Mariner Finance p.l.c

Report and financial statements

31 December 2018

Contents

	Page
Directors, officer and other information	*1*
Directors' report	*2 - 5*
Statement of directors' responsibilities	*6*
Corporate governance statement	*7 - 10*
Statement of profit or loss and other comprehensive income	*11*
Statement of financial position	*12 - 13*
Statements of changes in equity	*14 - 15*
Statements of cash flows	*16 - 17*
Notes to the financial statements	*18 - 76*
Independent auditor's report	*77 - 82*

Mariner Finance p.l.c

Directors, officer and other information

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

The directors present their report and the audited financial statements of the group and the holding company for the year ended 31 December 2018.

Principal activities

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

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

Performance review

The group and company have registered a profit before tax of € 5,497,944 (2017 – € 5,962,806) and € 101,292 (2017 – € 261,805) respectively.

The net assets of the group and company at the end of the year amounted to € 44,178,372 (2017 – € 38,700,968), and that of the company € 12,429,074 (2017 – € 12,345,056).

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

The consolidated profit for the year before tax fell short of both the group's forecast and also the profitability attained in 2017. The main reasons for this decrease in profitability, when compared to 2017, were marginally lower volumes handled by SIA Baltic Container Terminal and a rise in the prices of utilities in Latvia.

The group's operational performance for 2019 is expected to be in line with projections and are therefore expected to marginally exceed year 2018 levels.

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

Financial

The group calculates the level of its free cash flow by reference to the cash generated from continuing operations less capital expenditure, interest and tax. The group's free cash flow at year end amounted to € 3,537,680 (2017 - € 5,611,751), representing a decrease of 37% over the free cash flow at the end of the preceding year. This decrease is solely due to the significant increase in payments for capital expenditure amounting to € 3,962,539 (2017: € 397,482). This indicator measures how the group turns profit into cash through the management of working capital and a disciplined approach to capital expenditure.

The group measures its performance based on EBITDA, which is defined as the group profit before depreciation, amortisation, net investment income, finance costs and taxation. During the year under review, EBITDA decreased by 10% to € 8,524,240 from € 9,459,055.

Financial - (continued)

The gearing ratio, which is defined as net debt divided by net debt plus equity, demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. The group's gearing leverage at year end stood at 45% implying a 3% decrease from the previous year.

The group aims to deliver a return on average capital employed above the level of its cost of funding. The return on average capital employed represents the operating profit on ordinary activities divided by the average of capital employed. The group ensures that this capital is used as effectively as possible. The return on average capital employed as at year end stood at 9% (2017 - 11%).

Non-financial

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

Overall terminal efficiency is calculated at the average number of container moves per hour. This remained constant from 2017 at 26 moves per hour.

Property rental is measured in accordance to percentage occupancy, which increased to 96% as compared to 90% of the previous year.

Principal risks and uncertainties

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

(a) Market and competition

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

(b) Legislative risks

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

(c) Economic and market environment

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

(d) Customer service

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

(e) Political risk

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

(f) Financial risk management

Note 31 to the financial statements provides details in connection with the group's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

Results and dividends

The result for the year ended 31 December 2018 is shown in the statement of profit or loss and other comprehensive income on page 11. The group registered a profit for the year after tax of € 5,477,403 as compared to € 6,093,195 in 2017. The company registered a profit for the year after tax of € 84,019 as compared to € 228,599 in 2017. No final dividend is being recommended.

Post balance sheet events

Subsequently to the end of the reporting period, Mariner Baltic Holdings SIA was merged into Mariner Finance p.l.c.

Likely future business developments

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

Mariner Finance p.l.c

Directors' report

Year ended 31 December 2018

Directors

The directors who served during the period were:

Marin Hili	(Chairman and Chief Executive Officer)
Michela Borg	
Edward Hili	
Kevin Saliba	
Lawrence Zammit	
Nicholas Bianco	(Resigned on 1 April 2019)
Mark Vella	(Appointed on 1 April 2019)
Anthony Busuttil	

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

Going concern

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

Auditor

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

Approved by the board of directors and signed on its behalf on 26 April 2019 by:

Kevin Saliba
Director

Lawrence Zammit
Director

Mariner Finance p.l.c

Statement of directors' responsibilities

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

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

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

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

We confirm that to the best of our knowledge:

a. In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the company and its group as at 31 December 2018 and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and

b. In accordance with the Listing Rules, the Directors' report includes a fair review of the performance of the business and the position of the Issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Kevin Saliba
Director

Lawrence Zammit
Director

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, whiles retaining an element of flexibility, particularly in view of the size of the group and the nature of its business. The group adhered to the Principles, except for those instances where there exist particular circumstances that warrant non-adherence thereto, or at least postponement for the time being.

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

The Board of Directors

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

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

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

Executive Director

Marin Hili - Chairman and Chief Executive Officer

Non-Executive Directors

Edward Hili	
Michela Borg	
Kevin Saliba	
Lawrence Zammit	
Nicholas Bianco	(Resigned on 1 April 2019)
Mark Vella	(Appointed on 1 April 2019)
Anthony Busuttil	

The Board of Directors (continued)

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

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

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

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

Audit committee

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

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

Mr. Lawrence Zammit (Chairman)
Mr. Mark Vella
Mr. Anthony Busuttil

Mr. Nicholas Bianco resigned from the audit committee on 1 April 2019 and Mr. Mark Vella was appointed in his stead.

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

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

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

Internal Control

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

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

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

Relations with the market

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

Non-compliance with the code

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

Principle 2.1: Roles of Chairman and CEO

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

Principle 4: Organisation Structure

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

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 26 April 2019 by:

Kevin Saliba
Director

Lawrence Zammit
Director

Mariner Finance p.l.c

Statement of profit or loss and other comprehensive income

Year ended 31 December 2018

	Notes	Group		Holding company	
		2018	2017	**2018**	2017
		€	€	€	€
Revenue	6	**16,474,614**	16,837,797	-	-
Cost of sales		**(7,851,246)**	(7,263,122)	-	-
Gross profit		**8,623,368**	9,574,675	-	-
Administrative expenses		**(2,136,747)**	(2,187,910)	**(146,555)**	(139,127)
Other operating income	7	**556,118**	559,189	-	-
Operating profit/(loss)		**7,042,739**	7,945,954	**(146,555)**	(139,127)
Investment income	8	**430,669**	425,699	**2,087,373**	2,301,723
Finance costs	9	**(1,975,464)**	(2,408,847)	**(1,839,526)**	(1,900,791)
Profit before tax	10	**5,497,944**	5,962,806	**101,292**	261,805
Income tax credit/(expense)	13	**(20,541)**	130,389	**(17,273)**	(33,206)
Profit for the year attributable to the owners of the holding company		**5,477,403**	6,093,195	**84,019**	228,599
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Reversal of deferred tax on revaluation of property, plant and equipment upon change in tax law	23	-	2,227,285	-	-
Other comprehensive income for the year, net of tax		-	2,227,285	-	-
Total comprehensive income for the year attributable to the owners of the holding company		**5,477,403**	8,320,480	**84,019**	228,599

Mariner Finance p.l.c

Statement of financial position

31 December 2018

	Notes	Group		Holding Company	
		2018	2017	**2018**	2017
		€	€	**€**	€
ASSETS AND LIABILITIES					
Non-current assets					
Goodwill	3	**13,184,904**	13,184,904	**-**	-
Intangible asset	15	**679,480**	712,523	**-**	-
Property, plant and equipment	14	**37,101,089**	34,446,505	**-**	-
Investment property	16	**5,115,000**	5,115,000	**-**	-
Investment in subsidiaries	17	**-**	-	**2,800**	2,800
Loans receivable	17	**22,464,271**	16,191,789	**47,046,930**	44,183,801
		78,544,744	69,650,721	**47,049,730**	44,186,601
Current assets					
Loan receivable	17	**-**	500,000	**-**	2,750,601
Inventories	18	**380,926**	371,310	**-**	-
Trade and other receivables	19	**3,134,979**	2,864,898	**530,954**	574,468
Cash and cash equivalents	27	**1,162,841**	3,701,373	**438,682**	383,381
		4,678,746	7,437,581	**969,636**	3,708,450
Total assets		**83,223,490**	77,088,302	**48,019,366**	47,895,051
Current liabilities					
Trade and other payables	20	**2,899,368**	2,017,451	**989,797**	994,981
Other financial liabilities	22	**57,381**	68,294	**-**	-
Bank loans	21	**309,270**	1,576,699	**-**	-
Current tax liability		**179,137**	138,087	**17,282**	33,215
		3,445,156	3,800,531	**1,007,079**	1,028,196
Non-current liabilities					
Other financial liabilities	22	**53,923**	65,003	**-**	-
Debt securities in issue	24	**34,583,213**	34,521,799	**34,583,213**	34,521,799
Bank loans	21	**962,826**	-	**-**	-
		35,599,962	34,586,802	**34,583,213**	34,521,799
Total liabilities		**39,045,118**	38,387,333	**35,590,292**	35,549,995
Net assets		**44,178,372**	38,700,968	**12,429,074**	12,345,056

Mariner Finance p.l.c

Statement of financial position

31 December 2018

	Notes	Group 2018 €	Group 2017 €	Holding Company 2018 €	Holding Company 2017 €
EQUITY					
Equity attributable to the owners of the holding company					
Share capital	25	**500,000**	500,000	**500,000**	500,000
Other equity	26	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Other reserves	26	**(1,898,805)**	(1,898,805)	**-**	-
Revaluation reserves	26	**3,351,015**	3,351,015	**-**	-
Retained earnings		**32,226,162**	26,748,758	**1,929,074**	1,845,056
Total equity		**44,178,372**	38,700,968	**12,429,074**	12,345,056

These financial statements were approved by the board of directors, authorised for issue on the 26 April 2019 and signed on its behalf by:

Kevin Saliba
Director

Lawrence Zammit
Director

Mariner Finance p.l.c

Statement of changes in equity - Group

Year ended 31 December 2018

	Share capital €	Other equity €	Other reserves €	Revaluation reserve €	Retained earnings €	Total €
Balance as at 1 January 2017	**500,000**	**10,000,000**	**(1,898,805)**	**1,123,731**	**20,655,563**	**30,380,489**
Profit for the year	-	-	-	-	6,093,195	6,093,195
Other comprehensive income for the year	-	-	-	2,227,285	-	2,227,285
Total comprehensive income for the year	-	-	-	2,227,285	6,093,195	8,320,480
Balance as at 1 January 2018	**500,000**	**10,000,000**	**(1,898,805)**	**3,351,015**	**26,748,758**	**38,700,968**
Profit for the year	-	-	-	-	5,477,403	5,477,403
Total comprehensive income for the year	-	-	-	-	5,477,403	5,477,403
Balance as at 31 December 2018	**500,000**	**10,000,000**	**(1,898,805)**	**3,351,015**	**32,226,162**	**44,178,372**

Mariner Finance p.l.c

Statement of changes in equity - Holding company

Year ended 31 December 2018

	Share capital €	Other equity €	Retained earnings €	Total €
Balance as at 1 January 2017	**500,000**	**10,000,000**	**1,616,457**	**12,116,457**
Profit for the year, total comprehensive income for the year	-	-	228,599	228,599
Total comprehensive income for the year	-	-	228,599	228,599
Balance as at 1 January 2018	**500,000**	**10,000,000**	**1,845,056**	**12,345,056**
Profit for the year, total comprehensive income for the year	-	-	84,019	84,019
Balance as at 31 December 2018	**500,000**	**10,000,000**	**1,929,074**	**12,429,074**

Mariner Finance p.l.c

Statement of cash flows

Year ended 31 December 2018

	Group		Holding Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Cash flow from operating activities				
Profit before tax	**5,497,944**	5,962,806	**101,292**	261,805
Adjustments for:				
Depreciation	**1,415,738**	1,449,254	-	-
Amortisation	**65,762**	63,847	-	-
Interest income	**(341,056)**	(96,587)	**(2,086,499)**	(2,299,687)
Amortisation of bond expenses	**61,415**	58,186	**61,415**	58,186
Interest expense	**1,975,464**	2,133,783	**1,855,000**	1,855,000
Investment income	**(874)**	(100,964)	**(874)**	(2,036)
Investment losses	-	-	-	-
Difference on exchange	-	-	-	-
Gain on sale of available-for-sale investments	-	-	-	-
Loss on disposal of property plant and equipment	**11,661**	47,290	-	-
Change in value of investment property	-	(7,404)	-	-
Change in value of derivative	-	(204,251)	-	-
Operating profit/(loss) before working capital movements	**8,686,054**	9,305,960	**(69,666)**	(126,732)
Movement in trade and other receivables	**(350,737)**	(584,867)	**43,513**	14,890
Movement in trade and other payables	**1,039,770**	(272,914)	**(5,184)**	30,980
Movement in inventories	**(9,616)**	(31,087)	-	-
Cash flow from / (used in) operations	**9,365,471**	8,417,092	**(31,337)**	(80,862)
Interest received	**341,056**	15,407	**2,086,499**	2,299,687
Income tax paid	**(228,328)**	(272,747)	**(33,206)**	(58,088)
Interest paid	**(2,013,980)**	(2,150,519)	**(1,855,000)**	(1,855,000)
Net cash flow from operating activities	**7,464,219**	6,009,233	**166,956**	305,737
Cash flow from investing activities				
Purchase of property plant and equipment	**(3,891,804)**	(441,997)	-	-
Purchase of intangible assets	**(34,735)**	(38,526)	-	-
Proceeds from disposal of property, plant and equipment	-	83,041	-	-
Loans advanced to parent company	**(6,275,815)**	(4,971,881)	**(3,868,218)**	(2,721,883)
Liquidation proceeds from investments	**874**	2,036	**874**	2,036
Loan repayment from related parties	**500,000**	-	**500,000**	-
Other loan repayments	**3,333**	-	-	-
Repayments from subsidiaries	-	-	**3,255,690**	2,372,014
Net cash flows used in investing activities	**(9,698,147)**	(5,367,328)	**(111,654)**	(347,833)

Mariner Finance p.l.c

Statement of cash flows

Year ended 31 December 2018

	Group		Holding Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Cash flow from financing activities				
Repayment of bank loans	**(304,603)**	(301,937)	**-**	-
Net cash flow used in financing activities	**(304,603)**	(301,937)	**-**	-
Net movements in cash and cash equivalents	**(2,538,531)**	339,968	**55,302**	(42,096)
Cash and cash equivalents at the beginning of the year	**3,701,373**	3,361,405	**383,381**	425,477
Cash and cash equivalents at the end of the year (note 27)	**1,162,841**	3,701,373	**438,682**	383,381

1 Company information and basis of preparation

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

The company acts as an investment and holding company, whilst the Group is engaged in the investment, development and operation of sea terminals, namely in Riga, Latvia as well as property development. As disclosed in note 24, it has issued bonds which are listed on the Malta Stock Exchange.

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

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

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

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

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

Acquisition of entities and businesses under common control

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

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

1 Company information and basis of preparation (continued)

Acquisition of entities and businesses under common control (continued)

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

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

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

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

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

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.

2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

Goodwill is measured as the excess of:

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

(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

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

Business combinations achieved in stages

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

Property, plant and equipment

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

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

2 Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

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

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

Properties in the course of construction

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

2 Significant accounting policies (continued)

Investment property

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

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

Depreciation

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

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

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

Intangible assets

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

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

2 Significant accounting policies (continued)

Intangible assets (continued)

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

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

(i) Computer Software

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

Investments in subsidiaries

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

Other financial instruments

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

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

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

2 Significant accounting policies (continued)

Other financial instruments (continued)

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

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

Financial assets

Comparative year

In the comparative year, the significant accounting policies for financial assets were as follows:

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.

Loan receivable

Loans receivable 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 receivable 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.

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.

Current year

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

2 Significant accounting policies (continued)

Classification and measurement

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

Financial assets at amortised cost

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

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

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

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

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

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

Financial liabilities and equity

Bank borrowings

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

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

Trade and other payables

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

2 Significant accounting policies (continued)

Other financial instruments (continued)

Financial liabilities and equity (continued)

Other borrowings

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

Shares issued by the company

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

Derivative financial investments

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

Inventories

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

Impairment of non-financial assets and investments in subsidiaries

All assets are tested for impairment except for, investment property measured at fair value and inventories. At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

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

2 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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.

2 Significant accounting policies (continued)

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

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

Impairment of financial assets other than investments in subsidiaries

Comparative year

In the comparative year, the significant accounting policy was as follows:

At the end of each reporting period, the carrying amount is reviewed to determine whether there is any objective evidence of impairment.

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.

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.

2 Significant accounting policies (continued)

Impairment of financial assets other than investments in subsidiaries (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.

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.

Current year

ECLs

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

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

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

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

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

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

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

2 Significant accounting policies (continued)

Significant increase in credit risk

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

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

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

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

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

Definition of deficit

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:
- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

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

2 Significant accounting policies (continued)

Credit-impaired financial assets

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

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

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECLs

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

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

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

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

2 Significant accounting policies (continued)

Collective basis

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

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

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

Revenue recognition

The Group recognises revenue from the following major sources:
- cargo handling
- storage of containers

Comparative year

In the comparative year, the significant accounting policies for the recognition of revenue were as follows:

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.

2 Significant accounting policies (continued)

Revenue recognition (continued)

Current year

In the current year, the significant accounting policies for the recognition of revenue are as follows:

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

Cargo handling

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

Storage of containers

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

2 Significant accounting policies (continued)

Revenue recognition (continued)

Interest income

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

Rent receivable

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

Dividend income

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

Borrowings costs

Borrowing costs include the costs incurred in obtaining external financing.

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

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.

2 Significant accounting policies (continued)

Leases (continued)

Leased assets are presented in the statement of financial position according to their nature and are tested for impairment in accordance with the company's accounting policy on impairment. Depreciable leased assets are depreciated in accordance with the company's accounting policy on 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.

Taxation

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

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

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

In accordance with International Accounting Standard No 12 "Income Taxes" requirements, in cases where income tax is payable at a higher or lower rate, depending on whether the profit is distributed, the current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia the applicable rate for undistributed profits is 0%. Therefore, in the financial statements the deferred tax assets and liabilities are reversed in 2017 financial statements.

2 Significant accounting policies (continued)

Taxation (continued)

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

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

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

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

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

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

Employee benefits

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

Currency translation

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

2 Significant accounting policies (continued)

Currency translation (continued)

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

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

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

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

Cash and cash equivalents

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

Dividends

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

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

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

Assessment for impairment of assets

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

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

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

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

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

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

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 (2017: 2%); and
- use of 8.95% (pre-tax) (2017: 8.86%) to discount the projected cash flows to net present values.

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

Useful life and revaluation of property, plant and equipment

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

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

The directors evaluate whether there have been significant changes in the fair values of property which is carried at revalued amounts. The directors consider that the fair value of the revalued property approximate the carrying amounts, and therefore, no significant adjustments to the carrying amounts of the property are necessary as of 31 December 2018.

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

Initial application of International Financial Reporting Standards

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

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018).
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

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

Initial application of International Financial Reporting Standards (continued)

IFRS 9 Financial Instruments

In the current year, the Group and the Company have applied IFRS 9 Financial instruments (as revised in 2014) and the related consequential amendments to other IFRSs, including IFRS 7 Financial Instruments: Disclosures. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement.

Based on the transitional provisions of the Standard, IFRS 9 has been applied retrospectively. The Group and the Company have elected not to restate their comparative information for any effects of IFRS 9 and such information continues to be reported under IAS 39. In terms of this approach, any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application is recognised in equity at the date of initial application, 1 January 2018. Additionally, the additional disclosures in IFRS 7 have not generally been applied to comparative information. Both the accounting policies under IAS 39 and the accounting policies under IFRS 9 are disclosed in the significant accounting policies.

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

IFRS 9 introduces new requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment for financial assets and c) general hedge accounting. IFRS 9 has not resulted in material changes to the Group's and the Company's financial position and financial performance, as further disclosed below. The application of IFRS 9 has had no impact on the cash flows of the Group and the Company.

Classification and measurement of financial liabilities

The table below illustrates the classification and measurement of financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

The Group

	Original measurement category under IAS 39	**New measurement category under IFRS 9**	**Original carrying amount under IAS 39 / New carrying amount under IFRS 9**
			€
Trade payables	Financial liabilities at amortised cost	Financial liabilities measured at amortised cost	311,140
Other loans	Financial liabilities at amortised cost	Financial liabilities measured at amortised cost	15,144
Derivative financial instrument	Financial liabilities held for trading	Financial liabilities measured at fair value through profit or loss	68,294
Bank loans	Financial liabilities at amortised cost	Financial liabilities measured at amortised cost	1,576,699
Debt securities in issue	Financial liabilities at amortised cost	Financial liabilities measured at amortised cost	34,521,799
Accruals	Financial liabilities at amortised cost	Financial liabilities measured at amortised cost	1,361,365

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

Initial application of International Financial Reporting Standards (continued)

IFRS 9 Financial Instruments (continued)

Company

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 / New carrying amount under IFRS 9
			€
Trade payables	Financial liabilities at amortised cost	Financial liabilities measured at amortised cost	26,432
Accruals	Financial liabilities at amortised cost	Financial liabilities measured at amortised cost	968,549
Debt securities in issue	Financial liabilities at amortised cost	Financial liabilities measured at amortised cost	34,521,799

Classification and measurement of financial assets and impairment losses

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

Group

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 / New carrying amount under IFRS 9
			€
Loans receivable	Loans and receivables	Financial assets measured at amortised cost	16,691,789
Trade receivables	Loans and receivables	Financial assets measured at amortised cost	2,761,475
Amounts owed by related parties	Loans and receivables	Financial assets measured at amortised cost	29,434
Cash at bank	Loans and receivables	Financial assets measured at amortised cost	3,701,373

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

Initial application of International Financial Reporting Standards (continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and impairment losses (continued)

Company

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 / New carrying amount under IFRS 9
			€
Loans receivable	Loans and receivables	Financial assets measured at amortised cost	46,934,402
Accrued income	Loans and receivables	Financial assets measured at amortised cost	561,321
Cash at bank	Loans and receivables	Financial assets measured at amortised cost	383,381

Financial assets measured at amortised cost

Financial assets that were previously classified as loans and receivables are classified in terms of IFRS 9 as financial assets measured at amortised cost if they meet the conditions for such classification.

In accordance with the transitional provisions of IFRS 9, the Group and the Company assessed the business model in which the financial assets are held on the basis of the facts and circumstances at 1 January 2018 and the resulting classification is being applied retrospectively irrespective of the Company's business model in prior reporting periods. Accordingly, there was no change in the carrying amount of these instruments at 1 January 2018 as a result of the new classification in terms of IFRS 9.

In terms of IFRS 9, the Group and the Company apply an ECL model as opposed to an incurred credit loss model under IAS 39.

In accordance with the transitional provisions of IFRS 9, for loans receivable and amounts owed by related parties, the Group and the Company used reasonable and supportable information that was available without undue cost or effort to determine the credit risk of these financial assets at the date these were initially recognised and compared that to the credit risk at 1 January 2018, taking into consideration the low credit risk exemption and the 30 days past due rebuttable presumption. In respect of trade receivables which do not contain a significant financing component, the Group and the Company apply a simplified model and recognise lifetime ECLs on the basis of a specific assessment for their individually significant balances and a collective assessment for the remaining balances. Where possible, the low credit risk exemption is applied for the Group's and the Company's cash at bank.

There was no change to the loss allowance at 1 January 2018 as a result of the new impairment model in terms of IFRS 9.

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

Initial application of International Financial Reporting Standards (continued)

IFRS 15 Revenue from Contracts with Customers

In the current year, the Group and the Company have applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016 by Clarifications to IFRS 15). IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. IFRS 15 supersedes revenue-related Standards and Interpretations.

The Company does not have revenues from contracts with customers and accordingly the remainder of this note addresses the application of IFRS 15 to the Group.

Based on the modified approach in the transitional provisions of the Standard, the Group has applied IFRS 15 retrospectively. In terms of this approach, the cumulative effect, if any, of initially applying the Standard is recognised in equity at the date of initial application, being 1 January 2018. Accordingly, the comparative information has not been restated. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information. Both the accounting policies under IAS 18 and IAS 11 and the accounting policies under IFRS 15 are disclosed in the significant accounting policies. Under this transition method, the Group has elected to apply this Standard retrospectively only to contracts that are not completed contracts at the date of initial application.

Apart from providing more extensive disclosures on the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position, financial performance and cash flows of the Group as the amount and timing of the recognition of revenue from the cargo handling and the storage of containers under IFRS 15 corresponds to that applied in terms of IAS 18.

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

International Financial Reporting Standard in issue but not net effective

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Group in the period of initial application except as disclosed below.

IFRS 16 will change how the Group's accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet as disclosed in note 28.

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

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

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

As at 31 December 2018, the Group has non-cancellable operating lease commitments of € 4,629,626 (2017: € 4,792,690) (note 28).

A preliminary assessment indicates that these arrangements relate to other than short term leases and leases of low value assets, and hence the Group will recognize a right-of-use of asset of net value and a corresponding lease liability of € 2,630,301 in respect of all these leases. The impact on profit and loss in 2019 will be a decrease in operating expenses by € 163,064, to an increase in depreciation by € 93,812 and an increase in interest expense by € 114,672.

IAS 1 & IAS 8 Amendment - The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. These amendments are effective as from 1 January 2020 and as at the date of approval of these financial statements, these changes had no yet been adopted by the European Union.

The directors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of 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.

The group has in total two customers whose respective revenue generation exceeds 10% of the total Group's revenue. These two customers' represent 33% and 25% (2017 - 28% and 25%) of the cargo handling business.

Measurement of operating segment profit or loss, assets and liabilities

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

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

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

Profit before tax	**2018**	2017
	€	€
Total profit for reportable segments	**7,462,129**	7,995,814
Unallocated amounts:		
Bond interest expense	**(1,855,000)**	(1,855,000)
Other unallocated amounts	**(109,185)**	(178,008)
	5,497,944	5,962,806

Assets	**2018**	2017
	€	€
Total assets for reportable segments	**56,305,541**	53,530,053
Unallocated amounts:		
Goodwill	**13,184,904**	13,184,904
Trade and other receivables	**13,147**	42,581
Loans and receivables	**13,276,930**	9,908,712
Cash and cash equivalents	**442,968**	422,052
	83,223,490	77,088,302

5 Segment information (continued)

Liabilities	**2018**	2017
	€	€
Total liabilities for reportable segments	**3,456,331**	2,833,668
Unallocated amounts		
Debt Securities in issue	**34,583,213**	34,521,799
Trade and other payables	**1,005,574**	1,031,866
	39,045,118	38,387,333

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

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

5 Segment information (continued)

	Cargo handling and storage of containers 2017 €	Property rental 2017 €	Unallocated 2017 €	Total 2017 €
Continuing operations				
Revenue	16,837,797	-	-	16,837,797
Other operating income	181,718	377,471	-	559,189
Operating income	17,019,515	377,471	-	17,396,986
Interest income	301,924	106,332	17,443	425,699
Interest expense	508,056	-	1,900,791	2,408,847
Profit/(loss) before tax	8,203,045	276,926	(2,517,165)	5,962,806
Depreciation and amortisation	1,512,893	208	-	1,513,101
Segment assets	45,292,787	8,237,266	23,558,249	77,088,302
Capital expenditure	494,657	-	-	494,657
Segment liabilities	2,722,969	110,699	35,553,665	38,387,333
Income tax expense	280,400	(444,095)	33,306	(130,389)

6 Revenue

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

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	€	€
Cargo handling and storage of containers	**16,474,614**	16,837,797	-	-

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

7 Other operating income

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	€	€
Rental and related income	**530,874**	466,730	-	-
Other operating income	**25,244**	92,459	-	-
	556,118	559,189	-	-

8 Investment income

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Interest income on bank deposits	**20,861**	16,900	**416**	407
Interest income on related party loans (note i)	**340,640**	195,108	**2,086,083**	2,299,280
Total interest income on financial assets not classified at fair value through profit and loss	**361,501**	212,008	**2,086,499**	2,299,687
Fair value change on derivatives	**68,294**	204,251	**-**	-
Liquidation proceeds from investments	**874**	2,036	**874**	2,036
Increase in fair value of investment property	**-**	7,404	**-**	-
	430,669	425,699	**2,087,373**	2,301,723

(i) The Group's interest income includes the unwinding of the interest-free element on the initial measurement of certain related party loans.

9 Finance costs

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Interest on bank loans	**42,384**	65,383	**-**	-
Interest on debt securities in issue	**1,855,000**	1,855,000	**1,855,000**	1,855,000
Other finance costs	**9,964**	275,064	**(15,474)**	45,791
Interest on swap agreements	**68,116**	213,400	**-**	-
	1,975,464	2,408,847	**1,839,526**	1,900,791

10 Profit before tax

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
This is stated after charging				
Depreciation and amortisation	**1,481,501**	1,513,101	**-**	-
Foreign exchange losses/(gains)	**610**	275,064	**(15,474)**	45,791
Utilities, maintenance, transport and other operating costs	**1,536,908**	1,181,611	**-**	-
Fuel, lubricants, spare parts and other materials	**1,057,639**	942,896	**-**	-
	4,076,658	3,912,672	**(15,474)**	45,791

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

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Total remuneration payable to the parent company's auditors for the audit of the financial statements	**17,850**	17,850	**3,000**	3,000
Total fees payable to other auditors	**41,450**	32,500	**-**	-
Total fees payable to the parent company's auditors for non-audit services other than other assurance services and tax advisory services - other than assurance and tax advisory	**-**	1,950	**-**	1,950
	59,300	52,300	**3,000**	4,950

11 Key management personnel compensation

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Directors' compensation				
Short-term benefits:				
Fees	**15,000**	13,493	**15,000**	13,493
Management remuneration	**44,400**	44,400	**-**	-
Other key management **personnel:**				
Short-term benefits:				
Management remuneration	**526,096**	575,283	**-**	-
	585,496	633,176	**15,000**	13,493

12 Staff costs and employee information

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Staff costs:				
Wages and salaries	**3,128,274**	2,984,847	**-**	-
Social security costs	**743,854**	696,749	**-**	-
	3,872,128	3,681,596	**-**	-

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

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Operations	**174**	174	**-**	-
Administration	**11**	11	**-**	-
	185	185	**-**	-

13 Income tax expense

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Current tax expense	**20,541**	353,046	**17,273**	33,206
Deferred tax (credit)/expense (note 23)	**-**	(483,435)	**-**	-
	20,541	(130,389)	**17,273**	33,206

Income tax recognised in other comprehensive income is as follows:

	Group 2018	Group 2017	Holding company 2018	Holding company 2017
Deferred tax				
Arising on gains and losses recognised in other comprehensive income:				
Property revaluations	**-**	**2,227,285**	**-**	-

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

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Profit before tax	**5,497,944**	5,962,806	**101,292**	261,805
Tax at the applicable rate of 35%	**1,924,280**	2,086,982	**35,452**	91,632
Tax effect of:				
Disallowed expenditure	**109,300**	89,450	**45,820**	-
Tax deductions	**-**	(869,341)	**-**	64,721
Income subject to lower tax rates	**(63,693)**	(122,434)	**(63,693)**	(122,434)
Different tax rates of subsidiaries operating in other jurisdictons	**-**	(830,908)	**-**	-
Reversal of deferred tax	**-**	(483,425)	**-**	-
Income not subject to tax	**(1,949,346)**	(713)	**(306)**	(713)
Income tax expense for the year	**20,541**	(130,389)	**17,273**	33,206

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

14 Property, plant and equipment

Group

	Land and buildings	Plant and equipment	Furniture fittings and equipment	Fixed assets under construction	Total
	€	€	€	€	€
Cost or valuation					
At 01.01.2017	32,749,033	15,216,519	1,105,484	662,370	49,733,406
Additions	-	97,207	154,934	203,990	456,131
Disposals	(72,601)	(156,347)	(52,449)	(3,483)	(284,880)
Reclassification	553,125	23,329	-	(576,454)	-
At 01.01.2018	33,229,557	15,180,708	1,207,969	286,423	49,904,657
Additions	4,831	438,220	33,575	3,600,133	4,076,759
Disposals	(6,902)	(5,323)	(18,398)	-	(30,623)
Reclassification	53,329	219,039	-	(272,368)	-
At 31.12.2018	33,280,815	15,832,644	1,223,146	3,614,188	53,950,793
Accumulated depreciation					
At 01.01.2017	4,546,182	8,889,690	727,574	-	14,163,446
Provision for the year	697,857	634,796	116,601	-	1,449,254
Eliminated on disposal	(5,997)	(96,126)	(52,425)	-	(154,548)
At 31.12.2017	5,238,042	9,428,360	791,750	-	15,458,152
Provision for the year	710,710	595,613	109,415	-	1,415,738
Eliminated on disposal	(6,557)	(444)	(17,185)	-	(24,186)
At 31.12.2018	5,942,195	10,023,529	883,980	-	16,849,704
Carrying amount					
At 31.12.2017	27,991,515	5,752,348	416,219	286,423	34,446,505
At 31.12.2018	**27,338,620**	**5,809,115**	**339,166**	**3,614,188**	**37,101,089**

The fair value of the land and buildings has been arrived at on the basis of a valuation carried out by an independent professionally qualified valuer at the end of 2015 on the basis of depreciated replacement cost method. The estimate involves determining the cost of constructing equivalent asset providing the same functionality and deducting an allowance for depreciation, based on age, physical, functional and economic obsolescence of immovable property of the group and is stated gross of any tax liability that would arise had the property to be remeasured to fair value.

The Group's management evaluated whether there have been significant changes in the fair values of land and buildings, which is carried at revalued amounts as of 31 December 2018. The evaluation was done by using independent certified expert's valuation who issued their report on 6 March 2019. The independent valuator used income approach. Based on the analysis the management concluded that the fair value of the revalued land and buildings approximates the carrying amounts, and, therefore, no significant adjustments to the carrying amounts of the land and buildings are necessary as of 31 December 2018.

In estimating the fair value of the properties, the highest and best use of the property is its current use. The fair value measurement of the group's land and buildings is classified as Level 3 (2017 - Level 3) at the end of the reporting period.

14 Property, plant and equipment (continued)

Comparative year

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

Current year

Significant unobservable inputs used in estimating the group's Level 3 fair value measurements of property (i.e. office complex/warehouse buildings and container storage) relate to estimated average market rent rates for similar properties, ranging from €0.5 to €5 per square metre, whilst for container storage a rate of €15 per container per month was assumed, which date was obtained from various sources and data analysis. The estimated cash flows were discounted at the rate of 10.12%. The higher the rate per square metre, the higher the fair value, whilst the higher the discount rate, the lower the fair value.

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

The carrying amount of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation and accumulated impairment losses is € 24,872,483 (2017: € 24,993,235).

15 Intangible assets

Group

	Computer Software
	€
Cost	
At 01.01.2017	895,215
Additions	38,526
Disposals	(2,684)
At 01.01.2018	931,057
Additions	32,719
At 31.12.2018	963,776
Accumulated Depreciation	
At 01.01.2017	157,371
Provision for the year	63,847
Disposals	(2,684)
At 01.01.2018	218,534
Provision for the year	65,762
At 31.12.2018	284,296
Carrying amount	
At 31.12.2017	712,523
At 31.12.2018	**679,480**

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

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

The group holds software with a carrying amount of € 560,543 and will be fully amortised in 17 years.

16 Investment property

Group

	€
Fair value	
At 01.01.2017	5,107,596
Fair value movement	7,404
At 01.01.2018	5,115,000
Fair value movement	-
At 31.12.2018	**5,115,000**
Carrying amount	
At 31.12.2017	5,115,000
At 31.12.2018	**5,115,000**

The fair value of investment properties has been arrived at on the basis of recent valuations carried out by independent professionally qualified valuators on the basis set out below. In estimating the fair values of properties, the highest and best use of the properties was used. The fair value of the group's investment property has been arrived at using Level 3 (2017 - Level 3) inputs as defined in IFRS.

The expenses incurred in operating the investment property amounted to € 96,036 (2017 - € 88,231).

Investment property carried at € 5,033,000

The investment property represents a building in Riga, Latvia. The fair value has been determined based on independent certified expert's valuation dated 16 December 2017. The fair value has been determined based on the income approach assuming utilisation rates from 90% till 95% (2017 - 90% to 95%) discount rate of 5.62% (2017 - 5.62%) for the forecasted period and a capitalisation rate of 5.80% (2017 - 5.80%). The higher the discounting rate, the lower the fair value. The higher the utilisation rate, the higher the fair value.

Investment property carried at € 82,000

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

The cadastral value of investment property as of 31 December 2018 is € 2,102,691 (2017: € 2,303,875).

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

16 Investment property (continued)

Operating leases - as Lessor

Operating leases related to investment property owned by the company with lease terms of between 5-10 years. The rental income earned under operating leases amounted to € 285,615 (2017 – € 287,922).

17 Financial assets

Investments in subsidiaries

Holding company

These are stated at cost and comprise:

	Investment in subsidiaries €
Carrying amount	
At 31.12.2017	2,800
At 31.12.2018	**2,800**

The company's proportion of ownership interest in subsidiaries at 31 December 2018 and their principal activities are as follows:

	Proportion of ownership interest %	Principal activities
Mariner Baltic Holdings SIA	100 (2017 - 100%)	Holding/property rental company
Mariner Finance Baltic SIA (indirectly through Mariner Baltic Holdings SIA)	100 (2017 - 100%)	Holding company
Baltic Container Terminals SIA (indirectly through Mariner Baltic Holdings SIA)	100 (2017 - 100%)	Maritime operations
Equinor Riga SIA (indirectly through Mariner Baltic Holdings SIA) (Note i)	n/a (2017 - 100%)	Property rental company

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

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 - 32, Uriekstes iela, Riga, LV-1005, Latvia

These represent the non-consolidated results of the following:

	2018 €	2017 €
Capital and reserves:		
Mariner Baltic Holdings SIA	43,831,164	35,037,302
Profit or loss:		
Mariner Baltic Holdings SIA	6,090,546	7,592,232

17 Financial assets (continued)

Loans receivable

	Group			Holding Company		
	Loan to parent	Related party loans	Total	Loan to parent	Loan to subsidiaries and related party	Total
	€	€	€	€	€	€
Amortised cost						
At 31.12.2017	**16,188,456**	**503,333**	**16,691,789**	**9,408,712**	**37,525,690**	**46,934,402**
Less: Amount expected to be settled within 12 months (shown under current assets)	-	(500,000)	(500,000)	-	(2,750,601)	(2,750,601)
Amount expected to be settled after 12 months	16,188,456	3,333	16,191,789	9,408,712	34,775,089	44,183,801
Amortised cost						
At 31.12.2018	**22,464,271**	-	**22,464,271**	**13,276,930**	**33,770,000**	**47,046,930**
Less: Amount expected to be settled within 12 months (shown under current assets)	-	-	-	-	-	-
Amount expected to be settled after 12 months	22,464,271	-	22,464,271	13,276,930	33,770,000	47,046,930

	Group			Holding company		
	Loan to parent	Related party loans	Total	Loan to parent	Subsidaries and related party loans	Total
	€	€	€	€	€	€
Amortised cost						
At 01.01.2017	**11,036,465**	**503,333**	**11,539,798**	**6,686,829**	**39,897,703**	**46,584,532**
Advances	5,151,991	-	5,151,991	2,721,883	-	2,721,883
Repayments	-	-	-	-	(2,372,013)	(2,372,013)
At 01.01.2018	**16,188,456**	**503,333**	**16,691,789**	**9,408,712**	**37,525,690**	**46,934,402**
Advances	6,275,815	-	6,275,815	3,868,218	-	3,868,218
Repayments	-	(503,333)	(503,333)	-	(3,755,690)	(3,755,690)
At 31.12.2018	**22,464,271**	-	**22,464,271**	**13,276,930**	**33,770,000**	**47,046,930**

17 Financial assets (continued)

Loans receivable (continued)

Loan to subsidiaries and related party

Holding company:

The amounts owed by subsidiaries as at December 2017 of € 3,255,690 bearing interest at the rate of 5% per annum and repayable by end of December 2020, was repaid in full during 2018. The remaining loan due by subsidiary of € 33,770,000 (2017 – € 33,770,000) bears interest at the rate of 6% and is repayable by June 2024.

Group and holding company:

Loan to parent

Holding company:

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

Group:

In addition to the amounts owed by the parent as described above, the group had loans for the nominal amounts of € 1,700,000, € 2,250,000 and € 1,600,000 which are repayable by January 2020, June 2022 and July 2021 respectively. All of these loans are unsecured and bear interest at the rate of 3.5% per annum.

Starting from 1 January 2018 both other loans which were issued in previous years will have interest rates of 3.5% per annum. According to changes in the agreements, the loans should be repaid by 31 July 2021.

The remaining loan of € 3,015,909 (2017 - € 3,015,909) is interest free and is not expected to be repaid within 12 months from the end of the reporting period.

As a result of the merger described further above, Mariner Baltic Holdings SIA had both an amount receivable and amount payable with the parent, Mariner Capital Limited. Consequently, Mariner Baltic Holdings SIA entered into a set-off agreement with the parent to set-off a balance of € 2,704,930.

18 Inventories

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Spare parts	**310,635**	300,517	-	-
Raw materials	**47,656**	51,822	-	-
Fuel	**11,932**	12,774	-	-
Other	**10,703**	6,197	-	-
	380,926	371,310	-	-

19 Trade and other receivables

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Trade and other receivables	**3,083,030**	2,761,475	**-**	-
Amounts owed by related parties	**-**	29,434	**-**	-
Accrued income	**-**	-	**517,807**	561,321
Prepayments	**51,949**	73,989	**13,147**	13,147
	3,134,979	2,864,898	**530,954**	574,468

Trade and other receivables and amounts owed by related parties are unsecured, interest free and repayable on demand.

The accrued income represents the interest accrued as at year-end on the loans and receivables, described in note 17.

20 Trade and other payables

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Trade payables	**916,580**	311,140	**9,603**	26,432
Other payables	**220,672**	344,946	**-**	-
Accrued interest	**939,266**	932,919	**939,266**	932,919
Other accruals	**822,850**	428,446	**40,928**	35,630
	2,899,368	2,017,451	**989,797**	994,981

No interest is charged on trade and other payables.

21 Bank loans

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Bank loans	**1,272,096**	1,576,699	**-**	-
Less: amount due for settlement within 12 months (shown under current liabilities)	**(309,270)**	(1,576,699)	**-**	-
Amount due for settlement after 12 months	**962,826**	-	**-**	-

The bank loans are repayable as follows:

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
On demand or within one year	**309,270**	1,576,699	**-**	-
In the second year	**306,937**	-	**-**	-
In the third year	**306,937**	-	**-**	-
Forth year onwards	**348,952**	-	**-**	-
	1,272,096	1,576,699	**-**	-

21 Bank loans (continued)

Applicable interest rate consists of fixed rate 2.7% per annum plus 3 month EURIBOR. Commitment fee of the loan amount which has not been distributed is 1% p.a. The maturity of the loan is 30 April 2023. For accrued interest expenses see note 20.

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

The total limit of credit line is € 6,000,000 and limit for overdraft and guarantee is also € 6,000,000. Interest on the credit line and overdraft is 2.5% p.a. plus twenty-four hour EONIA rate and 2.5% p.a. plus 3 month EURIBOR respectively. For the period from 3 September 2018 until 3 March 2019 the interest rate on the overdraft is 1.75% p.a. plus 3 month EURIBOR. Arrangement fee from the issued amount is 0.25% from the loan amount. The maturity of credit line, overdraft and guarantee facility is 31 August 2019 and 31 July 2019 respectively. As of 31 December 2018 the overdraft in the amount of € 2,334 was used.

In the reporting year, a subsidiary has signed a new loan agreement with the bank for the amount of € 6,000,000. Interest for the loan is 1.75% p.a. plus 3 month EURIBOR, commitment fee 0.5% from the undistributed loan amount, arrangement fee 0.2 % from the loan amount. Repayment date of respective loan is 3 September 2023. As of 31 December 2018 and signing these financial statements the loan has not yet been drawn down.

During the year, a bank guarantee was obtained in favour of a supplier to ensure receipt of residual payments in accordance with service agreement concluded during the year in the amount of € 130,313 with maturity term 29 April 2019.

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

22 Other financial liabilities

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Other loans	**72,525**	15,144	-	-
Deferred income	**38,779**	49,859	-	-
Fair value of derivative financial instrument	-	68,294	-	-
	111,304	133,297	-	-

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Amount due for settlement within 12 months (shown under current liabilities)	**(57,381)**	(68,294)	-	-
Amount due for settlement after 12 months	**53,923**	65,003	-	-

In 2014, 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 was € 8,625,000. The Group was swapping fixed rates ranging between 0.77% - 0.775% per annum against 3 month EURIBOR. The swaps matured on 15 May 2018. At the end of reporting period the total fair value of derivative's amount to nil (2017: € 68,294).

23 Deferred taxation

Group

	Opening balance €	Other comprehensive income €	Recognised in profit or loss €	Closing balance €
2017				
Arising on:				
Accelerated depreciation	490,145	-	(490,145)	-
Revaluation of property, plant and equipment	2,227,285	(2,227,285)	-	-
Provision for bad debts	(411)	-	411	-
Accruals for expected vacation expenses	(6,253)	-	6,253	-
	2,710,766	(2,227,285)	(483,481)	-

Taxation in Latvia

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

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

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

At 31 December 2018 the company had unused tax credits in SIA Baltic Container Terminal of € 2,966,989 (2017 – € 2,966,989). The expiry date of the unutilised tax credit is 2035 as per currently enacted Latvian law on Corporate income tax.

The aggregate amount of temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognised amounts to € 30,297,088 (2017 - €25,127,413).

24 Debt securities in issue

	Group and Holding company	
	2018	2017
	€	€
Non-current		
5.3% bonds redeemable 2024	**34,583,213**	34,521,799

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

	2018	2017
Face value of bonds	**35,000,000**	35,000,000
Issue costs	**656,198**	656,198
Accumulated amortisation	**(239,411)**	(177,997)
Net book amount	**416,787**	478,201
Amortised cost	**34,583,213**	34,521,799

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

The quoted market price as at 31 December 2018 for the 5.3% Bonds 2024 was € 109.64. (2017: € 107.49) The weighted average effective interest rate at the end of the reporting period was 5.36% (2017: 5.38%).

The market value of debt securities on the last trading day before the statement of financial position date was € 38,374,000 (2017: € 37,621,500).

25 Share capital

	2018 and 2017	
	Authorised	Issued and called up
	€	€
50,000 ordinary shares of € 10 each, all of which have been issued and called up	**500,000**	500,000

26 Reserves

Other equity

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

Revaluation reserve

This represents the revaluation uplift on the group's land and buildings. The increase in the revaluation reserve in 2017 resulted from the reversal of the deferred tax liability as described in note 23. This revaluation reserve is not distributable.

Other reserves

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

27 Cash and cash equivalents

	Group		Holding company	
	2018	2017	**2018**	2017
	€	€	€	€
Cash at bank	**1,162,841**	3,701,373	**438,682**	383,381

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

28 Operating leases - the group as lessee

The group has a land lease and piers agreement with the Riga Freeport Authority which is valid until 22 March 2047. The annual rent charge is € 92,272 (2017: € 92,272) and € 70,792 (2017: € 70,792). At the end of the reporting period, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2018	2017
	€	€
Within 1 year	**163,064**	163,064
2 to 5 year	**652,056**	652,256
More than 5 years	**3,814,306**	3,977,370
	4,629,426	4,792,690

29 Related party disclosures

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

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

The directors consider the ultimate controlling party to be Marin Hili who indirectly owns 60% (2017: 60%) of Mariner Finance p.l.c.

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

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

29 Related party disclosures (continued)

Group

	2018			2017		
	Related party activity €	**Total activity €**	**%**	**Related party activity €**	**Total activity €**	**%**
Administration expenses						
Related party transactions with:						
Parent	**762,268**	**2,136,747**	**36**	718,612	2,187,910	33
Investment income						
Related party transactions with:						
Other related parties	**340,640**	**430,669**	**79**	96,180	425,699	23

Holding Company

	2018			2017		
	Related party activity €	**Total activity €**	**%**	**Related party activity €**	**Total activity €**	**%**
Investment income						
Related party transactions with:						
Subsidiaries	**2,080,001**			2,284,280		
Other related parties	**6,082**			15,000		
	2,086,083	**2,087,373**	**99**	2,299,280	2,301,723	99

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

29 Related party disclosures (continued)

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

The terms and conditions of amounts owed by/to parent and related parties are disclosed in note 17, 19 and 26. These amounts are unsecured and no guarantees were given/received. The terms and conditions in respect of these amounts do not specify the nature of the consideration to be provided in settlement.

As at 31 December 2018 and 31 December 2017, the group, through one of its subsidiaries, had issued a guarantee in favour of a related party for a bank loan amounting to € 2,500,000.

30 Fair value of financial assets and financial liabilities

At 31 December 2018 and 31 December 2017 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated the fair values due to the short-term maturities of these assets and liabilities. The fair values of non-current financial assets that are not measured at fair value, other than investments in subsidiaries, are not materially different from their carrying amounts due to their current rates of interest. The fair values of financial assets and financial liabilities included in level 2 and level 3 categories below, other than debt securities and derivates, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significance inputs being the discount rate that reflects a market interest rate plus the credit risk of counter parties. The fair value of debt securities is disclosed in note 24. The fair value of derivatives is disclosed in note 22.

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.

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:			
	Level 1	**Level 2**	**Level 3**	**Total**
	€	**€**	**€**	**€**
2018				
Financial liabilities				
At fair value through profit and loss				
Derivative financial instruments	-	-	-	-
2017				
Financial liabilities				
At fair value throught profit and loss				
Derivative financial instruments	-	**68,294**	-	**68,294**

30 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:				
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**
	€	**€**	**€**	**€**	**€**
2018					
Financial assets					
Loans and receivables					
Loans to parent	-	-	**22,464,271**	**22,464,271**	**22,464,271**
	-	-	**22,464,271**	**22,464,271**	**22,464,271**
Financial liabilities					
Financial liabilities at amortised cost					
Debt securities	**38,374,000**	-	-	**38,374,000**	**34,583,213**
Bank loans	-	**1,272,096**	-	**1,272,096**	**1,272,096**
	38,374,000	**1,272,096**	-	**39,646,096**	**35,855,309**
2017					
Financial assets					
Loans and receivables					
Loans to parent	-	-	16,188,456	16,188,456	16,188,456
Loans to other related parties	-	-	503,333	503,333	503,333
	-	-	16,691,789	16,691,789	16,691,789
Financial liabilities					
Financial liabilities at amortised cost					
Debt securities	37,621,500	-	-	37,621,500	34,521,799
Bank loans	-	1,576,699	-	1,576,699	1,576,699
	37,621,500	1,576,699	-	39,198,199	36,098,498

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

Holding company

	Fair value measurement at end of the reporting period using:				
	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**
	€	**€**	**€**	**€**	**€**
2018					
Financial assets					
Loans and receivables					
- receivables from					
parent company	-	-	**13,276,930**	**13,276,930**	**13,276,930**
subsidiaries	-	-	**33,770,000**	**33,770,000**	**33,770,000**
Total	-	-	**47,046,930**	**47,046,930**	**47,046,930**
Financial liabilities at amortised cost					
- Debt securities	**38,374,000**	-	-	**38,374,000**	**34,583,213**
Total	**38,374,000**	-	-	**38,374,000**	**34,583,213**

	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**
	€	**€**	**€**	**€**	**€**
2017					
Financial assets					
Loans and receivables					
- receivables from					
parent company	-	-	9,408,712	9,408,712	9,408,712
subsidiaries	-	-	37,557,577	37,557,577	37,557,577
related parties	-	-	500,000	500,000	500,000
Total	-	-	47,466,289	47,466,289	47,466,289
Financial liabilities at amortised cost					
- Debt securities	37,621,500	-	-	37,621,500	34,521,799
Total	37,621,500	-	-	37,621,500	34,521,799

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

31 Financial risk management

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

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

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

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

Credit risk

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

These financial assets are presented net of an allowance for doubtful debts up to 31 December 2017. 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. In terms of IFRS 9, the Group and the Company apply an ECL model as apposed to an incurred loss model. Credit risk with respect to trade receivables is limited due to credit control procedures and the large number of customers comprising the company's debtor base. Credit risk in relation to the loans and receivables due from related parties is also limited given the cash flows generated by the underlying subsidiary.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained. The Group's maximum exposure also includes the financial guarantee issued in favour of a related party for a bank loan with a carrying amount as at 31 December 2018 of € 1,600,000 (2017: € 2,000,000).

31 Financial risk management (continued)

Credit risk (continued)

Included in the group's trade receivables balance are the following debtors which are past due at the end of the reporting period for which the group has not provided as the amounts are still considered recoverable:

	Group		Holding	
	2018	2017	**2018**	2017
	€	€	**€**	€
Past due but not impaired				
Less than 45 days overdue	**994,899**	776,698	-	-
45 to 90 days overdue	**39,086**	11,549	-	-
Over 90 days overdue	**20,640**	12,762	-	-
Total past due but not impaired	**1,054,625**	801,009	-	-

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

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

	Group 12m ECL	Company 12m ECL
	€	€
Bank balances		
External rating grades		
AA- to BBB	**799,998**	**85,505**
Unrated	**362,843**	**353,178**
Gross/net carrying amount at 31 December 2018	**1,162,841**	**438,682**

Cash at bank is placed with reliable financial institutions. The credit rating of the major financial institutions, representing 69% (2017 – 91%) of the total cash at bank at the end of the reporting period using Fitch credit rating symbols was AA- to BBB (2017 – AA- to BBB). The remaining cash and at bank balance is held with financial institutions which are unrated.

	Group 12m ECL	Company 12m ECL
	€	€
Loans to related parties		
Internal rating grades		
Performing (i)	**22,464,271**	**47,046,930**
Gross/net carrying amount at 31 December 2018	**22,464,271**	**47,046,930**

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

31 Financial risk management (continued)

Credit risk (continued)

	Group			
	12m ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impared but not POCI)	Total
	€	€	€	€
Financial guarantee contracts				
Internal rating grades				
Performing (i)	**1,600,000**	-	-	**1,600,000**
Maximum exposure at 31 December 2018	**1,600,000**	-	-	**1,600,000**

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

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

53% (2017: 53%) of the Group's trade receivables as at year-end arises from two customers operating in the shipping industry.

31 Financial risk management (continued)

Credit risk (continued)

Provision matrix

The table below details the risk profile of trade receivables based on the Group's provision matrix.

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

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

	Lifetime ECL (not credit-impaired)		Lifetime ECL (credit-impaired but not POCI)	
	Trade receivables no SFC (Collective)	Trade receivables no SFC (Individual)	Trade receivables no SFC (Collective)	Trade receivables no SFC (Individual)
	€	€	€	€
Gross carrying amount at 31 December 2018	1,484,161	1,598,869	15,382	-
Lifetime ECL at 31 December 2017 under IAS 39 / Balance at 1 January 2018 under IFRS 9 / Balance at 31 December 2018	-	-	15,382	-

31 Financial risk management (continued)

Currency risk

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

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

Foreign currency risk

	USD and USD pegged currencies	
	2018	2017
Trade and other receivables	679,124	948,740
Balance sheet exposure	679,124	948,740

Interest rate risk

The company and group has taken out bank, debt securities and other facilities to finance its operations as disclosed in notes 21, 22 and 24. The interest rates thereon and the terms of such borrowings are disclosed accordingly. The interest rates on loans receivable and cash are disclosed in notes 17 and 27.

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

Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by adjusting its selling prices or by restructuring its financing structure. The group uses interest rate swaps to hedge its exposure arising from interest rates on certain financial instruments, as described in note 22.

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.

31 Financial risk management (continued)

Liquidity risk

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

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

Group

	On demand or within 1 year	2 years	3 years	4 years	5 years and over	Total
	€	€	€	€	€	€
2018						
Non-derivative financial liabilities						
Non-interest bearing	**2,899,368**	-	-	-	-	**2,899,368**
Fixed rate instruments	**1,855,000**	**1,855,000**	**1,855,000**	**1,855,000**	**37,782,500**	**45,202,500**
Variable rate instruments	**338,537**	**330,146**	**321,700**	**313,365**	**42,306**	**1,346,053**
	5,092,905	**2,185,146**	**2,176,700**	**2,168,365**	**37,824,806**	**49,447,921**
2017						
Non-derivative financial liabilities						
Non-interest bearing	2,017,451	-	-	-	-	2,017,451
Fixed rate instruments	1,855,000	1,855,000	1,855,000	1,855,000	39,637,500	47,057,500
Variable rate instruments	1,608,838	-	-	-	-	1,608,838
	5,481,289	1,855,000	1,855,000	1,855,000	39,637,500	50,683,789

Further to the above, the interest rate swaps matured in 2018 as further disclosed in note 22.

Undrawn facilities are described in note 21.

31 Financial risk management (continued)

Liquidity risk (continued)

Holding company

	On demand or within 1 year €	2 years €	3 years €	4 years €	5 years and over €	Total €
2018						
Non-derivative financial liabilities						
Non-interest bearing	989,797	-	-	-	-	989,797
Fixed rate instruments	1,855,000	1,855,000	1,855,000	1,855,000	37,782,500	45,202,500
	2,844,797	1,855,000	1,855,000	1,855,000	37,782,500	46,192,297
2017						
Non-derivative financial liabilities						
Non-interest bearing	994,981	-	-	-	-	994,981
Fixed rate instruments	1,855,000	1,855,000	1,855,000	1,855,000	39,637,500	47,057,500
	2,849,981	1,855,000	1,855,000	1,855,000	39,637,500	48,052,481

Reconciliation of liabilities arising from financing activities

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

Capital risk management

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

The capital structure of the company consists of bank loans, other financial liabilities and debt securities included in notes 21, 22 and 24 respectively, and items presented within equity net of cash at bank balances.

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

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

The Company has future payment commitments for capital expenditure contracted for at the end of the reporting year, but not yet incurred in the amount of € 3,951,356 .

32 Capital Commitments

The Group, through one of its subsidiaries, has future payment commitments for capital expenditure contracted for at the end of the reporting year, but not yet incurred in the amount of € 3,951,356.

33 Post balance sheet events

Subsequently to the end of the reporting period, Mariner Baltic Holdings SIA was merged into Mariner Finance p.l.c.

Deloitte.

Deloitte Audit Limited
Deloitte Place
Mriehel Bypass
Mriehel BKR 3000
Malta

Tel: +356 2343 2000, 2134 5000
Fax: +356 2133 2606
info@deloitte.com.mt
www.deloitte.com/mt

Company Ref No: C51312
VAT Reg No: MT2013 6121
Exemption number: EXO2155

Independent auditor's report

to the members of
Mariner Finance plc

Report *on the audit of the financial statements*

Opinion

We have audited the individual financial statements of Mariner Finance plc (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group), set out on pages 11 to 76, which comprise the Statements of Financial Position of the Company and the Group as at 31 December 2018, and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Company and the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and of the Company's and the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. The key audit matters described below pertain to the audit of the consolidated financial statements. There were no key audit matters identified in relation to the audit of the individual financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte Malta refers to a civil partnership, constituted between limited liability companies, and its affiliated operating entities: Deloitte Services Limited, Deloitte Technology Solutions Limited, Deloitte Digital & Technology Limited, Alert Communications Limited, Deloitte Technology Limited, and Deloitte Audit Limited. The latter is authorised to provide audit services in Malta in terms of the Accountancy Profession Act. A list of the corporate partners, as well as the principals authorised to sign reports on behalf of the firm, is available at www.deloitte.com/mt/about.

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.

Deloitte.

Independent auditor's report (continued)

to the members of
Mariner Finance plc

Impairment testing of goodwill allocated to SIA Baltic Container Terminal
Under IFRSs, the Group is required to test goodwill acquired in a business combination for impairment annually. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. As at 31 December 2018, the carrying amount of goodwill amounted to *Eur13.2m*, which arose on the acquisition of SIA Baltic Container Terminal in 2013. Accordingly, the carrying amount of goodwill had been allocated to the business of SIA Baltic Container Terminal, hereafter referred to as the cash generating unit (the "CGU"), which represents a significant portion of the Group's assets and liabilities. The directors' process in determining the recoverable amount of the CGU is highly judgmental and is based on assumptions, such as forecast business growth rates, profit margins, projected capital expenditure, weighted average cost of capital and effective tax rate, which are affected by expected future market or economic conditions.

Our audit procedures included:

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

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

The Group's disclosures about goodwill are included in Note 3, which explains that the directors have assessed the carrying amount of goodwill as at 31 December 2018 to be recoverable and that there is no impairment in the value of the goodwill.

Valuation of investment property
The Group accounts for its investment property at fair value. Accordingly, the establishment of the fair value of investment property is significant to our audit because the recognised fair value of investment properties held by the Group as at 31 December 2018 amounted to *Eur5.1m* and this amount is material to the consolidated financial statements.

In determining the fair value of the Group's investment properties as at 31 December 2017, the directors utilised the services of an independent external valuer. This process is highly judgmental and is based on discounted future cash flows using assumptions such as discount rates and future increases in fair market rents, which are affected by expected future market or economic conditions. There have been no acquisitions or disposals of investment properties during the year ended 31 December 2018. Accordingly, in determining the fair value of the investment properties as at 31 December 2018, the directors have evaluated whether there have been significant changes in the fair value of the investment properties since December 2017 by assessing whether key valuation assumptions are still appropriate in determining the fair value as at 31 December 2018, and concluded that the carrying amount approximates the fair value as at that date.

Independent auditor's report (continued)

to the members of
Mariner Finance plc

Valuation of investment property (continued)
Our audit response in respect of the valuation of investment properties as at 31 December 2018 included the following:

- Reviewing the underlying basis of valuation applied by the directors to assess whether the valuation approach was consistent with IFRS and industry norms;
- Confirming that there were no acquisitions or disposals of investment properties during the year ended 31 December 2018;
- Involving internal valuation specialists to review the directors' assessment of fair value in order to determine whether the directors' assessment falls within an acceptable range which included reviewing the appropriateness of the underlying key assumptions and factors used by the directors in their assessment.

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

The Group's disclosures about fair value are included in Note 16, which explains the manner in which the fair value of the investment property was determined by the directors.

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Deloitte.

Independent auditor's report (continued)

to the members of
Mariner Finance plc

Responsibilities of the directors and the Audit Committee for the financial statements
As explained more fully in the Statement of Directors' Responsibilities on page 6, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and the requirements of the Companies Act (Cap. 386), and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.

Deloitte.

Independent auditor's report (continued)

to the members of
Mariner Finance plc

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on Corporate Governance Statement

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

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

We read the Corporate Governance Statement and consider the implications for our report if we become aware of any information therein that is materially inconsistent with the financial statements or our knowledge obtained in the audit, or that otherwise appears to be materially misstated. We also review whether the Corporate Governance Statement contains at least the information set out in Listing Rule 5.97.

We are not required to, and we do not, consider whether the directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement set out on pages 7 to 10 has been properly prepared in accordance with the requirements of Listing Rules 5.94 and 5.97.

Deloitte.

Independent auditor's report (continued)

to the members of
Mariner Finance plc

Matters on which we are required to report by exception under the Companies Act
Under the Companies Act (Cap. 386), we have responsibilities to report to you if in our opinion:

- proper accounting records have not been kept;
- proper returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns; or
- we have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

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

Auditor tenure
We were first appointed by the members of the Company to act as statutory auditor of the Company and the Group, following the Company's debt listing in June 2014 by the members of the Company on 28 April 2015 for the financial year ended 31 December 2015, and were subsequently reappointed as statutory auditors by the members of the Company on an annual basis. The period of total uninterrupted engagement as statutory auditor since the Company became a public interest entity, including previous reappointments of the firm, covers financial periods totalling 4 years.

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

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

26 April 2019