

Mariner Finance p.l.c.

Report and financial statements

31 December 2016

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Directors, officer and other information

Directors: Marin Hili (Chairman and Chief Executive Officer)
Michela Borg
Edward Hili
Kevin Saliba
Lawrence Zammit
Nicholas Bianco
Anthony Busuttil

Secretary: Kevin Saliba

Registered Office: Nineteen Twenty Three
Valletta Road
Marsa
Malta

Country of incorporation: Malta

Company registration number: C31514

Auditor: Deloitte Audit Limited
Deloitte Place
Mriehel Bypass
Mriehel
Malta

Banker: Bank of Valletta p.l.c,
Corporate Centre
BoV Centre
Santa Venera
Malta

Legal Advisor: Camilleri Preziosi
Level 3, Valletta Buildings
South Street
Valletta
Malta

Mariner Finance p.l.c

Directors' report

Year ended 31 December 2016

The directors present their report and the audited financial statements of the group and the holding company for the year ended 31 December 2016.

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 activity of the company is to act as an investment and holding company.

Performance review

The group and company have registered a profit before tax of € 5,072,884 (2015 – € 4,162,611) and € 674,977 (2015 – € 505,441) respectively.

The net assets of the group and company at the end of the year amounted to € 30,380,489 (2015 – € 25,822,706), and that of the company € 12,116,457 (2015 – € 11,728,152).

The increase in net assets for the group and company relates to the profit for the year.

The consolidated profit for the year after tax exceeded both the group's forecast and also the profitability attained in 2015. The main reason for this increase in profitability when compared to 2015 was higher volumes handled by SIA Baltic Container Terminal as well a decrease in the cost structure of the group. Furthermore, the group attained a gain on disposal from the sale of its available for sale investments.

The group's operational performance for 2017 is expected to be in line with projections and are therefore expected to exceed year 2016 levels.

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 € 4,866,229, representing an increase of 21% over the free cash flow at the end of the preceding year. This indicator measures how well the group turns profit into cash through the management of working capital and a disciplined approach to capital expenditure.

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 8% to € 8,423,290 from € 7,783,839.

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Directors' report

Year ended 31 December 2016

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 54% implying a 5% decrease 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 10%.

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 increased from 24 moves per hour in Year 2015 to 25 moves per hour in the current year.

Property rental is measured in accordance to % occupancy, which was down to 90% when compared to the 98% attained in 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 major 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 2016

(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 32 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 2016 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 € 4,785,630 as compared to € 3,970,000 in 2015. The company registered a profit for the year after tax of € 616,152 as compared to € 460,442 in 2015. No final dividend is being recommended.

Likely future business developments

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

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Directors' report

Year ended 31 December 2016

Directors

The directors who served during the period were:

Marin Hili (Chairman and Chief Executive Officer)
Michela Borg
Edward Hili
Kevin Saliba
Lawrence Zammit
Nicholas Bianco
Anthony Busuttil (appointed 21 April 2017)

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 27 April 2017 by:


Marin Hili
Chairman


Edward Hili
Director

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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 2016 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.


Marin Hili
Chairman


Edward Hili
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, while 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. Nicholas Bianco and Mr Anthony Busuttil are independent non-executive directors of the company.

Executive Director

Marin Hili - Chairman and Chief Executive Officer

Non-Executive Directors

Edward Hili

Michela Borg

Kevin Saliba

Lawrence Zammit

Nicholas Bianco

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. Nicholas Bianco

Mr. Anthony Busuttil

Mr. Kevin Saliba resigned from the audit committee on 24 April 2017 and Mr. Anthony Busuttil was appointed in his stead.

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 2.1: Roles of Chairman and CEO

The roles of Chairman and Chief Executive Officer are both carried out by Marin Hili. Although the Code recommends that the role of Chairman and Chief Executive Officer are kept separate, the Directors believe that Mr. Hili should occupy both positions, particularly in view of the experience and stature he brings to both the Board and executive management team of the Company. In terms of Principle 3.1, which calls for the appointment of a senior independent Director where the roles of Chairman and Chief Executive Officer are carried out by the same person, the Board has appointed Lawrence Zammit as the indicated senior independent Director.

Principle 4: Organisation Structure

The company is 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 27 April 2017 by:



Martin Hill
Chairman



Edward Hill
Director

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Statement of comprehensive income

Year ended 31 December 2016

	Notes	Group		Holding company	
		2016 €	2015 €	2016 €	2015 €
Revenue	6	15,155,672	14,924,442	-	-
Cost of sales		(6,733,690)	(6,733,953)	-	-
Gross profit		8,421,982	8,190,489	-	-
Administrative expenses		(2,058,479)	(2,428,131)	(105,333)	(127,029)
Other operating income	7	556,714	586,915	-	-
Operating profit/(loss)		6,920,217	6,349,273	(105,333)	(127,029)
Investment income	8	447,401	94,802	2,635,310	2,546,135
Investment losses	9	(76,000)	(7,843)	-	(7,843)
Finance costs	10	(2,218,734)	(2,273,621)	(1,855,000)	(1,905,822)
Profit before tax	11	5,072,884	4,162,611	674,977	505,441
Income tax expense	14	(287,254)	(192,611)	(58,825)	(44,999)
Profit for the year		4,785,630	3,970,000	616,152	460,442
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Net gain/(loss) on available for sale financial assets		(14,110)	47,654	(14,110)	47,654
Reclassification on disposal of available-for-sale financial assets		(213,737)	-	(213,737)	-
Items that will not be reclassified subsequently to profit or loss					
Gain on revaluation of property (net of deferred tax)		-	1,123,731	-	-
Other comprehensive income (loss) for the year, net of tax		(227,847)	1,171,385	(227,847)	47,654
Total comprehensive income for the year attributable to the owners of the holding company		4,557,783	5,141,385	388,305	508,096

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Statement of financial position

31 December 2016

		Group		Holding Company	
	Notes	2016	2015	2016	2015
		€	€	€	€
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	3	13,184,904	13,184,904	-	-
Intangible asset	16	737,844	668,153	-	-
Property, plant and equipment	15	35,569,960	35,396,195	-	-
Investment property	17	5,107,596	5,183,596	-	-
Investment in subsidiaries	18	-	-	2,800	2,800
Available for sale investments	18	-	375,631	-	375,631
Loans and receivables	18	11,039,798	5,202,716	43,964,313	40,724,764
		65,640,102	60,011,195	43,967,113	41,103,195
Current Assets					
Loan and receivables	18	500,000	3,379,807	2,620,219	5,404,104
Inventories	19	340,223	396,783	-	-
Trade and other receivables	20	2,194,492	2,298,278	589,358	649,448
Current tax asset		81,209	192,366	-	-
Cash and cash equivalents	28	3,361,405	1,434,076	425,477	30,064
		6,477,329	7,701,310	3,635,054	6,083,616
Total assets		72,117,431	67,712,505	47,602,167	47,186,811
Current liabilities					
Trade and other payables	21	2,279,132	1,750,318	964,000	960,561
Other financial liabilities	23	-	273,049	-	46,249
Bank loans	22	306,937	306,937	-	-
Current tax liability	20	58,197	43,363	58,097	43,363
		2,644,266	2,373,667	1,022,097	1,050,173
Non-current liabilities					
Other financial liabilities	23	341,599	527,171	-	-
Debt securities in issue	25	34,463,613	34,408,486	34,463,613	34,408,486
Bank loans	22	1,576,699	1,883,635	-	-
Deferred tax liability	24	2,710,766	2,696,840	-	-
		39,092,677	39,516,132	34,463,613	34,408,486
Total liabilities		41,736,943	41,889,799	35,485,710	35,458,659
Net assets		30,380,489	25,822,706	12,116,457	11,728,152

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Statement of financial position

31 December 2016

		Group		Holding Company	
	Notes	2016	2015	2016	2015
		€	€	€	€
EQUITY					
Equity attributable to the owners of the holding company					
Share capital	26	500,000	500,000	500,000	500,000
Other equity	27	10,000,000	10,000,000	10,000,000	10,000,000
Other reserves	27	(1,898,805)	(1,898,805)	-	-
Fair value reserve		-	227,847	-	227,847
Revaluation reserves	27	1,123,731	1,123,731	-	-
Retained earnings		20,655,563	15,869,933	1,616,457	1,000,305
Total equity		30,380,489	25,822,706	12,116,457	11,728,152

These financial statements were approved by the board of directors, authorised for issue on the 27 April 2017 and signed on its behalf by:


Marin Hili
Chairman


Edward Hili
Director

Mariner Finance p.l.c

Statement of changes in equity - Group Year ended 31 December 2016

	Share capital €	Other equity €	Other reserves €	Fair Value reserve €	Revaluation reserve €	Retained earnings €	Total €
Balance as at 1 January 2015	500,000	10,000,000	(1,898,805)	180,193	-	12,123,644	20,905,032
Profit for the year	-	-	-	-	-	3,970,000	3,970,000
Other comprehensive income for the year	-	-	-	47,654	1,123,731	-	1,171,385
Total comprehensive income for the year	-	-	-	47,654	1,123,731	3,970,000	5,141,385
Effect on initial recognition of interest free loan with ultimate parent	-	-	-	-	-	(223,711)	(223,711)
Balance as at 1 January 2016	500,000	10,000,000	(1,898,805)	227,847	1,123,731	15,869,933	25,822,706
Profit for the year	-	-	-	-	-	4,785,630	4,785,630
Other comprehensive loss for the year	-	-	-	(227,847)	-	-	(227,847)
Total comprehensive income for the year	-	-	-	(227,847)	-	4,785,630	4,557,783
Balance as at 31 December 2016	500,000	10,000,000	(1,898,805)	-	1,123,731	20,655,563	30,380,489

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Statement of changes in equity - Holding company

Year ended 31 December 2016

	Share capital €	Other equity €	Fair value reserve €	Retained earnings €	Total €
Balance as at 1 January 2015	500,000	10,000,000	180,193	539,863	11,220,056
Profit for the year	-	-	-	460,442	460,442
Other comprehensive income for the year	-	-	47,654	-	47,654
Total comprehensive income for the year	-	-	47,654	460,442	508,096
Balance as at 1 January 2016	500,000	10,000,000	227,847	1,000,305	11,728,152
Profit for the year	-	-	-	616,152	616,152
Other comprehensive loss for the year	-	-	(227,847)	-	(227,847)
Total comprehensive income for the year	-	-	(227,847)	616,152	388,305
Balance as at 31 December 2016	500,000	10,000,000	-	1,616,457	12,116,457

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Statement of cash flows

Year ended 31 December 2016

	Group		Holding Company	
	2016	2015	2016	2015
	€	€	€	€
Cash flow from operating activities				
Profit before tax	5,072,884	4,162,611	674,977	505,441
<i>Adjustments for:</i>				
Depreciation	1,429,115	1,356,825	-	-
Amortisation	73,958	90,207	-	-
Interest income	(45,804)	(17,023)	(2,410,810)	(2,535,522)
Amortisation of bond expenses	55,127	53,533	55,127	53,533
Interest expense	2,218,734	2,273,621	1,855,000	1,905,822
Investment income	(8,467)	(12,797)	(8,467)	(10,614)
Investment losses	76,000	7,843	-	7,843
Difference on exchange	-	-	2,298	-
Gain on sale of available-for-sale investments	(216,035)	-	(216,035)	-
Loss on disposal of property plant and equipment	6,159	2,443	-	-
Change in value of derivative	(172,197)	(64,983)	-	-
Operating profit before working capital movements	8,489,474	7,852,280	(47,910)	(73,497)
Movement in trade and other receivables	289,947	1,249,773	60,090	1,207,732
Movement in trade and other payables	(11,229)	52,135	(42,809)	76,827
Movement in inventories	56,560	2,811	-	-
<i>Cash flow from / (used in) operations</i>	8,824,752	9,156,999	(30,629)	1,211,062
Interest received	113	17,023	2,410,810	2,535,522
Income tax paid	(334,271)	(460,128)	(44,091)	(35,636)
Interest paid	(2,279,755)	(2,273,621)	(1,855,000)	(1,905,822)
<i>Net cash flow from operating activities</i>	6,210,839	6,440,273	481,090	1,805,126
Cash flow from investing activities				
Purchase of property plant and equipment	(1,196,333)	(1,927,088)	-	-
Purchase of intangible assets	(148,277)	(474,846)	-	-
Movements in loans to related parties	(3,006,950)	(5,729,198)	-	-
Income received from available-for-sale investments	8,466	12,797	8,466	10,614
Proceeds from disposal of available-for-sale investments	361,522	-	361,522	-
Loan to subsidiaries	-	-	(455,665)	(1,858,868)
<i>Net cash flows used in investing activities</i>	(3,981,573)	(8,118,335)	(85,678)	(1,848,254)

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Statement of cash flows

Year ended 31 December 2016

	Group		Holding Company	
	2016 €	2015 €	2016 €	2015 €
Cash flow from financing activities				
Repayment of bank loans	(301,937)	-	-	-
Drawdown of bank loans	-	950,000	-	-
<i>Net cash flow (used in) / from financing activities</i>	(301,937)	950,000	-	-
Net movements in cash and cash equivalents	1,927,329	(728,062)	395,413	(43,128)
Cash and cash equivalents at the beginning of the year	1,434,076	2,162,138	30,064	73,192
Cash and cash equivalents at the end of the year (note 28)	3,361,405	1,434,076	425,477	30,064

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Notes to the financial statements

31 December 2016

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 "Nineteen Twenty Three", Valletta Road, Marsa, MRS3000.

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.

The financial statements have been prepared under the historical cost basis, except for available-for-sale financial assets, 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

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 2016

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").

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.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2016

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 2016

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; and
 - (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 2016

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.

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 2016

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, 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.

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 2016

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 over five years.

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 2016

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.

(i) Trade receivables

Trade receivables are classified with current assets and are stated at their nominal value unless the effect of discounting is material, in which case trade receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(ii) Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the company may not recover substantially all of its initial investment other than because of credit deterioration.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process.

(iii) Investments

Available-for-sale financial assets are those non-derivative financial assets that are either designated in this category by the company or not classified as loans and receivables, or financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at their fair value.

Gains and losses arising from a change in fair value are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest calculated using the effective interest method is recognised in profit or loss.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2016

2 Significant accounting policies (continued)

Other financial instruments (continued)

(iv) 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.

(v) 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.

(vi) Other borrowings

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

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

(vii) 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.

(viii) Shares issued by the company

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

Mariner Finance p.l.c

Notes to the financial statements

31 December 2016

2 Significant accounting policies (continued)

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.

Impairment

All assets are tested for impairment except for financial assets measured at fair value through profit or loss, investment property measured at fair value and inventories. 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.

In the case of financial assets that are either carried at amortised cost or classified as available-for-sale investments, objective evidence of impairment includes observable data about the following loss events – significant financial difficulty of the issuer (or counterparty) and observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including (i) adverse changes in the payment status of borrowers in the group; or (ii) national or local economic conditions that correlate with defaults on the assets in the group and a decrease in property prices for mortgages in the relevant area or adverse changes in industry conditions that affect the borrowers in the group.

In addition to the above loss events, objective evidence of impairment for an investment in an equity instrument includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered and a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2016

2 Significant accounting policies (continued)

Impairment (continued)

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

For loans and receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been recognised directly in equity is removed from equity and recognised in profit or loss and is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

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.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2016

2 Significant accounting policies (continued)

Impairment (continued)

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

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.

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 losses recognised in profit or loss for an available-for-sale investment in an equity instrument are not reversed through profit or loss. Impairment losses recognised in profit or loss for an available-for-sale investment in a debt instrument are reversed through profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2016

2 Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of goods is recognised on the transfer of the risks and rewards of ownership, which generally coincides with the time of shipment or delivery, when the costs incurred or to be incurred in respect of the transaction can be measured reliably and when the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(ii) Provision of services

Revenue from the provision of services is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

(iii) 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 to the asset's net carrying amount.

(iv) Rent receivable

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

(v) Dividend income

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

Mariner Finance p.l.c

Notes to the financial statements

31 December 2016

2 Significant accounting policies (continued)

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.

Leases

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.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2016

2 Significant accounting policies (continued)

Taxation

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.

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.

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.

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.

Mariner Finance p.l.c

Notes to the financial statements

31 December 2016

2 Significant accounting policies (continued)

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.

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Notes to the financial statements

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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 note 17 and also as disclosed below:

Assessment for impairment of assets

The group reviews property, plant and equipment, intangible assets, 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 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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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 (2015: 2%) and
- use of 8.79% (pre-tax) (2015: 8.79%) 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.

Calculation of deferred tax liability on revaluation uplift of land and buildings.

As described in note 24, SIA Baltic Container Terminal ("BCT") benefits from a reduced rate of tax due to a special concession available to the company under the tax laws of Latvia. Accordingly, the deferred tax liability for the period until 2035, is calculated at the reduced rate of tax on the assumption that BCT will be able to meet certain conditions up to that date.

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 2016

4 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.

In the current year, the Company and the Group have applied the Amendments to IAS 1 entitled "Disclosure Initiative." These Amendments are effective for annual periods beginning on or after 1 January 2016. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. The application of these Amendments has not resulted in any significant impact to these financial statements.

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

International Financial Reporting Standards in issue but not yet effective.

At the date of approval of these 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 and company'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 not been endorsed by the EU at the date of authorization of these financial statements.

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

The Standard supersedes all previous versions of IFRS 9.

IFRS 9 introduces 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 results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses. IFRS 9 is effective from 1 January 2018.

IFRS 15, Revenue from Contracts with Customers specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and a number of revenue-related interpretations. The Standard applies to nearly all contracts with customers, the main exceptions being leases, financial instruments and insurance customers. By virtue of an amendment issued on 11 September 2015, the effective date of the Standard was deferred by one year to annual periods beginning on or after 1 January 2018, with earlier application being permitted.

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Notes to the financial statements

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

International Financial Reporting Standard in issue but not yet effective (continued)

The amendments to IAS 7, Statement of Cash Flows, are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted. This standard has not been endorsed by the EU as at the date of authorisation of these financial statements.

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.

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.

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5 Segment information

The group has four (2015: three) major customers in the cargo handling business and the revenue from these customers amounts to € 10,300,089 (2015: € 8,141,041) which represents 68% (2015: 54%) of the total revenue of the group. Furthermore, the group has one major customer in the rental business and the rental income from this customer amounts to € 207,798 (2015: € 180,052) which represents 55% (2015: 60%) of the total rental income of the group. No other single customers contributed 10% or more to the group's rental income for both 2016 and 2015.

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.

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

Profit before tax	2016	2015
	€	€
Total profit for reportable segments	6,984,629	6,220,606
Unallocated amounts:		
Bond interest expense	(1,855,000)	-1,905,822
Other unallocated amounts	(56,746)	-152,173
	5,072,884	4,162,611
Assets	2016	2015
	€	€
Total assets for reportable segments	51,303,259	49,305,236
Unallocated amounts:		
Goodwill	13,184,904	13,184,904
Trade and other receivables	13,147	32,470
Loans and receivables	7,186,829	4,736,395
Available-for-sale investments	-	375,631
Cash and cash equivalents	429,292	77,869
	72,117,431	67,712,505

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5 Segment information - (continued)

Liabilities	2016 €	2015 €
Total liabilities for reportable segments	6,303,748	6,466,584
Unallocated amounts		
Debt Securities in issue	34,463,613	34,408,486
Trade and other payables	969,582	968,480
Other financial liabilities	-	46,249
	<u>41,736,943</u>	<u>41,889,799</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 2016 €	Property rental 2016 €	Unallocated 2016 €	Total 2016 €
Continuing operations				
Revenue	15,155,672	-	-	15,155,672
Other operating income	-	375,610	181,104	556,714
Operating income	<u>15,155,672</u>	<u>375,610</u>	<u>181,104</u>	<u>15,712,386</u>
Interest income	<u>30,691</u>	<u>-</u>	<u>15,113</u>	<u>45,804</u>
Interest expense	<u>354,647</u>	<u>-</u>	<u>1,864,087</u>	<u>2,218,734</u>
Profit before tax	<u>6,785,033</u>	<u>105,717</u>	<u>(1,817,867)</u>	<u>5,072,884</u>
Depreciation and amortisation	<u>1,502,761</u>	<u>312</u>	<u>-</u>	<u>1,503,073</u>
Segment assets	<u>43,174,333</u>	<u>8,128,926</u>	<u>20,814,172</u>	<u>72,117,431</u>
Capital expenditure	<u>1,770,015</u>	<u>-</u>	<u>-</u>	<u>1,770,015</u>
Segment liabilities	<u>6,211,119</u>	<u>92,629</u>	<u>35,433,195</u>	<u>41,736,943</u>
Income tax expense	<u>200,335</u>	<u>27,994</u>	<u>58,925</u>	<u>287,254</u>

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5 Segment information - (continued)

	Cargo handling and storage of containers 2015 €	Property rental 2015 €	Unallocated 2015 €	Total 2015 €
Continuing operations				
Revenue	14,924,442	-	-	14,924,442
Other operating income	-	400,448	251,450	651,898
Operating income	14,924,442	400,448	251,450	15,576,340
Interest income	3,127	-	26,692	29,819
Interest expense	367,799	-	1,905,822	2,273,621
Profit before tax	6,004,481	216,125	(2,057,995)	4,162,611
Depreciation and amortisation	1,362,177	72,389	-	1,434,566
Segment assets	41,039,200	8,266,036	18,407,269	67,712,505
Capital expenditure	2,401,935	-	-	2,401,935
Segment liabilities	6,363,046	103,538	35,423,215	41,889,799
Income tax expense	117,193	30,319	45,099	192,611

6 Revenue

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

	Group		Holding company	
	2016 €	2015 €	2016 €	2015 €
Cargo, handling and storage of containers	15,155,672	14,924,442	-	-

7 Other operating income

	Group		Holding company	
	2016 €	2015 €	2016 €	2015 €
Rental and related income	466,674	502,293	-	-
Income from exchange fluctuation	66,172	40,492	-	-
Other operating income	23,868	44,130	-	-
	556,714	586,915	-	-

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8 Investment income

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Interest income on bank deposits	113	78	113	78
Interest income on other loans	45,691	16,945	-	-
Interest income on related party loans	-	-	2,410,697	2,535,443
Total interest income on financial assets not classified at fair value through profit and loss	45,804	17,023	2,410,810	2,535,521
Fair value change on derivatives	174,493	64,983	-	-
Dividends from equity instruments	6,235	7,001	6,235	7,002
Liquidation proceeds from investments	2,232	3,612	2,232	3,612
Income from other investments	2,604	2,183	-	-
Gain on disposal of available-for-sale investments	216,033	-	216,033	-
	447,401	94,802	2,635,310	2,546,135

9 Investment losses

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Impairment losses on financial assets	-	7,843	-	7,843
Loss on revaluation of property (net of deferred tax)	76,000	-	-	-
	76,000	7,843	-	7,843

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10 Finance costs

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Interest on bank loans	115,263	140,548	-	-
Interest on debt securities in issue	1,855,000	1,905,822	1,855,000	1,905,822
Other finance costs	14,144	18,530	-	-
Interest on swap agreements	234,327	208,721	-	-
	2,218,734	2,273,621	1,855,000	1,905,822

11 Profit before tax

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
<i>This is stated after charging</i>				
Depreciation and amortisation	1,503,073	1,434,566	-	-
Utilities, maintenance, transport and other operating costs	1,060,223	1,050,085	-	-
Fuel, lubricants, spare parts and other materials	796,519	837,047	-	-
	3,359,815	3,321,698	-	-

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

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Total remuneration payable to the parent company's auditors for the audit of the financial statements	11,500	10,500	3,000	2,500
Total fees payable to other auditors	32,500	31,875	-	-
Total fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services				
- tax advisory	-	600	-	-
- other than assurance and tax advisory	1,325	2,910	-	-
	45,325	45,885	3,000	2,500

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12 Key management personnel compensation

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Directors' compensation				
<i>Short-term benefits:</i>				
Fees	10,000	10,000	10,000	10,000
Management remuneration	44,400	41,286	-	-
Other key management personnel:				
<i>Short-term benefits:</i>				
Management remuneration	399,441	372,354	-	-
	453,841	423,640	10,000	10,000

During the year under review, the group received management services from its parent amounting to € 660,000 (2015 - € 660,000) which are included with administrative expenses.

13 Staff costs and employee information

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
<i>Staff costs:</i>				
Wages and salaries	2,785,174	2,823,872	-	-
Social security costs	647,129	601,228	-	-
	3,432,303	3,425,100	-	-

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

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Operations	174	184	-	-
Administration	12	16	-	-
	186	200	-	-

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14 Income tax expense

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Current tax expense	273,328	249,079	58,825	44,999
Deferred tax expense/(credit) (note 24)	13,926	(56,468)	-	-
	287,254	192,611	58,825	44,999

Income tax recognised in other comprehensive income is as follows:

Deferred tax

Arising on income and expenses recognised in other comprehensive income:

Property revaluations	-	2,243,180	-	-
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Tax applying the statutory domestic income tax rate and the income tax expense for the year are reconciled as follows:

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Profit before tax	5,072,884	4,162,611	674,977	505,441
Tax at the applicable rate of 35%	1,775,509	1,456,914	236,242	176,904
Tax effect of:				
Disallowed expenditure	68,872	141,474	36,860	28,698
Tax deductions	(710,492)	(661,088)	471	-
Different tax rates of subsidiaries operating in other jurisdictions	(845,853)	(614,677)	(213,966)	(159,228)
Tax at source	-	(108)	-	(108)
Income not subject to tax	(782)	(129,904)	(782)	(1,267)
Income tax expense for the year	287,254	192,611	58,825	44,999

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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 01.01.2015	29,009,064	10,723,680	137,717	3,211,664	43,082,125
Additions	9,977	713,517	1,256	1,202,339	1,927,089
Revaluation	3,366,911	-	-	-	3,366,911
Disposals	(9,977)	(102,938)	(2,504)	-	(115,419)
Reclassification	59,238	3,239,434	831,668	(4,130,340)	-
At 01.01.2016	32,435,213	14,573,693	968,137	283,663	48,260,706
Additions	70,695	612,526	146,687	791,830	1,621,738
Revaluation	-	-	-	-	-
Disposals	-	(101,816)	(47,222)	-	(149,038)
Reclassification	243,125	132,116	37,882	(413,123)	-
At 31.12.2016	32,749,033	15,216,519	1,105,484	662,370	49,733,406
Accumulated depreciation					
At 01.01.2015	3,207,843	8,325,367	87,384	-	11,620,594
Provision for the year	660,834	95,524	588,387	-	1,344,745
Eliminated on disposal	(4,946)	(93,378)	(2,504)	-	(100,828)
At 31.12.2015	3,863,731	8,327,513	673,267	-	12,864,511
Provision for the year	682,451	646,664	100,000	-	1,429,115
Eliminated on disposal	-	(84,487)	(45,693)	-	(130,180)
At 31.12.2016	4,546,182	8,889,690	727,574	-	14,163,446
Carrying amount					
At 31.12.2015	28,571,482	6,246,180	294,870	283,663	35,396,195
At 31.12.2016	28,202,851	6,326,829	377,910	662,370	35,569,960

The fair value of the land and buildings has been arrived at on the basis of a valuation carried out by an independent professionally qualified valuer at the end of 2015 on the basis of depreciated replacement cost method. The estimate involves determining the cost of constructing equivalent asset providing the same functionality and deducting an allowance for depreciation, based on age, physical, functional and economic obsolescence of immovable property of the group and is stated gross of any tax liability that would arise had the property to be remeasured to fair value. The directors are of the opinion that the fair value of the property has not altered significantly since the date of the valuation and hence this is an appropriate estimate of the fair value at 31 December 2016.

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 at the end of the reporting period.

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15 Property, plant and equipment - (continued)

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

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 € 24,776,702 (2015: € 25,145,333)

Significant unobservable inputs used in estimating the group's Level 3 fair value measurements of property (i.e. office complex/warehouse buildings and container storage) relate to estimated replacement cost per square metre ranging from € 50 to € 800, (2015 - € 50 to € 800) which is based on current construction costs of similar entities, as obtained from various sources and data analysis. The higher the cost per square metre, the higher the fair value.

16 Intangible assets

Group	Computer Software €
Cost	
At 01.01.2015	1,813,569
Additions	474,846
Disposals	(227,930)
At 01.01.2016	2,060,485
Additions	148,277
Disposals	(1,313,547)
At 31.12.2016	895,215
Accumulated Depreciation	
At 01.01.2015	1,530,055
Provision for the year	90,207
Disposals	(227,930)
At 01.01.2016	1,392,332
Provision for the year	73,958
Disposals	(1,308,919)
At 31.12.2016	157,371
Carrying amount	
At 31.12.2015	668,153
At 31.12.2016	737,844

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 €596,094 and will be fully amortised in 19 years.

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17 Investment property

Group

	€
Fair value	
At 01.01.2015 / 01.01.2016	5,183,596
At 01.01.2015 / 01.01.2016	5,183,596
Fair value movement	(76,000)
At 31.12.2016	5,107,596
Carrying amount	
At 31.12.2015	5,183,596
At 31.12.2016	5,107,596

The fair value of the investment property has been arrived at on the basis of a recent valuation carried out by an independent professionally qualified valuer on January 24, 2017 on the basis of market value. The valuer used two different methods of valuing the property, direct sales approach whereby the valuer compared the selling price of similar property in location where property is located and income approach whereby valuer estimated potential net income from rent using occupancy rates and market and historical trends.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value of the Group's investment property is classified as Level 3 at the end of the reporting period.

The expenses incurred in operating the investment property amounted to € 96,124, (2015 - € 110,561)

In fair value measurement the valuer used utilization rate of 75% to 95% (2015 - 85% to 95%) discount rate of 5.62%, (2015 - 4.62%) and capitalisation rate of 5.82% (2015 - 5.82%) to reach fair value by income approach. In direct sales approach the valuer used € 1,646.55 (2015 - € 1,688.98) as sales price per square meter to reach fair value. The higher the discount rate the lower the fair value, whilst should the price per square meter been higher, the higher the fair value.

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 under operating leases amounted to € 282,956 (2015 - € 298,260).

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18 Financial assets

Investments in subsidiaries

Holding company

These are stated at cost and comprise:

	Investment in subsidiaries €
Carrying amount	
At 31.12.2015	2,800
At 31.12.2016	2,800

The company's proportion of ownership interest in subsidiaries at 31 December 2016 and their principal activities are as follows:

	Proportion of ownership interest %	Principal activities
Mariner Baltic Holdings SIA	100 (2015 - 100%)	Holding company
Mariner Finance Baltic SIA (indirectly through Mariner Baltic Holdings SIA)	100 (2015 - 100%)	Holding company
Baltic Container Terminals SIA (indirectly through Mariner Baltic Holdings SIA)	100 (2015 - 100%)	Maritime operations
Equinor Riga SIA (indirectly through Mariner Baltic)	100 (2015 - 100%)	Property rental company

The registered offices of the following subsidiaries are:

Mariner Baltic Holdings SIA - 1, Merkela Street, Riga, LV-1050, Latvia.
Mariner Finance Baltic SIA - 1, Merkela Street, Riga, LV-1050, Latvia.
Baltic Container Terminals SIA - 1, Kundsila Street Riga, LV-1822, Latvia
Equinor Riga SIA - 1 Merkela Street, Riga, LV-1050, Latvia.

	Capital and reserves €	Profit or loss €
Mariner Baltic Holdings SIA	27,445,070	616,770

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18 Financial assets (continued)

Available-for-sale investments

Group and Holding company

	Foreign listed debt €	Foreign listed equity €	Total €
Fair value			
At 01.01.2015	7,844	327,976	335,820
Fair value movement	-	47,654	47,654
Impairment loss	(7,843)	-	(7,843)
At 01.01.2016	1	375,630	375,631
Fair value movement	(1)	(14,109)	(14,110)
Disposals	-	(361,521)	(361,521)
At 31.12.16	-	-	-

These financial assets represent investments in foreign listed equity and debt securities together with foreign listed funds which present the company with opportunity for return through dividend or interest income and capital appreciation. These investments are denominated in Euros.

The impairment losses on available-for-sale investments recognised in the statement of profit or loss and other comprehensive income during the year amounted to Nil (2015 – € 7,843) and are included in investment losses.

Loans and receivables

	Loan to parent €	Group Related party loans €	Total €	Holding Company Loan to parent €	subsidaries and related party €	Total €
Amortised cost						
At 31.12.2015	8,074,190	508,333	8,582,523	4,279,982	41,848,886	46,128,868
Less: Amount expected to be settled within 12 months (shown under current assets)	(2,879,807)	(500,000)	(3,379,807)	(2,879,807)	(2,524,297)	(5,404,104)
Amount expected to be settled after 12 months	5,194,383	8,333	5,202,716	1,400,175	39,324,589	40,724,764
Amortised cost						
At 31.12.2016	11,036,465	503,333	11,539,798	6,686,829	39,897,703	46,584,532
Less: Amount expected to be settled within 12 months (shown under current assets)	-	(500,000)	(500,000)	-	(2,620,219)	(2,620,219)
Amount expected to be settled after 12 months	11,036,465	3,333	11,039,798	6,686,829	37,277,484	43,964,313

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18 Financial assets (continued)

Loans and receivables (continued)

	Group			Holding company		
	Loan to parent €	Related party loans €	Total €	Loan to parent €	Subsidiaries and related party loans €	Total €
Amortised cost						
At 01.01.2015	2,916,665	513,333	3,429,998	-	44,270,000	44,270,000
Advances	5,157,525	-	5,157,525	4,279,982	-	4,279,982
Repayments	-	(5,000)	(5,000)	-	(2,421,114)	(2,421,114)
At 01.01.2016	8,074,190	508,333	8,582,523	4,279,982	41,848,886	46,128,868
Advances	2,962,275	-	2,962,275	2,406,847	-	2,406,847
Repayments	-	(5,000)	(5,000)	-	(1,951,183)	(1,951,183)
At 31.12.2016	11,036,465	503,333	11,539,798	6,686,829	39,897,703	46,584,532

Loan to subsidiaries and related party

Holding company:

The amounts owed by subsidiaries amounting to € 5,627,703 (2015 – € 7,578,886) bear interest at the rate of 5% per annum and is repayable by end of December 2020. The remaining loan due by subsidiary of € 33,770,000 (2015 – € 33,770,000) bears interest at the rate of 6% and is repayable by June 2024.

Group and holding company:

Loan amounting to € 500,000 receivable from a related party carries interest rate of 3% per annum, is unsecured and repayable on demand.

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 loan amounting to € 1,432,655 (2015 - € 877,000) which is interest free and repayable by 30 November 2020. The remaining loan of € 2,916,981 (2015 - € 2,916,981) is interest free and repayable by 28 February 2018.

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19 Inventories

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Spare parts	260,133	280,769	-	-
Raw materials	63,132	72,484	-	-
Fuel	9,398	36,468	-	-
Other	7,560	7,062	-	-
	<u>340,223</u>	<u>396,783</u>	<u>-</u>	<u>-</u>

20 Trade and other receivables

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Trade and other receivables	2,111,507	2,238,112	-	-
Amounts owed by related parties	34,274	19,274	-	-
Accrued income	-	-	576,211	636,301
Prepayments	48,711	40,892	13,147	13,147
	<u>2,194,492</u>	<u>2,298,278</u>	<u>589,358</u>	<u>649,448</u>

The accrued income represents the interest accrued as at year-end on the loans and receivables, described in note 18.

21 Trade and other payables

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Trade payables	554,308	208,507	10,754	11,646
Other payables	1,225,747	1,239,427	928,720	922,080
Accruals	499,077	302,384	24,526	26,835
	<u>2,279,132</u>	<u>1,750,318</u>	<u>964,000</u>	<u>960,561</u>

No interest is charged on trade and other payables.

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22 Bank loans

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Bank loans	1,883,636	2,190,572	-	-
Less: amount due for settlement within 12 months (shown under current liabilities)	(306,937)	(306,937)	-	-
Amount due for settlement after 12 months	1,576,699	1,883,635	-	-

The bank loans are repayable as follows:

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
On demand or within one year	306,937	306,937	-	-
In the second year	1,576,699	306,937	-	-
In the third year	-	1,576,698	-	-
	1,883,636	2,190,572	-	-

The Group has overdraft and guarantee facility agreements with two Latvian banks.

The total limit of overdraft and guarantee for each bank is € 6,000,000. Interest on the overdraft is 2.5% p.a. plus twenty-four hour EONIA rate in one bank and 2.5% plus 3 month EURIBOR for the other bank, whilst the interest on the bank loan is of 2.7% per annum plus 3 months EURIBOR. Commitment fee for amount which has not been distributed is 0.5% p.a. Arrangement fee from the issued amount is 0.25% p.a. The maturity of overdraft and guarantee facility is 31 July 2017, whilst the maturity of the bank loan is 30 April 2018. As of 31 December 2016 neither the overdraft nor the guarantee facility were used.

The borrowings from credit institutions are secured by the following arrangements: mortgage collateral and commercial pledge agreement in total amount of € 21,204,262, which includes all moveable property owned by Baltic Container Terminal SIA as of date of signing of pledge agreement and in the future, cession agreement on receivables.

23 Other financial liabilities

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Other loans	8,115	281,164	-	46,249
Deferred income	60,939	72,018	-	-
Fair value of derivative financial instrument	272,545	447,038	-	-
	341,599	800,220	-	46,249

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23 Other financial liabilities (continued)

	Group		Holding company	
	2016	2015	2016	2015
	€	€	€	€
Amount due for settlement within 12 months (shown under current liabilities)	-	273,049	-	46,249
Amount due for settlement after 12 months	341,599	527,171	-	-

In order to limit the effect of variable interest rate increases on loans from two credit institutions, the Group entered into SWAP agreements with two credit institutions. Each SWAP agreement derivative's nominal value is € 10,541,667 (2015: € 12,458,333). The Group is swapping fixed rates ranging between 0.77% - 0.775% per annum against 3 month EURIBOR. The swaps mature on 15 May 2018. At the end of reporting period the total fair value of derivative's amount to a negative value of € 272,545 (2015: € 447,038)

24 Deferred taxation

Group

	Opening balance	Other comprehensive income	Recognised in profit or loss	Closing balance
2016				
Arising on:				
Accelerated depreciation	459,618	-	30,527	490,145
Revaluation of property, plant and equipment	2,243,180	-	(15,895)	2,227,285
Provision for bad debts	446	-	(857)	(411)
Accruals for expected vacation expenses	(6,404)	-	151	(6,253)
	2,696,840	-	13,926	2,710,766
2015				
Arising on:				
Accelerated depreciation	540,633	-	(81,015)	459,618
Revaluation of property, plant and equipment	-	2,243,180	-	2,243,180
Provision for bad debts	-	-	446	446
Accruals for expected vacation expenses	(30,505)	-	24,101	(6,404)
	510,128	2,243,180	(56,468)	2,696,840

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24 Deferred taxation (continued)

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

At 31 December 2016 the company had unused tax credits in SIA Baltic Container Terminal of € 3,670,847 (2015 – € 3,133,243). 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 €19,629,042 (2015 - €16,885,466)

25 Debt securities in issue

	Group and Holding company	
	2016	2015
	€	€
Non-current		
5.3% bonds redeemable 2024	<u>34,463,613</u>	<u>34,408,486</u>
The bonds are disclosed at the value of the proceeds less the net book amount of the issue costs as follows:		
Face value of bonds	<u>35,000,000</u>	<u>35,000,000</u>
Issue costs	656,198	656,198
Accumulated amortisation	<u>(119,811)</u>	<u>(64,684)</u>
Net book amount	<u>536,387</u>	<u>591,514</u>
Amortised costs	<u>34,463,613</u>	<u>34,408,486</u>

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.

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25 Debt securities in issue (continued)

The quoted market price as at 31 December 2016 for the 5.3% Bonds 2024 was € 105.76. (2015: € 110.62) The weighted average effective interest rate at the end of the reporting period was 5.38% (2015: 5.54%)

The market value of debt securities on the last trading day before the statement of financial position date was € 37,016,000 (2015: € 38,717,000)

26 Share capital

	Group and Holding company 2016 and 2015	
	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>

27 Reserves

Other equity

This represents an amount of € 10,000,000 which is repayable to the parent, Mariner Capital Limited, at the discretion of the company. This amount is interest free, unsecured and carries no fixed date of repayment. This amount was recognised directly in equity.

Revaluation reserve

This represents the revaluation uplift on the group's land and buildings, as described in note 15. This revaluation reserve is not distributable.

Other reserves

These represent the effect on other equity recognised on acquisition or subsidiaries in 2013.

28 Cash and cash equivalents

	Group		Holding company	
	2016 €	2015 €	2016 €	2015 €
Cash at bank	<u>3,361,405</u>	<u>1,434,076</u>	<u>425,477</u>	<u>30,064</u>

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

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29 Operating leases - the group as lessee

The group has a land lease agreement with the Riga Freeport Authority which is valid until 22 March 2047. The annual rent charge is € 116,137 (2015: € 116,137). At the end of the reporting period, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2016	2015
	€	€
Within 1 year	116,137	116,137
2 to 5 year	464,548	464,548
More than 5 years	3,019,562	3,135,699
	<u>3,600,247</u>	<u>3,716,384</u>

30 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 44, Main Street, St. Julians STJ 1018 Malta.

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

The directors consider the ultimate controlling party to be Marin Hili who indirectly owns 60% (2015: 60%) of Mariner Finance p.l.c.

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

During the year company paid remuneration to key management personnel as disclosed in note 12.

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30 Related party disclosures (continued)

Group

	2016			2015		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
Administration expenses <i>Related party transactions with:</i>						
Parent	<u>701,321</u>	<u>2,058,479</u>	<u>34</u>	<u>942,700</u>	<u>2,428,131</u>	<u>39</u>
Investment income <i>Related party transactions with:</i>						
Other related parties	<u>45,691</u>	<u>447,401</u>	<u>10</u>	<u>16,945</u>	<u>94,802</u>	<u>18</u>

Holding Company

	2016			2015		
	Related party activity €	Total activity €	%	Related party activity €	Total activity €	%
Investment income <i>Related party transactions with:</i>						
Subsidiaries	<u>2,395,697</u>			<u>2,520,445</u>		
Other related parties	<u>15,000</u>			<u>15,000</u>		
	<u>2,410,697</u>	<u>2,635,310</u>	<u>91</u>	<u>2,535,445</u>	<u>2,546,135</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 in a joint venturer and key management personnel of the company or its parent.

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30 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 18, 20 and 27. 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.

31 Fair value of financial assets and financial liabilities

At 31 December 2016 and 31 December 2015 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. The fair value of available-for-sale securities is disclosed in note 18. 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 the credit risk of counter parties. The fair value of debt securities is disclosed in note 25. The fair value of derivatives is disclosed in note 23.

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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31 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.

Group and holding company

	Fair value measurement at end of the reporting period using:			Total €
	Level 1 €	Level 2 €	Level 3 €	
<i>Financial liabilities</i>				
<i>At fair value through profit and loss</i>				
Derivative financial instruments	-	272,545	-	272,545
2015				
<i>Financial assets</i>				
<i>Available-for-sale investments</i>				
Foreign listed equity investments	375,630	-	-	375,630
Foreign listed debt instruments	-	1	-	1
	375,630	1	-	375,631
<i>Financial liabilities</i>				
<i>At fair value through profit and loss</i>				
Derivative financial instruments	-	447,038	-	447,038

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31 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 €	
2016					
<i>Financial assets</i>					
<i>Loans and receivables</i>					
Loans to other related parties	-	-	11,539,798	11,539,798	11,539,798
<i>Financial liabilities</i>					
<i>Financial liabilities at amortised cost</i>					
Debt securities	37,016,000	-	-	37,016,000	34,463,613
Bank loans	-	1,883,636	-	1,883,636	1,883,636
	37,016,000	1,883,636	-	38,899,636	36,347,249
2015					
<i>Financial assets</i>					
<i>Loans and receivables</i>					
Loans to other related parties	-	-	8,582,523	8,582,523	8,582,523
<i>Financial liabilities</i>					
<i>Financial liabilities at amortised cost</i>					
Debt securities	38,717,000	-	-	38,717,000	34,408,486
Bank loans	-	2,190,572	-	2,190,572	2,190,572
Other loans	-	-	273,049	273,049	273,049
	38,717,000	2,190,572	273,049	41,180,621	36,872,107

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31 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 €	
2016					
Financial assets					
<i>Loans and receivables</i>					
- receivables from parent company	-	-	6,686,829	6,686,829	6,686,829
subsidiaries	-	-	39,939,640	39,939,640	39,939,640
related parties	-	-	500,000	500,000	500,000
Total	-	-	47,126,469	47,126,469	47,126,469
Financial liabilities at amortised cost					
- Debt securities	37,016,000	-	-	37,016,000	34,463,613
Total	37,016,000	-	-	37,016,000	34,463,613
	Level 1 €	Level 2 €	Level 3 €	Total €	Carrying amount €
2015					
Financial assets					
<i>Loans and receivables</i>					
- receivables from parent company	-	-	4,279,982	4,279,982	4,279,982
subsidiaries	-	-	41,965,913	41,965,913	41,965,913
related parties	-	-	500,000	500,000	500,000
Total	-	-	46,745,895	46,745,895	46,745,895
Financial liabilities at amortised cost					
- Debt securities	38,717,000	-	-	38,717,000	34,408,486
- Other loans	-	-	46,249	46,249	46,249
Total	38,717,000	-	46,249	38,763,249	34,454,735

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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32 Financial risk management

The exposures to risk and the way risks arise, together with 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 aims 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 receivables, and cash at bank.

Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to 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.

Quoted investments are acquired after assessing the quality of the relevant investments. Cash at bank is placed with reliable financial institutions. The credit rating of the major financial institutions, representing 84% of the total cash at bank at the end of the reporting period using Moody's credit rating symbols was AA2 to AA3.

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.

Management considers the credit quality of these financial assets as being acceptable. These financial assets do not include any material balances with past default experience.

Guarantees are disclosed in note 22.

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32 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.

Interest rate risk

The company and group has taken out bank, debt securities and other facilities to finance its operations as disclosed in notes 22, 23 and 25. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The interest rates on loans and receivables and cash are disclosed in notes 18 and 28.

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 group uses interest rate swaps to hedge its exposure arising from interest rates, as described in note 23.

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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32 Financial risk management (continued)

Liquidity risk

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 €
2016						
Non-derivative financial liabilities						
Non-interest bearing	2,279,132	-	-	-	-	2,279,132
Fixed rate instruments	1,855,000	1,855,000	1,855,000	1,855,000	41,492,500	48,912,500
Variable rate instruments	345,713	1,576,699	-	-	-	1,922,412
	<u>4,479,845</u>	<u>3,431,699</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>41,492,500</u>	<u>53,114,044</u>
2015						
Non-derivative financial liabilities						
Non-interest bearing	874,487	80,133	-	-	-	954,620
Fixed rate instruments	1,855,576	2,082,376	1,855,000	1,855,000	43,355,123	51,003,075
Variable rate instruments	346,798	346,798	1,536,838	-	-	2,230,434
	<u>3,076,861</u>	<u>2,509,307</u>	<u>3,391,838</u>	<u>1,855,000</u>	<u>43,355,123</u>	<u>54,188,129</u>

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32 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 €
2016						
Non-derivative financial liabilities						
Non-interest bearing	964,000	-	-	-	-	964,000
Fixed rate instruments	1,855,000	1,855,000	1,855,000	1,855,000	41,492,500	48,912,500
	<u>2,819,000</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>41,492,500</u>	<u>49,876,500</u>
2015						
Non-derivative financial liabilities						
Non-interest bearing	1,006,810	-	-	-	-	1,006,810
Fixed rate instruments	1,855,576	1,855,000	1,855,000	1,855,000	44,275,000	51,695,576
	<u>2,862,386</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>44,275,000</u>	<u>52,702,386</u>

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 22, 23 and 25 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 issue of new debt or the redemption of existing debt.

Independent auditor's report

to the members of
Mariner Finance p.l.c.

Report on the Audit of the Financial Statements

Opinion

We have audited the individual financial statements of Mariner Finance p.l.c. (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group), set out on pages 11 to 65, which comprise the statements of financial position of the Company and the Group as at 31 December 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows 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 Mariner Finance p.l.c. and its Group as at 31 December 2016, and of the Company's and its Group's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU 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 Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following key audit matters apply to the Group. There are no key audit matters relevant to the Company's individual financial statements.

Impairment testing of goodwill allocated to SIA Baltic Container Terminal

Under IFRSs, the Group is required to annually assess the recoverability of the carrying amount of goodwill for impairment. As at 31 December 2016, the carrying amount of goodwill amounted to *Eur13,184,904*, 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. Management's assessment process in determining the recoverable amount 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.

Our audit procedures included:

- Assessing the reliability of the director's forecasts through a review of actual performance against previous forecasts;
- Using an internal valuation specialist to assist us in evaluating the Group's impairment methodology determined from value in use calculations and the key assumptions used by the Group for this purpose;

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Independent auditor's report (continued)

to the members of
Mariner Finance p.l.c.

Key Audit Matters (continued)

Impairment testing of goodwill allocated to SIA Baltic Container Terminal (continued)

- 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 2016 to be recoverable and that there is no impairment in the value of the goodwill.

Valuation of investment property

The Group accounts for its investment property at fair value. Accordingly, the establishment of the fair value of this property is significant to our audit because the recognised fair value of investment properties held by the Group as at 31 December 2016 amounted to *Eur5.1 million* and this amount is material to the consolidated financial statements.

In addition the directors' assessment process of fair value as at 31 December 2016, which is based on an independent external valuation obtained for the Group's property in January 2017 is highly judgmental and is based on assumptions such as discount rates, capitalisation rates and fair market rents, which are affected by expected future market or economic conditions.

Our audit response in respect of the valuation of investment properties included the following:

- Assessing the competency, capability and objectivity of the independent external valuation expert;
- Reviewing the basis of valuation applied by the independent valuation expert to assess whether the valuation approach was consistent with IFRS and industry norms;
- Reviewing the appropriateness of the assumptions and factors used in the external valuation report;
- Involving internal valuation specialists to review the directors' assessment of fair value in order to determine if the directors' assessment falls within an acceptable range.

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 investment property.

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

Independent auditor's report (continued)

to the members of
Mariner Finance p.l.c.

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 to 10, but 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 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, 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).

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report on page 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 financial statements are prepared is consistent with the 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 and its 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 EU and the requirements of the Companies Act (Cap.386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's 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.

Independent auditor's report (continued)

to the members of
Mariner Finance p.l.c.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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 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.

Independent auditor's report (continued)

to the members of
Mariner Finance p.l.c.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Independent auditor's report (continued)

to the members of
Mariner Finance p.l.c.

Report on Other Legal and Regulatory Requirements (continued)

Matters on which we are required to report by exception

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.

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

The engagement director on the audit resulting in this independent auditor's report is Annabelle Zammit Pace.



Annabelle Zammit Pace as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Mriehel, Malta

27 April 2017