 6 months (unaudited) EUR
Cash flows from operating activities	**4,015,089**	3,938,563
Cash flows used in investing activities	**(7,056,455)**	(3,386,523)
Cash flows used in financing activities	**(1,139,386)**	(111,209)
Net movement in cash and cash equivalents	**(4,180,752)**	(440,831)
Cash and cash equivalents at the beginning of the period	**1,162,841**	3,701,373
Cash and cash equivalents at the end of the period	**(3,017,911)**	4,412,204

1. Corporate information

The interim condensed consolidated financial statements of the group for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors of the 29 August 2019.

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 2019 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 2019 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 and Baltic Container Terminal SIA. The comparative amounts reflect the position of the group as included in the audited financial statements for the year ended 31 December 2018 and the unaudited results for the period ended 30 June 2018.

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 2018.

Significant accounting policies

The accounting policies adopted in the preparation and methods of computation 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 2018 with the exception of those resulting from the new International Financial Reporting Standards that are applicable to the current reporting period, as reported below.

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

Leases

Accounting policy applicable before 1 January 2019

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

Where the Group was a lessee, rentals payable under operating leases less the aggregate benefit of incentives received from the lessor, were recognised as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis was more representative of the time pattern of the users' benefit.

Where the Group was a lessor, rentals receivable under operating leases were recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis was more representative of the time pattern in which use benefit derived from the leased asset was diminished.

Accounting policy applicable after 1 January 2019

The Group as a lessee

For any contract entered into by the Group, it considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are (1) whether the contract contains an identified asset; (2) whether the Group has the right to obtain substantially all of the economic benefits from use throughout the period of use; and (3) whether the Group has the right to direct the use of the identified asset throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet.

The Group measures the lease liability at the lease commencement date at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease (if that rate is readily determined) or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) less any incentives receivable, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from purchase options or termination penalties reasonably certain to be exercised.

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

Leases (continued)

Variable lease payments not included in the measurement of the lease liability are recognised in profit or loss (unless the costs are included in the carrying amount of another asset) in the period in which the event or condition that triggers those payments occurs.

The right-of-use asset is initially measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made at or before the lease commencement date.

Right-of-use assets are subsequently measured using the cost model. The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group will account for short-term leases and leases of low-value assets using the recognition exemptions. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these will be recognised as an expense in profit or loss on a straight-line basis over the lease term or another systematic basis that is more representative of the pattern of the lessee's benefit.

The Group as a lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period.

3. Initial application of International Financial Reporting Standard and International Financial Reporting Standards in issue but not yet effective

Initial application of International Financial Reporting Standards

Leases

IFRS 16 has changed how the Group's accounts for leases previously classified as operating leases under IAS 17.

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

a. Recognised 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. Recognised depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
c. Separated 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.

Under IFRS 16, right-of-use assets have been tested for impairment in accordance with IAS 36 Impairment of Assets. This has replaced the previous requirement to recognise a provision for onerous lease contracts. For short-term leases (lease term of 12 months or less) and leases of low-value assets (e.g. personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 30 June 2019, the Group has recognised right-of-use assets of Eur 2,631,555, and a corresponding lease liability of Eur 2,665,513 in respect of all these leases. The impact on profit and loss in 2019 was a decrease in operating expenses by Eur 81,532, an increase in depreciation by Eur 46,572 and an increase in interest expense by Eur 57,365.

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.

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 and as at the date of approval of these financial statements, these changes had not yet been adopted by the European Union.

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 as at the end of the reporting period. The 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 are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

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, 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.

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

5. Operating segment information (continued)

Profit before tax

	30 Jun 2019 6 months (unaudited) Eur	30 Jun 2018 6 months (unaudited) Eur
Total profit for reportable segments	**3,905,737**	3,780,831
Unallocated amounts:		
Bond interest expense	**(919,877)**	(919,877)
Other unallocated amounts	**(89,538)**	(75,269)
	2,896,322	2,785,685

Assets

	30 Jun 2019 (unaudited) Eur	31 Dec 2018 (audited) Eur
Total assets for reportable segments	**65,972,839**	56,305,541
Unallocated amounts:		
Goodwill	**13,184,904**	13,184,904
Trade and other receivables	**1,878**	13,147
Loans receivable	**12,957,665**	13,276,930
Cash and cash equivalents	**2,270,729**	442,968
	94,388,015	83,223,490

Liabilities

	30 Jun 2019 (unaudited) Eur	31 Dec 2018 (audited) Eur
Total liabilities for reportable segments	**10,754,808**	3,456,331
Unallocated amounts:		
Debt securities in issue	**34,627,140**	34,583,213
Trade and other payables	**1,939,123**	1,005,574
	47,321,071	39,045,118

5. Operating segment information (continued)

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 2019 Eur	Property rental 2019 Eur	Unallocated 2019 Eur	Total 2019 Eur
Continuing operations				
Revenue	8,563,665	-	-	8,563,665
Other operating income	-	220,361	-	220,361
Profit before tax	3,793,176	112,561	(1,009,415)	2,896,322
Segment assets	55,251,656	10,721,183	28,415,176	94,388,015
Segment liabilities	10,678,349	76,459	36,566,263	47,321,071

	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	47,494,943	8,810,598	26,917,949	83,223,490
Segment liabilities	3,397,441	58,890	35,588,787	39,045,118

6. Intangibles

During the first six months ended 30 June 2019 the group undertook capital expenditure amounting to Eur 8,000 (Jan to Jun 2018: Eur 27,417).

7. Property, plant and equipment

During the first six months ended 30 June 2019 the group's capital expenditure amounted to Eur 1,937,174 (Jan to Jun 2018: Eur 804,643).

8. Borrowings

Repayments of bank loans undertaken during the first six month of the year amounted to Eur155,802 (Jan to Jun 2018: Eur 153,469).

9. Cash and cash equivalents

	30 Jun 2019 (unaudited) Eur	30 Jun 2018 (unaudited) Eur
Cash at bank	**2,579,949**	4,412,204
Bank overdraft	**(5,597,860)**	-
	(3,017,911)	4,412,204

10. Related party disclosures

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

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

	30.06.19			30.06.18		
	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**	**1,033,771**	**32**	330,000	982,389	34

	30.06.19			30.06.18		
	Related party activity Eur	**Total activity Eur**	**%**	Related party activity Eur	Total activity Eur	%
Investment income						
Related party transactions with:						
Other related parties	**69,471**	**71,731**	**97**	16,951	18,008	94

11. Fair value of financial assets and financial liabilities

At 30 June 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, are not materially different from their carrying amounts due to their current rates of interest.

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.

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.

		Fair value measurement at end of the reporting period using:			
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**
	Eur	**Eur**	**Eur**	**Eur**	**Eur**
30 June 2019					
Financial assets					
Loans receivable					
Loans to parent	-	-	**23,994,744**	**23,994,744**	**23,994,744**
Loans to related company	-	-	**3,134,000**	**3,134,000**	**3,134,000**
	-	-	**27,128,744**	**27,128,744**	**27,128,744**

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

	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
30 June 2019					
Financial liabilities					
Financial liabilities at amortised cost					
Debt securities	**37,450,000**	**-**	**-**	**37,450,000**	**34,627,140**
Bank loans	**-**	**1,116,294**	**-**	**1,116,294**	**1,116,294**
	37,450,000	**1,116,294**	**-**	**38,566,294**	**35,743,434**

	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2018					
Financial assets					
Loans receivable					
Loans to parent	-	-	22,464,271	22,464,271	22,464,271
	-	-	22,464,271	22,464,271	22,464,271
2018					
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
	38,374,000	1,272,096	-	39,646,096	35,855,309

12. Subsequent events

The following event, which occurred subsequent to Balance Sheet Date, is considered relevant and is therefore being disclosed hereunder in these interim financial statements in terms of IAS 10:

Baltic Container Terminal SIA finalised a term loan facility of Eur 6,000,000 with Luminor Bank AS. This term loan is repayable over four years and its purpose will be to reimburse the company for its outlay towards investments undertaken.

Mariner Finance plc

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

30 June 2019

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 2019, 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