

Mariner Finance p.l.c

Report and financial statements

31 December 2015

Contents

	<i>Page</i>
Directors, officer and other information	<i>1</i>
Directors' report	<i>2 - 3</i>
Statement of directors' responsibilities	<i>4</i>
Corporate governance statement	<i>5 - 8</i>
Independent auditor's report on corporate governance statement	<i>9</i>
Statements of profit or loss and other comprehensive income	<i>10</i>
Statements of financial position	<i>11 - 12</i>
Statements of changes in equity	<i>13 - 14</i>
Statements of cash flows	<i>15 - 16</i>
Notes to the financial statements	<i>17 - 64</i>
Independent auditor's report	<i>65 - 66</i>

Mariner Finance p.l.c

Directors, officer and other information

Directors: Marin Hili (Chairman)
Michela Borg
Edward Hili
Kevin Saliba
Lawrence Zammit
Nicholas Bianco

Secretary: Kevin Saliba

Registered office: Nineteen Twenty-Three
Valletta Road
Marsa
Malta

Country of incorporation: Malta

*Company registration
number:* C 31514

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 2015

The directors present their report and the audited financial statements of the group and the holding company for the year ended 31 December 2015.

Principal activities

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

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 *Eur4,162,611* (2014 – *Eur5,497,380*) and *Eur505,441* (2014 – *Eur413,500*) respectively.

The increase in net assets for the group and company relates to the profit for the year and revaluation of property, plant and equipment.

The net assets of the group and company at the end of the year amounted to *Eur25,822,706* (2014 – *Eur20,905,032*), and that of the company *Eur11,728,152* (2014 – *Eur11,220,056*).

In June 2014, the company raised *Eur35,000,000* by issuing bonds to the public. The proceeds raised have been utilized mainly to settle bank loans which had been raised to finance acquisition of SIA Baltic Container Terminal and SIA Equinor Riga Limited during 2014.

The consolidated profit for the year after tax was in line with the group's forecast and fell short of the profitability attained in 2014. The main reason for this drop in profitability when compared to 2014 was lower volumes handled by SIA Baltic Container Terminal as well as increased finance charges for the year in relation to the listed bonds issued by Mariner Finance.

The group's operational performance for 2016 is expected to be in line with projections and are therefore expected to exceed year 2015 levels.

Result and dividends

The result for the year ended 31 December 2015 is shown in the statement of profit or loss and other comprehensive income on page 10. The group registered a profit for the year after tax of *Eur3,970,000* as compared to *Eur5,167,527* in 2014. The company registered a profit for the year after tax of *Eur460,442* as compared to *Eur378,134* in 2014. No final dividend is being recommended.

Mariner Finance p.l.c

Directors' report

Year ended 31 December 2015

Directors

The directors who served during the period were:

Marin Hili (Chairman)
Michela Borg
Edward Hili
Kevin Saliba
Lawrence Zammit
Nicholas Bianco

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 28th April 2016 by:



Kevin Saliba
Director



Edward Hili
Director

Mariner Finance p.l.c

Statement of directors' responsibilities

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

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

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the company and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We confirm that to the best of our knowledge:

- a. In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2015 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and
- b. In accordance with the Listing Rules, the Directors' report includes a fair review of the performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



Kevin Saliba
Director



Edward Hili
Director

Mariner Finance p.l.c

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 six Members, two of which are completely independent from the company or any other related companies.

Mr. Lawrence Zammit, and Mr. Nicholas Bianco are independent non-executive directors of the company.

Executive Director

Marin Hili - Chairman and Chief Executive Officer

Non-Executive Directors

Edward Hili

Michela Hili

Kevin Saliba

Lawrence Zammit

Nicholas Bianco

Mariner Finance p.l.c

Corporate governance statement (continued)

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. Kevin Saliba (Chairman)
Mr. Lawrence Zammit
Mr. Nicholas Bianco

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.

The Audit Committee met four times during the year 2015. 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.

Mariner Finance p.l.c

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 and 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.

Mariner Finance p.l.c

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 28th April 2016 by:



Kevin Saliba
Director



Edward Hili
Director

Independent auditor's report on corporate governance statement

to the members of

Mariner Finance p.l.c

Pursuant to Listing Authority Listing Rules 5.94 and 5.97 issued by the Malta Financial Services Authority, the directors are required to include in their annual financial report a Corporate Governance Statement to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report on the Corporate Governance Statement.

We read the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements of material inconsistencies with the financial statements. Our responsibilities do not extend to any other information included in the annual financial report.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the company's or the group's system of internal control or its corporate governance procedures.

In our opinion, the Corporate Governance Statement set out on pages 5 to 8 been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.

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

28 April 2016

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Cassar Torregiani & Associates is a firm of advocates warranted to practise law in Malta and is exclusively authorised to provide legal services in Malta under the Deloitte brand.

Mariner Finance p.l.c

Statement of comprehensive income

Year ended 31 December 2015

		Group		Holding company	
	Notes	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Revenue	6	14,924,442	16,950,345	-	-
Cost of sales		(5,414,723)	(6,072,840)	-	-
Gross profit		9,509,719	10,877,505	-	-
Administrative expenses		(3,747,361)	(3,886,392)	(127,029)	(58,696)
Other operating income	7	651,898	665,912	-	-
Operating profit		6,414,256	7,657,025	(127,029)	(58,696)
Investment income	8	29,819	349,188	2,546,135	1,344,251
Investment losses	9	(7,843)	(515,021)	(7,843)	(3,000)
Interest expense	10	(2,273,621)	(1,993,812)	(1,905,822)	(869,055)
Profit before tax	11	4,162,611	5,497,380	505,441	413,500
Income tax expense	14	(192,611)	(329,853)	(44,999)	(35,366)
Profit for the year		3,970,000	5,167,527	460,442	378,134
Other comprehensive income					
Net gain on available for-sale financial assets		47,654	57,918	47,654	57,918
Revaluation (net of deferred tax)		1,123,731	-	-	-
Other comprehensive income for the year, net of tax		1,171,385	57,918	47,654	57,918
Total comprehensive income for the year attributable to the owners of the holding company		5,141,385	5,225,445	508,096	436,052

Mariner Finance p.l.c

Statement of financial position

31 December 2015

	Notes	Group 2015 Eur	Group 2014 Eur	Holding company 2015 Eur	Holding company 2014 Eur
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	30	13,184,904	13,184,904	-	-
Intangible asset	16	668,153	283,514	-	-
Property, plant and equipment	15	35,396,195	31,461,531	-	-
Investment property	17	5,183,596	5,183,596	-	-
Investment in subsidiaries	18	-	-	2,800	2,800
Available-for-sale investments	18	375,631	335,820	375,631	335,820
Loan and receivables	18	5,202,716	2,929,998	40,724,764	41,843,649
		<u>60,011,195</u>	<u>53,379,363</u>	<u>41,103,195</u>	<u>42,182,269</u>
Current assets					
Loans and receivables	18	3,379,807	500,000	5,404,104	2,426,351
Inventories	19	396,783	399,594	-	-
Trade and other receivables	20	2,298,278	3,548,051	649,448	1,857,180
Current tax asset		149,003	45,118	-	-
Cash and cash equivalents	28	1,434,076	2,162,138	30,064	73,192
		<u>7,657,947</u>	<u>6,654,901</u>	<u>6,083,616</u>	<u>4,356,723</u>
Total assets		<u>67,669,142</u>	<u>60,034,264</u>	<u>47,186,811</u>	<u>46,538,992</u>
Current liabilities					
Trade and other payables	21	1,750,318	1,704,161	960,561	883,734
Other financial liabilities	23	273,049	274,251	46,249	46,249
Bank loans	22	306,937	188,187	-	-
Current tax liability		-	-	43,363	34,000
		<u>2,330,304</u>	<u>2,166,599</u>	<u>1,050,173</u>	<u>963,983</u>
Non-current liabilities					
Other financial liabilities	23	527,171	827,293	-	-
Debt securities in issue	25	34,408,486	34,354,953	34,408,486	34,354,953
Bank loans	22	1,883,635	1,270,259	-	-
Deferred tax liability	24	2,696,840	510,128	-	-
		<u>39,516,132</u>	<u>36,962,633</u>	<u>34,408,486</u>	<u>34,354,953</u>
Total liabilities		<u>41,846,436</u>	<u>39,129,232</u>	<u>35,458,659</u>	<u>35,318,936</u>
Net assets		<u>25,822,706</u>	<u>20,905,032</u>	<u>11,728,152</u>	<u>11,220,056</u>

Mariner Finance p.l.c

Statement of financial position (continued)

31 December 2015

		Group		Holding company	
	Notes	2015	2014	2015	2014
		Eur	Eur	Eur	Eur
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	30	(1,898,805)	(1,898,805)	-	-
Fair value reserve		227,847	180,193	227,847	180,193
Revaluation reserve		1,123,731	-	-	-
Retained earnings		15,869,933	12,123,644	1,000,305	539,863
Total equity		25,822,706	20,905,032	11,728,152	11,220,056

These financial statements were approved by the directors, authorised for issue on 28 April 2016 and signed by:



Kevin Saliba
Director



Edward Hili
Director

Mariner Finance p.l.c

Statement of changes in equity - Group

Year ended 31 December 2015

	Share capital Eur	Other equity Eur	Other reserves Eur	Fair value reserve Eur	Revaluation reserve Eur	Retained earnings Eur	Total Eur
Balance at 1 January 2014	500,000	-	(1,898,805)	122,275	-	6,956,117	5,679,587
Profit for the year	-	-	-	-	-	5,167,527	5,167,527
Other comprehensive income for the year	-	-	-	57,918	-	-	57,918
Total comprehensive income for the year	-	-	-	57,918	-	5,167,527	5,225,445
Shareholders loan earmarked for capitalisation (note 27)	-	10,000,000	-	-	-	-	10,000,000
Balance 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 at 31 December 2015	500,000	10,000,000	(1,898,805)	227,847	1,123,731	15,869,933	25,822,706

Mariner Finance p.l.c

Statement of changes in equity - Holding company

Year ended 31 December 2015

	Share capital Eur	Other equity Eur	Fair value reserve Eur	Retained earnings Eur	Total Eur
Balance at 1 January 2014	500,000	-	122,275	161,729	784,004
Profit for the year	-	-	-	378,134	378,134
Other comprehensive income for the year	-	-	57,918	-	57,918
Total comprehensive income for the year	-	-	57,918	378,134	436,052
Shareholders' loans earmarked for capitalisation	-	10,000,000	-	-	10,000,000
Balance 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 at 31 December 2015	500,000	10,000,000	227,847	1,000,305	11,728,152

Mariner Finance p.l.c

Statement of cash flows

Year ended 31 December 2015

	Group		Holding Company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Cash flows from operating activities				
Profit before tax	4,162,611	5,497,380	505,441	413,500
<i>Adjustments for:</i>				
Depreciation	1,356,825	1,382,182	-	-
Amortisation	90,207	92,240	-	-
Interest income	(17,023)	(336,059)	(2,535,523)	(1,332,529)
Bond expenses amortization	53,533	11,151	53,533	11,151
Interest expense	2,273,621	1,993,812	1,905,822	869,055
Investment income	(12,797)	(11,722)	(10,613)	(11,722)
Investment losses	7,843	3,000	7,843	3,000
Loss on disposal of property, plant and equipment	2,443	-	-	-
Gain in value of derivative	(64,983)	-	-	-
Operating profit/(loss) before working capital movements	7,852,280	8,631,984	(73,497)	(47,545)
Movement in trade and other receivables	1,249,773	(626,410)	1,207,732	(513,001)
Movement in trade and other payables	52,135	1,064,122	76,827	7,396
Movement in inventories	2,811	(12,117)	-	-
Cash flows from/ (used in) operations	9,156,999	9,057,579	1,211,062	(553,150)
Interest received	17,023	336,059	2,535,523	506,761
Tax paid	(460,128)	-	(35,636)	(1,774)
Tax refund	-	352,824	-	-
Interest paid	(2,273,621)	(1,993,812)	(1,905,822)	-
<i>Net cash flows from/ (used in) operating activities</i>	6,440,273	7,752,650	1,805,127	(48,163)
Cash flows from investing activities				
Repayment of loans from related parties	-	5,000	-	-
Purchase of property plant and equipment	(1,927,088)	(1,950,571)	-	-
Purchase of intangible assets	(474,846)	-	-	-
Movement in loans to related parties	(5,729,198)	(5,451,616)	-	-
Income received from available-for-sale investments	12,797	11,722	10,613	11,722
Investment in subsidiary	-	-	-	(2,800)
Loans to subsidiaries	-	-	(1,858,868)	(34,270,000)
<i>Net cash flows (used in) / from investing activities</i>	(8,118,335)	(7,385,465)	(1,848,255)	(34,261,078)

Mariner Finance p.l.c

Statement of cash flows (continued)

Year ended 31 December 2015

	Group		Holding Company	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Cash flows from financing activities				
Proceeds from issue of debenture stock	-	35,000,000	-	35,000,000
Bond issue expenses paid	-	(656,198)	-	(656,198)
Drawdown/(repayment) of bank loans	950,000	(33,480,173)	-	-
Repayment of loans	-	(225,597)	-	-
	<u>950,000</u>	<u>638,032</u>	<u>-</u>	<u>34,343,802</u>
<i>Net cash flows from financing activities</i>	950,000	638,032	-	34,343,802
Net movement in cash and cash equivalents	(728,062)	1,005,217	(43,128)	34,561
Cash and cash equivalents at the beginning of the year	2,162,138	1,156,921	73,192	38,631
Cash and cash equivalents at the end of the year (note 28)	1,434,076	2,162,138	30,064	73,192

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

1. Basis of preparation

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.

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 had 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.

Acquisition of entities and businesses under common control

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. falls outside the scope of International Financial Reporting Standard 3 – Business Combinations (“IFRS 3”) because the transaction merely represents 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. is 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 is not transitory.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

1. Basis of preparation (continued)

Acquisition of entities and businesses under common control (continued)

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. is 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 may give 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 are included within equity unless they represent amounts payable in the subsequent period, in which case, these are included within liabilities.

The significant accounting policies adopted are set out below.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

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 2015

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 acquiree'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, computer hardware and motor vehicles.

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 2015

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 on the basis of their existing use at the date of the business combination, less any subsequent accumulated depreciation and any accumulated impairment losses.

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, or for purposes not yet determined, 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.

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.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

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:

Buildings	-	0.8% - 5% per annum
Plant and equipment	-	5% - 15% per annum
Furniture, fixtures and equipment	-	10% - 25% per annum
Computer hardware	-	20% - 33.33% per annum
Motor vehicles	-	20% 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.

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.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Intangible assets (continued)

(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.

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

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

2. Significant accounting policies (continued)

Other financial instruments (continued)

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) Loans and other 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 2015

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 instruments

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 2015

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

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 2015

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 2015

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 2015

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 2015

2. Significant accounting policies (continued)

Borrowing 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 unless another systematic basis is more representative of the time pattern of the user's benefit.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

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 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 2015

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 settlements 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.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

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 and also as disclosed below:

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

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

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

The carrying amount of goodwill amounting to *Eur13,184,904* arises on a business combination (note 30), and has been allocated to the business of Baltic Container Terminals SIA.

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. 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 management.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

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 (2014: 3%) and
- use of 10.14% (pre-tax) (2014: 8.92%) to discount the projected cash flows to net present values.

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

4. 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.

IFRS 16 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 authorisation of these financial statements. Given the significance of the Group's and the Company's leasing transactions, this Standard will be given due attention by the Board prior to its effective date

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

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

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'. IFRS 9 introduces a logical approach for the classification.

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. This standard has not as yet been endorsed by the European Union.

IFRS 15 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 contracts. 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. The Standard has not as yet been endorsed by the European Union.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

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

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

The December 2014 amendments to IAS 1 are effective from 1 January 2016. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

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.

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.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

5. Segment information (continued)

The group has three (2014: three) major customers in the cargo handling business and the revenue from these customers amounts to *Eur8,141,041* (2014: *Eur9,776,237*) which represents 54% (2014: 58%) 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 *Eur180,052* (2014: *Eur193,451*) which represents 60% (2014: 40%) of the total rental income of the group.

Measurement of operating segment profit or loss, assets and liabilities.

Segment profit represents the profit earned by each segment after allocation of central administration costs and finance costs based on services and finance provided. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

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

Profit before tax

	2015 Eur	2014 Eur
Total profit for reportable segments	6,220,606	7,422,885
Unallocated amounts		
Bond interest expense	(1,905,822)	(869,055)
Bank loan interest expense	-	(866,832)
Other unallocated amounts	(152,173)	(189,618)
	<u>4,162,611</u>	<u>5,497,380</u>

Assets

	2015 Eur	2014 Eur
Total assets for reportable segments	49,261,873	45,376,737
Unallocated amounts:		
Goodwill	13,184,904	13,184,904
Other unallocated amounts	5,222,365	1,472,623
	<u>67,669,142</u>	<u>60,034,264</u>

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

5. Segment information (continued)

Liabilities

	2015 Eur	2014 Eur
Total liabilities for reportable segments	6,423,221	3,834,116
Unallocated amounts:		
Debt securities in issue	34,408,486	34,354,953
Other unallocated amounts	1,014,729	940,163
	<u>41,846,436</u>	<u>39,129,232</u>

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

	Cargo handling and storage of containers 2015 Eur	Property rental 2015 Eur	Unallocated 2015 Eur	Total 2015 Eur
Continuing operations				
Revenue	14,924,442	-	-	14,924,442
Other operating income	-	400,448	251,450	651,898
Operating income	<u>14,924,442</u>	<u>400,448</u>	<u>251,250</u>	<u>15,576,340</u>
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	<u>40,995,837</u>	<u>8,266,036</u>	<u>18,407,269</u>	<u>67,669,142</u>
Capital expenditure	2,401,935	-	-	2,401,935
Segment liabilities	<u>6,319,683</u>	<u>103,538</u>	<u>35,423,215</u>	<u>41,846,436</u>
Income tax expense	<u>117,193</u>	<u>30,319</u>	<u>45,099</u>	<u>192,611</u>

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

5. Segment information (continued)

	Cargo handling and storage of containers 2014 Eur	Property rental 2014 Eur	Unallocated 2014 Eur	Total 2014 Eur
Continuing operations				
Revenue	16,950,345	-	-	16,950,345
Other operating income	-	402,988	262,924	665,912
Operating income	16,950,345	402,988	262,924	17,616,257
Interest income	289,592	43,390	16,206	349,188
Interest expense	162,492	529	1,830,791	1,993,812
Profit before tax	7,140,644	282,241	(1,925,505)	5,497,380
Depreciation and amortisation	1,474,896	-	-	1,474,896
Segment assets	36,960,030	8,416,707	14,657,527	60,034,264
Capital expenditure	1,950,570	-	-	1,950,570
Segment liabilities	3,694,811	139,305	35,295,116	39,129,232
Income tax expense	258,180	36,307	35,366	329,853

6. Revenue

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

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Cargo, handling and storage of containers	14,924,442	16,950,345	-	-

7. Other operating income

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Rent and related income	502,293	488,894	-	-
Income from exchange fluctuation	40,492	135,098	-	-
Other operating income	109,113	41,920	-	-
	651,898	665,912	-	-

Mariner Finance p.l.c.

Notes to the financial statements

31st December 2015

8. Investment income

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Interest income on bank deposits	78	211	78	211
Interest income on other loans	16,945	66,874	-	-
Interest income on related party loans	-	268,974	2,535,443	1,332,318
Total interest income on financial assets not classified at fair value through profit or loss	17,023	336,059	2,535,521	1,332,529
Dividends from equity instruments	7,001	5,388	7,002	5,388
Liquidation proceeds from investment	3,612	6,334	3,612	6,334
Income from other investments	2,183	1,407	-	-
	29,819	349,188	2,546,135	1,344,251

9. Investment losses

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Impairment losses on financial assets	7,843	3,000	7,843	3,000
Loss on fair value of derivative financial instrument	-	512,021	-	-
	7,843	515,021	7,843	3,000

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

10. Finance costs

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Interest on bank loans	140,548	942,839	-	-
Interest on debt securities in issue	1,905,822	869,055	1,905,822	869,055
Other finance costs	227,251	181,918	-	-
	<u>2,273,621</u>	<u>1,993,812</u>	<u>1,905,822</u>	<u>869,055</u>

11. Profit before tax

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
<i>This is stated after charging:</i>				
Depreciation and amortisation	<u>1,434,566</u>	<u>1,474,896</u>	<u>-</u>	<u>-</u>

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

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Total remuneration payable to the parent company's auditors for the audit of the financial statements	8,000	8,000	2,500	2,500
Total fees payable to other auditors	33,375	33,980	-	-
Total fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services				
- other assurance	-	40,000	-	-
- tax advisory	600	-	-	-
- other than other assurance and tax advisory	2,910	-	-	-
	<u>44,885</u>	<u>81,980</u>	<u>2,500</u>	<u>2,500</u>

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

12. Key management personnel compensation

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
<i>Directors' compensation:</i>				
<i>Short-term benefits:</i>				
Fees	10,000	5,000	10,000	5,000
Management remuneration	41,286	88,430	-	-
<i>Other key management personnel:</i>				
<i>Short-term benefits:</i>				
Management remuneration	372,354	421,883	-	-
	423,640	515,313	10,000	5,000

13. Staff costs and employee information

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
<i>Staff costs:</i>				
Wages and salaries	2,823,872	3,125,472	-	-
Social security costs	601,228	633,895	-	-
	3,425,100	3,759,367	-	-

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

	Group		Holding company	
	2015 Number	2014 Number	2015 Number	2014 Number
Operations	184	184	-	-
Administration	16	16	-	-
	200	200	-	-

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

14. Income tax expense

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Current tax expense	249,079	367,257	44,999	35,366
Deferred tax (credit)/expense (note 24)	(56,468)	(37,404)	-	-
	192,611	329,853	44,999	35,366

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	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Profit before tax	4,162,611	5,497,380	505,441	413,500
Tax at the applicable rate of 35%	1,456,914	1,924,083	176,904	144,725
<i>Tax effect of:</i>				
Disallowed expenditure	141,474	369,635	28,698	17,752
Tax deductions	(661,088)	(1,006,101)	-	-
Different tax rates of subsidiaries operating in other jurisdictions	(614,677)	(815,715)	(159,228)	(124,844)
Tax at source	(108)	(157)	(108)	(50)
Income not subject to tax	(129,904)	(141,892)	(1,267)	(2,217)
Income tax expense for the year	192,611	329,853	44,999	35,366

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

15. Property, plant and equipment

Group	Land and buildings Eur	Plant and equipment Eur	Furniture fittings and equipment Eur	Fixed assets under construction Eur	Total Eur
Cost or valuation					
At 01.01.2014	28,911,595	10,569,852	136,256	1,566,889	41,184,592
Additions	5,923	157,372	5,393	1,776,932	1,945,620
Disposals	-	(44,155)	(3,932)	-	(48,087)
Reclassification	91,546	40,611	-	(132,157)	-
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 31.12.2015	32,435,213	14,573,693	968,137	283,663	48,260,706
Accumulated depreciation					
At 01.01.2014	2,561,304	7,654,077	70,644	-	10,286,025
Provision for the year	646,539	715,445	20,672	-	1,382,656
Disposals	-	(44,155)	(3,932)	-	(48,087)
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
Disposals	(4,946)	(93,378)	(2,504)	-	(100,828)
At 31.12.2015	3,863,731	8,327,513	673,267	-	12,864,511
Carrying amount					
At 31.12.2014	25,801,221	2,398,313	50,333	3,211,665	31,461,531
At 31.12.2015	28,571,482	6,246,180	294,870	283,663	35,396,195

The fair value of the land and buildings has been arrived at on the basis of a recent valuation carried out by an independent professionally qualified valuer in 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 2015.

In estimating the fair value of the properties, the highest and best use of the property is its current use. The fair value of the group's land and buildings has been arrived at using Level 3 inputs at the end of the reporting period.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

15. Property, plant and equipment (continued)

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 *EUR25,145,333*(2014 – *EUR25,801,221*)

Significant unobservable inputs used in estimating the group's Level 3 fair value measurements of property (ie office complex/ warehouse buildings and container storage grounds) relate to estimated replacement cost per square metre ranging from *EUR50* to *EUR800*, which is based on current construction costs of similar entities, as obtained from various sources and data analysis.

16. Intangible asset

Group

	Computer software Eur
Cost	
At 01.01.2014	1,808,619
Additions	4,950
	<hr/>
At 01.01.2015	1,813,569
Additions	474,846
Disposals	(227,930)
	<hr/>
At 31.12.2015	2,060,485
	<hr/>
Accumulated depreciation	
At 01.01.2014	1,437,815
Provision for the year	92,240
	<hr/>
At 01.01.2015	1,530,055
Provision for the year	90,207
Disposals	(227,930)
	<hr/>
At 31.12.2015	1,392,332
	<hr/>
Carrying amount	
At 31.12.2014	283,514
	<hr/>
At 31.12.2015	668,153
	<hr/>

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 company holds software under development - SPARCS. The carrying amount of the asset is *Eur505,814* and will be fully amortised in 4.7 years

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

17. Investment property

Group

	Eur
Fair value	
At 01.01.2014/01.01.2015	5,183,596
At 31.12.2015	5,183,596
Carrying amount	
At 31.12.2014	5,183,596
At 31.12.2015	5,183,596

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 23, 2015 on the basis of market value and is stated gross of any tax liability that would arise had the property to be remeasured to fair value. The valuer used two different methods of valuing the property, direct sales approach whereby 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.

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 2015.

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 has been arrived at using Level 3 inputs at the end of the reporting period.

In fair value measurement the valuer used utilization rate of 85% to 95%, discount rate of 4.62%, capitalisation rate of 5.82% and terminal value of *Eur4,609,716* to reach fair value by income approach and in direct sales approach the valuer used *Eur1,688.98* as sales price per square meter to reach 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 *Eur502,293* (2014 – *Eur488,894*).

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

18. Financial assets

Investments in subsidiaries

Holding company

These are stated at cost and comprise:

	Investment in subsidiaries Eur
Carrying amount	
At 31.12.2014	2,800
At 31.12.2015	2,800

The company's proportion of ownership interest in subsidiaries at 31 December 2015 are as follows:

	Proportion of ownership interest %
Mariner Baltic Holdings SIA	100 (2014 – 100%)
Mariner Finance Baltic SIA (indirectly through Mariner Baltic Holdings SIA)	100 (2014 – 100%)
Baltic Container Terminals SIA (indirectly through Mariner Baltic Holdings SIA)	100 (2014 – 100%)
Equinor Riga SIA (indirectly through Mariner Baltic Holdings SIA)	100 (2014 – 100%)

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.

The principal activities of following subsidiaries are:

	Principal activities
Mariner Baltic Holdings SIA	Holding company
Mariner Finance Baltic SIA (indirectly through Mariner Baltic Holdings SIA)	Holding company
Baltic Container Terminals SIA (indirectly through Mariner Baltic Holdings SIA)	Port services
Equinor Riga SIA (indirectly through Mariner Baltic Holdings SIA)	Rents out Investment property

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

18. Financial assets (continued)

Available-for-sale investments

Group and Holding company

	Foreign listed debt Eur	Foreign listed equity Eur	Total Eur
Fair value			
At 31.12.2014	7,844	327,976	335,820
At 31.12.2015	1	375,630	375,631

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 *Eur7,843* (2014 – *Eur3,000*) and are included in investment losses.

Loans and receivables

	Loan to parent Eur	Group Related party loans Eur	Total Eur	Holding Company Loan to parent and related party Eur	Total Eur
Amortised cost					
At 31.12.2014	2,916,665	513,333	3,429,998	-	44,270,000
Less: Amount expected to be settled within 12 months (shown under current assets)	-	(500,000)	(500,000)	-	(2,426,351)
Amount expected to be settled after 12 months	2,916,665	13,333	2,929,998	-	41,843,649
Amortised cost					
At 31.12.2015	8,074,190	508,333	8,582,523	4,279,982	41,848,886
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)
Amount expected to be settled after 12 months	5,194,383	8,333	5,202,716	1,400,175	39,324,589

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

18. Financial assets (continued)

Loans and receivables(continued)

Loan to subsidiaries and related party

Holding company:

The amounts owed by subsidiaries amounting to *Eur7,578,886* (2014 – *Eur10,000,000*) bear interest at the rate of 5% per annum and is repayable by end of December 2020. The remaining loan due by subsidiary of *Eur33,770,000* (2014 – *33,770,000*) bears interest at the rate of 6% and is repayable by July 2024.

Group and holding company:

Loan amounting to *Eur500,000* receivable from related party carries interest rate of 3%, 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 *Eur1.4M* is not expected to be repaid within twelve month after end of reporting period.

Group:

Loan amounting *Eur 877,000* is interest free and repayable by 30 November 2020 and is being disclosed at amortised cost. The remaining loan of *Eur2,916,981* is interest free and repayable by 28 February 2017.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

19. Inventories

	Group		Holding company	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Spare parts	280,769	262,249	-	-
Raw materials	72,484	63,678	-	-
Fuel	36,468	64,093	-	-
Other	7,062	9,574	-	-
	396,783	399,594	-	-

20. Trade and other receivables

	Group		Holding company	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Trade and other receivables	2,238,112	2,887,998	-	-
Amount owed by parent	-	609,922	-	1,018,265
Amounts owed by related parties	19,274	4,274	636,301	825,768
Prepayments	40,892	45,857	13,147	13,147
	2,298,278	3,548,051	649,448	1,857,180

The terms and conditions of amounts owed by related parties are disclosed in note 31.

21. Trade and other payables

	Group		Holding company	
	2015	2014	2015	2014
	Eur	Eur	Eur	Eur
Trade payables	208,507	207,019	11,646	5,938
Other payables	1,239,427	345,707	-	-
Accruals	302,384	1,151,435	948,915	877,796
	1,750,318	1,704,161	960,561	883,734

No interest is charged on trade and other payables.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

22. Bank loans

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Bank loans	2,190,572	1,458,446	-	-
Less: amount due for settlement within 12 months (shown under current liabilities)	(306,937)	(188,187)	-	-
Amount due for settlement after 12 months	<u>1,883,635</u>	<u>1,270,259</u>	<u>-</u>	<u>-</u>

The bank loans are repayable as follows:

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
On demand or within one year	306,937	188,187	-	-
In the second year	306,937	188,187	-	-
In the third year	1,576,698	188,187	-	-
In the fourth year	-	188,187	-	-
After five years	-	705,698	-	-
	<u>2,190,572</u>	<u>1,458,446</u>	<u>-</u>	<u>-</u>

The groups bank loan bears interest at rates at 2.7% per annum plus 3 months EURIBOR (2014 – ranging between 2.7% and 5% per annum) and is secured by a commercial pledge over subsidiary company's assets with carrying value as at 31 December 2015 of *EUR21,204,262*.

23. Other financial liabilities

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Other loans	281,164	506,425	46,249	46,249
Deferred income	72,018	83,098	-	-
Fair value of derivative financial instrument	447,038	512,021	-	-
	<u>800,220</u>	<u>1,101,544</u>	<u>46,249</u>	<u>46,249</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	(273,049)	(274,251)	(46,249)	(46,249)
Amounts due for settlement after 12 months	<u>527,171</u>	<u>827,293</u>	<u>-</u>	<u>-</u>

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

23. Other financial liabilities (continued)

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 *Eur12,458,333* (2014: *Eur14,375,000*). 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 *Eur447,038* (2014: *Eur512,121*)

24. Deferred taxation

Group

	Opening balance Eur	Other comprehensive income Eur	Recognised in profit or loss Eur	Closing balance Eur
2015				
<i>Arising on:</i>				
Accelerated depreciation	540,633	-	(81,015)	459,618
Revaluation	-	2,243,180	-	2,243,180
Provision for bad debts	-	-	446	446
Accruals for expected vacation expenses	(30,505)	-	24,101	(6,404)
	<u>510,128</u>	<u>2,243,180</u>	<u>(56,468)</u>	<u>2,696,840</u>
2014				
<i>Arising on:</i>				
Accelerated depreciation	579,890	-	(39,257)	540,633
Provision for bad debts	(2,230)	-	2,230	-
Accruals for expected vacation expenses	(30,128)	-	(377)	(30,505)
	<u>547,532</u>	<u>-</u>	<u>(37,404)</u>	<u>510,128</u>

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.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

24. Deferred taxation (continued)

At 31 December 2015 the company had unused tax credits in SIA Baltic Container Terminal of *EUR3,133,243* (2014 – *EUR2,628,748*). The expiry date of the unutilised tax credit is 2035 as per currently enacted Latvian law on Corporate income tax.

25. Debt securities in issue

	Group and Holding company	
	2015	2014
	Eur	Eur
Non- current		
5.3% bonds redeemable 2024	34,408,486	34,354,953

The bonds are disclosed at the value of the proceeds less the net book amount of the issue costs as follows:

	2015	2014
	Eur	Eur
Face value of bonds	35,000,000	35,000,000
Issue costs	656,198	656,198
Accumulated amortisation	(64,684)	(11,151)
Net book amount	591,514	645,047
Amortised cost	34,408,486	34,354,953

In June 2014, the company issued an aggregate principal amount of Eur35 million in Bonds, having nominal value of Eur 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.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

25. Debt securities in issue (continued)

The quoted market price as at 31 December 2015 for the 5.3% Bonds 2024 was 110.62 (2014: 107.03). The weighted average effective interest rate at the end of the reporting period was 5.47% (2014:5.47%)

The market value of debt securities on the last trading day before the statement of financial position date was *Eur38,717,000* (2014: *Eur37,460,500*)

26. Share capital

	Group and Holding company 2015 and 2014	
	Authorised Eur	Issued and called up Eur
50,000 ordinary shares of Eur10 each, all of which have been issued and called up	<u>500,000</u>	<u>500,000</u>

27. Other equity

This represents an amount of *Eur10,000,000* which is repayable to the parent, Mariner Capital Limited, at the discretion of the company. This amount is interest free and carries no fixed date of repayment. This amount was recognised directly in equity.

28. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amount in the statement of financial position:

	Group		Holding company	
	2015 Eur	2014 Eur	2015 Eur	2014 Eur
Cash at bank	<u>1,434,076</u>	<u>2,162,138</u>	<u>30,064</u>	<u>73,192</u>

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

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 *Eur116,137* (2014: *Eur116,137*).

At the end of the reporting period, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

29. Operating leases – the group as lessee (continued)

	2015 Eur	2014 Eur
Within 1 year	116,137	116,137
2 to 5 years	464,548	464,548
More than 5 years	3,135,699	3,251,836
	<u>3,716,384</u>	<u>3,832,521</u>

30. Acquisition of subsidiaries

In 2014, Mariner Finance p.l.c acquired control over 100% interest in Baltic Container Terminals SIA and Equinor Riga SIA which are both registered in Latvia.

The carrying amount on 1 January 2013 of the assets acquired and liabilities assumed were:

	Acquiree's carrying amount before combination Eur
Goodwill	13,184,904
Bank borrowings	(8,602,280)
Cash and cash equivalents	4,595,086
Current tax asset	890,096
Deferred tax liabilities	(525,732)
Intangible assets	427,018
Inventories	414,503
Investment property	5,179,848
Other financial liabilities	(4,217,184)
Property, plant and equipment	28,423,730
Trade and other receivables	2,916,408
Trade and other payables	(2,685,202)
Net assets acquired	<u>40,001,195</u>
Consideration transferred	<u>(41,900,000)</u>
Effect on other equity recognised on acquisition of subsidiaries	<u>1,898,805</u>

Predecessor accounting resulted in a difference on acquisition between the consideration payable in exchange for the acquired entities and the amounts at which the assets and liabilities of the acquired entities were initially recognised; any such differences are included within equity unless they represent amounts payable in the subsequent period, in which case, these are included within liabilities.

There were no acquisitions during 2015.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

31. Related party disclosures

The parent and ultimate parent company of Mariner Finance p.l.c. is Mariner Capital Limited and MEH Holdings Limited, respectively, which are both incorporated in Malta.

The directors consider the ultimate controlling party to be Mariner Hili who indirectly owns 60% (2014:70%) 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.

Group

	2015			2014		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Administration expenses						
<i>Related party transactions with:</i>						
Other related parties	660,000	3,747,361	18	718,039	3,886,392	18
Investment income						
<i>Related party transactions with:</i>						
Other related parties	16,945	29,819	57	43,389	349,188	12

Holding Company

	2015			2014		
	Related party activity Eur	Total activity Eur	%	Related party activity Eur	Total activity Eur	%
Investment income						
<i>Related party transactions with:</i>						
Subsidiary	2,520,445			1,328,044		
Other related parties	15,000			4,274		
	2,535,445	2,546,137	99	1,332,318	1,344,251	99

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

31. Related party disclosures (continued)

Other related party transactions are disclosed in note 30.

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.

32. Capital commitments

	2015 Eur	Group 2014 Eur
Contracted but not provided for	-	1,090,000

33. Fair value of financial assets and financial liabilities

At 31 December 2015 and 31 December 2014 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 and interest free loans to parent company are repayable on demand. The fair value of available-for-sale securities is disclosed in note 18. The fair values of non-current financial liabilities, other than debt securities and derivatives, are not materially different from their carrying amounts, due to their current rates of interest. 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.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

33. 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 Eur
	Level 1 Eur	Level 2 Eur	Level 3 Eur	
2015				
Financial assets				
Available-for-sale investments				
- Foreign listed equity instruments	375,630	-	-	375,630
- Foreign listed debt instruments	-	1	-	1
	<u>375,630</u>	<u>1</u>	<u>-</u>	<u>375,631</u>
Financial liabilities				
At fair value through profit and loss				
- Derivative financial instruments	<u>447,038</u>	<u>-</u>	<u>-</u>	<u>447,038</u>
2014				
Available-for-sale investments				
- Foreign listed equity instruments	327,976	-	-	327,976
- Foreign listed debt instruments	-	7,844	-	7,844
	<u>327,976</u>	<u>7,844</u>	<u>-</u>	<u>335,820</u>
Financial liabilities				
At fair value through profit and loss				
- Derivative financial instruments	<u>512,021</u>	<u>-</u>	<u>-</u>	<u>512,021</u>

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

33. 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 Eur
	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	
2015					
<i>Financial assets</i>					
<i>Loans and receivables</i>					
- Loans to related parties	-	8,593,464	-	8,593,464	8,593,464
<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	-	226,800	-	226,800	226,800
	38,717,000	2,417,372	-	41,134,372	36,825,858
2014					
<i>Financial assets</i>					
<i>Loans and receivables</i>					
- Loans to related parties	-	3,429,998	-	3,429,998	3,429,998
<i>Financial liabilities:</i>					
<i>Financial liabilities at amortised cost</i>					
- Bank loans	37,460,500	-	-	37,460,500	34,354,953
- loan from parent company	-	1,458,446	-	1,458,446	1,458,446
- Other loans	-	460,176	-	460,176	460,176
	37,460,500	1,918,622	-	39,379,122	36,273,575

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

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

Holding company

	Fair value measurement at end of the reporting period using:				Carrying amount Eur
	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	
2015					
Financial assets					
<i>Loans and receivables</i>					
- receivables from parent company	-	4,279,982	-	4,279,982	4,279,982
subsidiaries	-	41,975,187	-	41,975,187	41,975,187
related parties	-	500,000	-	500,000	500,000
Total	-	46,755,169	-	46,755,169	46,755,169
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
	Level 1 Eur	Level 2 Eur	Level 3 Eur	Total Eur	Carrying amount Eur
2014					
Financial assets					
<i>Loans and receivables</i>					
- receivables from parent company	-	1,018,265	-	1,018,265	1,018,265
subsidiaries	-	44,595,768	-	44,595,768	44,595,768
related parties	-	500,000	-	500,000	500,000
Total	-	46,114,033	-	46,114,033	46,114,033
Financial liabilities at amortised cost					
- Debt securities	37,460,500	-	-	37,460,500	34,354,953
- Other loans	-	46,249	-	46,249	46,249
Total	37,460,500	46,249	-	37,506,749	34,401,202

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

34. 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, debt investments 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 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.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

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

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

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

The interest rates on loans and receivables and cash are disclosed in notes 18 and 28.

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

34. 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 company enjoys the full support of its related parties and shareholders and the company's related party balances are expected to continue to form part of the company's effective financing structures. The company is therefore confident that it is in a position to continue to meet its commitments as and when they fall due.

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 Eur	2 years Eur	3 years Eur	4 years Eur	5 years and over Eur	Total Eur
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>
2014						
Non-derivative financial liabilities						
Non-interest bearing	2,166,599	88,472	-	-	-	2,255,071
Fixed rate instruments	2,034,664	1,860,082	1,855,000	2,361,939	46,130,000	54,241,685
Variable rate instruments	233,399	226,295	220,648	920,703	-	1,601,045
	<u>4,434,662</u>	<u>2,174,849</u>	<u>2,075,648</u>	<u>3,282,642</u>	<u>46,130,000</u>	<u>58,097,801</u>

Mariner Finance p.l.c.

Notes to the financial statements

31 December 2015

34. Financial risk management (continued)

Liquidity risk (continued)

Holding company

	On demand or within 1 year Eur	2 years Eur	3 years Eur	4 years Eur	5 years and over Eur	Total Eur
2015						
Non-derivative financial liabilities						
<i>Non-interest bearing</i>	1,006,810	-	-	-	-	1,006,810
<i>Fixed rate instruments</i>	1,855,000	1,855,000	1,855,000	1,855,000	44,275,000	51,695,000
	<u>2,861,810</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>44,275,000</u>	<u>52,701,810</u>
2014						
Non-derivative financial liabilities						
<i>Non-interest bearing</i>	929,983	-	-	-	-	929,983
<i>Fixed rate instruments</i>	1,804,178	1,860,082	1,855,000	1,849,918	46,130,000	53,499,178
	<u>2,734,161</u>	<u>1,860,082</u>	<u>1,855,000</u>	<u>1,849,918</u>	<u>46,130,000</u>	<u>54,429,161</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 amounts included in notes 22, 23 and 25 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.

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

35. Significant non-cash transactions

Last year, the company was assigned a loan receivable of *Eur10,000,000* (as disclosed in note 18). The consideration of *Eur10,000,000* for this assignment is payable exclusively at the discretion of the company (as disclosed in note 27). The amount is unsecured, interest-free and repayable exclusively at the option of the company.

Independent auditor's report to the members of

Mariner Finance p.l.c.

We have audited the accompanying financial statements of Mariner finance p.l.c. and its group set out on pages 5 to 64, which comprise the statements of financial position of the company and the group as at 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the company and the group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

As explained more fully in the statement of directors' responsibilities on page 4, the directors of the company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 and error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent auditor's report (continued)

to the members of

Mariner Finance p.l.c.

Opinion

In our opinion, the 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 2015 and of the company's and its group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).



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

28 April 2016