SKIL Ports & Logistics Limited - SPL
Preliminary Results
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16 June 2016

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SKIL Ports & Logistics Limited
("SPL" or the "Company")

Preliminary results for the year ended 31 December 2015

SPL, which is developing a modern port and logistics facility in Mumbai, India, is pleased to announce its preliminary results for the year ended 31 December 2015.

Highlights

- Reclamation of 30 hectares to be completed by the end June
- Dredging progressing as scheduled
- 58 Piles have been laid for the construction of the jetty
- Ground improvement commenced and progressing according to the schedule

Further targets for 2016

- July 2016 - complete the approach channel dredging
- August 2016 - equipment finalisation and ordering
- November 2016 - installation of infrastructure utilities
- December 2016 - completion of phase 1 of the jetty
- December 2016 - completion of dredging in the harbour basin

Nikhil Gandhi Executive Chairman of SPL said, "*We have made good progress in developing a modern port facility in Mumbai, and we have also initiated discussions with operators and end users. Modern ports and logistics facilities are essential engines needed for a country's growth.*

I have no doubt that we will meet future challenges and be an integral part of the growth of this remarkable region through the development of the Karanja facility."

The Company has uploaded further images, and drone footage, to its website, illustrating the ongoing site works at the port. These photos can be viewed by visiting - http://www.skilpl.com/news.html.

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Chairman's Statement

SKIL Ports & Logistics Limited ("SPL" or the "Company") and its subsidiaries (the "Group") made significant progress in 2015. Work commenced on site in earnest in February and, whilst some time was spent resolving local issues from the middle of March 2015, full time work on site resumed in late October and has continued uninterrupted since. The Project has progressed well this year and the Company set out the key milestones in March 2016 that it needs to achieve to ensure that our facility in Navi Mumbai is part operational this year.

The Group is pleased to report the following status of works:

- Reclamation of 30 hectares to be completed by the end June
- Dredging progressing as scheduled
- 58 Piles have been laid for the construction of the jetty
- Ground improvement commenced and progressing according to the schedule

In the coming months the Group aims to achieve the following targets:

- July 2016 - complete the approach channel dredging
- August 2016 - equipment finalisation and ordering
- November 2016 - installation of infrastructure utilities
- December 2016 - completion of phase 1 of the jetty
- December 2016 - completion of dredging in the harbour basin

As at 31 December 2015, the Group had cash resources of £38.5 million and headroom in its banking facilities of approximately £32 million.

The Group expects that by end June 2016 it will have cash resources of approximately £18 million and headroom in its banking facilities of approximately £15 million.

Work has progressed as per the key milestones detailed in the update in March 2016 and management remain in consultation with the lead contractor on a weekly basis to ensure that the final configuration, fit out and specification of the facility will optimise port operations and, therefore, returns for shareholders. It is becoming apparent that these discussions are likely to conclude that the optimum facility fit out will require additional funds and, whilst the management of SPL believe that the Group is not currently working capital constrained, they will consider a number of scenarios to secure any additional funding requirements. These considerations include increasing the current debt facility, securing a strategic partner to invest in the Company's subsidiary operating company, or a placing which would be available to all shareholders, or a combination of the above. The Group will update shareholders on its conclusions in the coming months.

In addition, whilst conversations with the main contractor continue, the Group is also considering the merits of incorporating a ship repair facility to the overall capability, which it believes has the potential to deliver attractive returns. Whilst not part of the original plan, environmental clearance has been received to build

this facility and the Board of Directors of SPL will evaluate this alongside other considerations for the optimum configuration of the facility.

As the works on the ground advance, the Group has continued to prepare for the facility being operational. In particular, the Group has commenced discussions with parties, both domestically and internationally, with a view to appointing a partner that will operate the facility. Initial feedback has been positive and the Group will update shareholders in this regard in due course.

The Board has reported previously that it has entered into discussions with a number of potential end-users of the facility. This task has been made easier now that construction is well advanced and potential clients are able to visit the site and see the physical progress themselves. The Group expects to provide further information in this regard in the coming months.

The Company is also actively seeking to add two additional, UK based, non-executive directors to its Board. The Company expects to announce their appointment shortly.

Modern ports and logistics facilities are essential engines needed for a country's growth. I have no doubt in my mind that SPL will meet any future challenges and be part of the growth for this remarkable region through the development of the Karanja facility. The excitement of India's potential can be felt across the country and the interest in building a world class facility at Karanja can be seen and felt throughout the area. I would like to thank the whole team at SPL who have laboured long and hard over the years as well as my fellow Board of Directors whose advice and support is immeasurable.

Nikhil Gandhi
Executive Chairman
SKIL Ports & Logistics Limited

DIRECTORS' REPORT
for the period ended 31 December 2015

The Directors ("Directors") of SPL present their report and the audited consolidated financial statements of the Company and the "Group for the period ended 31 December 2015.

Status

The Company was incorporated and registered under The Companies (Guernsey) Law, 2008 with registered number 52321 on 24 August 2010. On 7 October 2010 its ordinary shares of no par value were listed on the London Stock Exchange's AIM market ("AIM").

The Company's subsidiaries are Karanja Terminal & Logistics (Cyprus) Limited and Karanja Terminal & Logistics Private Limited, incorporated in August 2010 in Cyprus and in May 2010 in India respectively.

Principal Activity

The principal activity of the Company is to act as a holding company established to develop, own and operate port and logistics facilities.

Statement of Directors' Responsibilities

In accordance with The Companies (Guernsey) Law, 2008, the Directors are responsible for preparing financial statements for each financial year, which give a true and fair view, in accordance with applicable law and regulations. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures noted in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as auditors, and a resolution to re-appoint Grant Thornton will be proposed at the forthcoming annual general meeting. Each of the directors at the date of approval of the financial statements confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed for and on behalf of the Board on 16 June, 2016

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Nikhil Gandhi, Chairman

STRATEGIC REPORT

I. Principal Business Objective

The Group's principal objective is to develop ports & logistics facilities in India. The Company's first project is being developed at Karanja in close proximity of the city of Mumbai and also Jawaharlal Nehru Port Trust (JNPT), which is India's largest and busiest container handling port.

II. Business Review

SKIL Ports & Logistics Limited was formed to build ports and logistics facilities. The first project being developed is in the Indian state of Maharashtra. The Company has started the development of its port and logistics facility in Karanja, Navi Mumbai, Maharashtra, India. The process to get to the development stage has been difficult due to the length of time it took to get the environmental clearance. Moving forward, the EPC (Engineering, Procurement and Construction) contractor that has been picked by the Board of SPL has a great reputation for building marine infrastructure and the Company is expecting revenues to be generated from their facility during 2017.

As work has started on site the cash burn related to the development of the facility has dramatically increased. The Group had cash or cash equivalents of £38.56 million on 31st December 2015 versus £41.04 million at 31st December 2014. During the course of the 1st Quarter of 2016 the cash burn has continued to increase in line with management's expectation and timelines. The unaudited cash balance for 31st March 2016 is £37.67 million. The Company has also announced that the debt funding of INR 480 crore (£48.91 million) is in place and the facility is syndicated by 4 Indian Public Sector Banks. The borrowings are secured by the hypothecation of the port facility and pledge of its shares. The Company has utilised bank borrowing of INR 167.87 crore (£17.10 million) as on 31st December 2015. Based on the cash forecast, the future drawn down of the borrowings is as follows:

Period	INR in crore	£000
Q1 2016	50.00	5.09
Q2 2016	111.12	11.32
Q3 2016	38.40	3.91
Q4 2016	52.80	5.38
Q1 2017	48.00	4.89
Q2 2017	9.60	0.98
Q3 2017	2.21	0.23

The Company is not currently working capital constrained and the Company is confident of its ability to raise further funds to meet cost overruns, project enhancements or working capital requirements. The Directors therefore believe that the Company is a going concern.

III. Principal risks and uncertainties

The Directors believe that the management of the business and the implementation of the Group's plans are potentially exposed to a variety of risks. The admission document published by the Company in connection with Admission (a copy of which is available on the Company's website at www.skilpl.com) sets out a number of the principal risks that the Directors considered, at the time of Admission, the Company and its business were potentially exposed to. Potential financial risks have also been disclosed in the Company's accounts and specifically the notes thereto.

IV. Strategies

- Timely completion of Karanja build-out and establish efficient port operating practices
- Identification of suitable locations for more ports & logistics facilities from a technical and commercial perspective to serve India's growing Export-Import (EXIM) trade and internal logistics requirements.
- To maintain strong relationships with leading Indian and multi-national banks to have access to debt funding for developing the projects as SPVs.
- To keep abreast of all policy developments relating to trade, environment, labour laws etc. that may have any impact on the business potential of the ports and allied sectors.
- To maintain strong relationships with key government departments including shipping, ports, finance environment, etc.
- To maintain regular communication with all stakeholders.
- Selection of world-class EPC contractor for project engineering and construction.
- Maintain a strong in-house project management team to ensure timely completion within budget.
- Engage in intense & continuous marketing of the facilities.

V. Business Model

- The business model is to successfully develop and efficiently operate profit-making projects (ports & logistics facilities). These ports may be shallow draft ports (as is the case at Karanja) or deep draft ports at other locations along the Indian Coast-line.
- In Karanja specifically, the business model for the port is three pronged:

- Mid-stream Discharge and Loading of Cargo while vessels wait at anchorage for a berth in JNPT.
- Coastal Movement of Cargoes such as Containers, Cement and other break-bulk cargo that typically ply in smaller vessels.
- The Facility would particularly benefit from having an integrated Container Freight Station (CFS) (logistics facility) which would help in easing congestion issues in the storage yard of the port - a problem that currently plagues JNPT.

VI. Key Business Drivers

- <u>India's growing EXIM (Export & Import) trade:</u> The significant increase in India's international trade during the recent years has resulted in a sharp increase in traffic handled at India's major ports to 606.4 million tonnes in year 2015, as compared to 581 million tonnes in 2014, a growth of 4.3%. However, the growth in India's port traffic is expected to be sustained at approximately 12% to 15% per year during the next decade. (Source: Indian Ports Association and Crisil Research Report)

- <u>Severe need/shortage of efficient port facilities in India:</u> In the current scenario, the Major Ports in India are insufficient to meet the country's current and anticipated needs, with outdated berth configuration, outmoded cargo handling equipment, insufficient maintenance and inadequate operational draft. Congestion within the ports means longer waiting times for ships, which increases transaction costs and has an adverse impact on the logistics chain. This provides several development opportunities to tap into trade requirements by building ports and logistics infrastructure at strategic locations, such as Karanja.

- Need for good rail and road connectivity: Road transport capacity is unable to compensate for the Major Ports' inefficiencies due to poor linkages, and railways lack the necessary equipment and structure to ensure a steady flow of container traffic.
- Trend of containerisation: Container traffic at major ports is expected to grow at a Compounded Annual Growth Rate (CAGR) of 20% between 2014 and 2020 from 11 million TEUs to 22 million TEUs. Capacity of container handling at major ports is expected to reach 30 million TEUs by 2020 while, container traffic at non-major ports is expected to grow at a CAGR of 42% in the same period to reach 16.5 million TEUs by 2020. JNPT's share of Indian containerized EXIM cargo is about 4.4 million TEUs in 2015 (over 45% of country's containerised cargo) and is poised to handle 10 million TEU's by year 2020. Hence any facility in/around JNPT will continue to have good potential for cargo, as is the case with Karanja. In general the trend of containerisation of cargo in the country is likely to continue. (Source: Crisil Research Report, JNPT report)

- Competition: New port development or expansion of existing ports in the region could impact the future performance and position of the business. JNPT has plans to develop the fourth and fifth container terminals, which could ease congestion on the sea side of the port; however, there is no scope for expansion on the landward side. The already congested rail and road networks leading to JNPT will be further burdened with addition of traffic capacity on the sea side of the port.

- Clarity and consistency in regulatory/policy framework: As is the case in any other business activity, port development, operating and logistics business is also impacted by incentives and policy changes effected by state and central governments.

VII. Risk Management

Currently, the principal risks facing the entity emanate from risks specific to the Karanja development.

Risk factors and their mitigation measures are as follows:

- Regulatory Risk: While the company has received all necessary approvals for the development phase of the project, future risks of change in policies impacting operating areas such as tariff policies, cabotage laws etc., continue to remain. However, the Group's strong reputation will be instrumental in navigating any such hurdles along the way.

- Tax Risk: A recent Court judgement allows for interest income to be set off against the preoperative expenditure and is not chargeable to income tax. KTLPL, however has accrued full tax liability.

- Construction & Completion Risk: Mr. Nikhil Gandhi has over two decades of experience in successfully implementing mega infrastructure projects. While time and cost overrun are common to large scale infrastructure projects, they can be mitigated to a large extent by selection of a world class EPC contractor and by tight project management from the company's side. The company has appointed ITD Cementation, a leading EPC contractor with expansive experience in maritime construction, and also has access to a strong in-house project management team.

- Funding Risk: The Company currently is not capital constrained. Should it need to raise further funds to optimize the configuration of and complete the facility or for general working capital purposes the Directors believe the Group has a variety of funding options available to it including a strategic investment, an equity placement to new/or existing shareholders, or an increase in the current debt facility. Should any of these funding sources not be available to the Company the Group can configure the project in a manner reflective of available funding.

- Foreign Exchange Risk: The exchange difference arising due to foreign currency exchange rate variances on translating a foreign operation into the presentational currency results in a translation risk. There are no flows between the parent and KTLPL and therefore, there are no other currency risks.

- Marketing Risk: Marketing Risk refers to the risk that the company may not be able to generate sufficient cargo for the port. To mitigate this risk, the company has appointed Mr. Umesh Grover and Mr. Ajay Khera as Head and Co-Head of Business Development and Sales & Marketing respectively. They have extremely well regarded track records of around 35-40 years each. Mr. Grover headed the Container Business and Marketing at the Shipping Corporation of India (SCI) for several years, and retired as a Director on the Board of the SCI, while Mr. Khera was an Executive Director with the state owned Central Warehousing Corporation prior to joining the Group. The company benefits immensely under their experience and relationships in the fields of shipping and logistics.

•Financial and Non-financial Key Performance Indicators (KPIs)

- Given that the project is currently in the development phase, the directors are measuring the progress of the project by closely monitoring the construction schedule and achievements of milestones thereof. The company submits to the board an updated note on a monthly basis which includes an update on construction.

The financial parameters that will be monitored once the facility becomes operational are:

- Return on Equity
- Internal Rate of Return
- NPV (Net Present Value)
- DSCR (Debt Service Coverage Ratio)
- Current Ratio
- Quick Ratio
- Debt/Equity
- Gross Margins/EBITDA Margins/Operating Margins
- NAV (Net Asset Value) per share

- Non-Financial: Not Applicable at the moment.

The non-financial parameters that will be monitored once the facility becomes operational are:

- Turnaround time for cargo
- Capacity utilisation
- Cargo evacuation time
- Compliance with Environmental regulations and other legal matters

VIII. Corporate Social Responsibility (CSR)

Social, community and human rights issues:

The Company proposes to engage in several CSR initiatives over the tenure of its lease agreement with the Maharashtra Maritime Board. Funds will be allocated for the various CSR initiatives once the total budget of the same is passed by the board.

The CSR Program will address the following areas for community development in the Chanje area:

- ➢Education/Literacy Enhancement : 15% of the total budget
- ➢Employment /Skill Development : 20% of the total budget
- ➢Community Development : 10% of the total budget
- ➢Health and Sanitation : 15% of the total budget
- ➢Help to the Fishermen Community : 15% of the total budget
- ➢Social Amenities/Infrastructure Development : 10% of the total budget
- ➢Environment Protection : 15% of the total budget

These are indicative percentages; actual expenditure amongst these thrust areas will depend upon local needs and discussion with local government bodies, citizen forums etc.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKIL PORTS & LOGISTICS LIMITED

We have audited the consolidated financial statements of SKIL Ports & Logistics Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable by law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an audit report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5 the Directors are responsible for the preparation of the consolidated financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited consolidated financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the consolidated financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its loss for the year then ended;
- Are in accordance with International Financial Reporting Standards as adopted by the European Union; and
- Comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you, if in our opinion:

- Proper accounting records have not been kept by the Group; or

- The consolidated financial statements are not in agreement with the accounting records; or

- We have not obtained all the information and explanations, which to the best of our knowledge and belief are necessary for the purposes of our audit.

Grant Thornton UK LLP
Chartered Accountants,
30 Finsbury Square,
London EC2A 1AG,
United Kingdom

16 June, 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
CONTINUING OPERATIONS			
Revenue		-	-
		-	-
Administrative Expenses	5	(2,214)	(1,936)
OPERATING LOSS		**(2,214)**	**(1,936)**
Finance Income	6	2,352	2,665
Finance Cost		-	-
NET FINANCING INCOME		**2,352**	**2,665**
PROFIT BEFORE TAX		**138**	**729**
Tax expense for the year	7	(808)	(862)
LOSS FOR THE YEAR		**(670)**	**(133)**
(Loss)/profit for the year attributable to:			
Non-controlling interest		-	2
Owners of the parent		(670)	(135)
Loss for the year		**(670)**	**(133)**
Other Comprehensive Income / (expense): **Items that will not be reclassified subsequently to profit or loss**		-	-
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		348	1,641
Other comprehensive income/(expense) for the year		**348**	**1,641**
Total comprehensive income/(expense) for the year		**(322)**	**1,508**
Total comprehensive income/(expense) for the year attributable to:			
Non-controlling interest		-	2
Owners of the parent		(322)	1,506

		(322)	**1,508**
Earnings per share (consolidated):			
Basic & Diluted, for the year attributable to ordinary equity holders (pence)	9	(0.015)	(0.003)

The notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
Assets			
Property, plant and equipment	10	28,780	15,508
Total non-current assets		**28,780**	**15,508**
Trade and other receivables	11	15,832	16,320
Cash and cash equivalents	12	38,569	41,041
Total current assets		**54,401**	**57,361**
Total assets		**83,181**	**72,869**
Equity			
Share Premium	14	71,590	71,590
Retained earnings	14	4,464	5,134
Translation Reserve	14	(19,652)	(20,000)
Equity attributable to owners of parent		**56,402**	**56,724**
Non-controlling Interest		15	15
Total equity		**56,417**	**56,739**
Liabilities			
Non-current			
Borrowings	15	17,201	9,412
Non-current liabilities		**17,201**	**9,412**
Current			
Borrowings	15	27	9
Current tax liabilities	16	6,642	5,724
Trade and other payables	17	2,894	985
Current liabilities		**9,563**	**6,718**

Total liabilities	**26,764**	**16,130**
Total equity and liabilities	**83,181**	**72,869**

The notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	**Year ended 31 Dec 15 £000**	**Year ended 31 Dec 14 £000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		138	729
Non cash flow adjustments	19	(2,192)	(2,301)
Operating profit before working capital changes		**(2,054)**	**(1,572)**
Net changes in working capital	19	2,397	(7,794)
Net cash from operating activities		**343**	**(9,366)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13,222)	(8,861)
Finance Income		2,352	2,665
Net cash used in investing activities		**(10,870)**	**(6,196)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new borrowing		7,807	9,368
Net cash from financing activities		**7,807**	**9,368**
Net change in cash and cash equivalents		**(2,720)**	**(6,194)**
Cash and cash equivalents, beginning of the year		41,041	45,796
Exchange differences on cash and cash equivalents		248	1,439
Cash and cash equivalents, end of the year		**38,569**	**41,041**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Premium	Translation Reserve	Retained Earnings	Non-controlling Interest	Total Equity
	£000	£000	£000	£000	£000
Balance at 1 January 2015	**71,590**	**(20,000)**	**5,134**	**15**	**56,739**
Share capital adjustment	-	-	-	-	-
Transactions with owners	-	-	-	-	-
Loss for the year	-	-	(670)	-	(670)
Foreign currency translation differences for foreign operations	-	348	-	-	348
Total comprehensive income for the year	-	348	(670)	-	(322)
Balance at 31 December 2015	**71,590**	**(19,652)**	**4,464**	**15**	**56,417**

	Share Premium	Translation Reserve	Retained Earnings	Non-controlling Interest	Total Equity
Balance at 1 January 2014	**71,590**	**(21,641)**	**5,269**	**13**	**55,231**
Share capital adjustment	-	-	-	-	-
Transactions with owners	-	-	-	-	-
Profit for the year	-	-	(135)	2	(133)
Foreign currency translation differences for foreign operations	-	1,641	-	-	1,641
Total comprehensive income for the year	-	1,641	(135)	2	1,508
Balance at 31 December 2014	**71,590**	**(20,000)**	**5,134**	**15**	**56,739**

The notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

SKIL Ports & Logistics Limited (the "Company") was incorporated in Guernsey under The Companies (Guernsey) Law 2008 with registered number 52321 on 24 August 2010. Its registered office and principal place of business is 1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW. It was listed on the Alternative Investment Market ('AIM') of the London Stock Exchange on 7 October 2010.

The consolidated financial statements of SKIL Ports & Logistics Limited comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The consolidated financial statements have been prepared for the year ended 31 December 2015, and are presented in UK Sterling (£).

The principal activities of the Group are to develop, own and operate port and logistics facilities. As of 31 December 2015, the Group had 26 (Twenty six) [prior year 21 (Twenty one)] employees.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and also to comply with The Companies (Guernsey) Law, 2008.

Going Concern

The financial statements have been prepared on a going concern basis as the Group has adequate funds to enable it to exist as a going concern for the foreseeable future. The Group has received the requisite statutory approvals and has already commenced the construction work at site. The Directors believes that they will have sufficient equity, sanctioned credit facilities from lenders and headroom in the capital structure for the build out of the facility. The group closely monitors and manages its liquidity risk. In assessing the Group's going concern status, the Directors have taken account of the financial position of the Group, anticipated future utilisation of available bank facilities, its capital investment plans and forecast of gross operating margins as and when the operations commence.

Based on the above, the Board of Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The Company is pleased to report that construction of the project is progressing well and the build-out is expected to be completed by Q4 2017. We expect the facility to become revenue generating by end of 2016 / early 2017.

(b) Basis of Consolidation

The consolidated financial statements incorporate the results of the Company and entities controlled by the Company (its subsidiaries) up to 31 December 2015. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through holding more than half of the voting rights. The financial statements of the subsidiaries are prepared for the same period as the Company using consistent accounting policies. The fiscal year of KTLPL (Karanja

Terminal & Logistics Private Limited) ends on March 31 and its accounts are adjusted for the same period as the Company for consolidation.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition. Individual financial statements of the subsidiaries are not presented.

Non-controlling interests

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

(c) LIST OF SUBSIDIARIES

Details of the Group's subsidiaries which are consolidated into the company's financial statements are as follows:

Subsidiary	Immediate Parent	Country of Incorporation	% Voting Rights	% Economic Interest
Karanja Terminal & Logistics (Cyprus) Limited	SKIL Ports & Logistics Limited	Cyprus	100.00	100.00
Karanja Terminal & Logistics Private Limited	Karanja Terminal & Logistics (Cyprus) Limited	India	99.71	99.71

(d) FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in UK Sterling (£), which is the Company's functional currency. The functional currency for all of the subsidiaries within the Group is as detailed below:

Karanja Terminal & Logistics (Cyprus) Limited (KTLCL) - Euro
Karanja Terminal & Logistics Private Limited (KTLPL) - Indian Rupees

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary items denominated in foreign currency at the year-end exchange rates are recognised in the statement of comprehensive income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date).

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than £ are translated into £ upon consolidation.

On consolidation, the assets and liabilities of foreign operations are translated into £ at the closing rate at the reporting date. The income and expenses of foreign operations are translated into £ at the average

exchange rates over the reporting period. Foreign currency differences are recognised in other comprehensive income in the translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserves shall be transferred to the Statement of Comprehensive Income.

(e) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group applies revenue recognition criteria to each separately identifiable component. In particular:

Interest income:-

Interest income is reported on an accruals basis using the effective interest method.

The Group is in process of constructing its initial project, the creation of a modern and efficient port and logistics facility in India. The Group has not yet commenced operations and hence, currently does not have any revenue from operations of its core business activity.

(f) BORROWING COSTS

Borrowing costs directly attributable to the construction of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

(g) LEASES

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(h) INCOME TAX

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries, associates and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

(i) FINANCIAL ASSETS

Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial asset is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity. HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes in the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The equity investment is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss. All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income. Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit loss and any subsequent increase in fair value is recognised in other comprehensive income.

(j) FINANCIAL LIABILITIES

The Group's financial liabilities include trade and other payables and borrowings. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs. Financial liabilities are measured

subsequently at amortised cost using the effective interest method. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(k) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The Group is in the process of constructing its initial project, the creation of a modern and efficient port and logistics facility in India. All the eligible expenditure incurred in respect of terminal port under development is carried at historical cost under Capital Work In Progress.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Parts of the property, plant and equipment are accounted for as separate items (major components) on the basis of nature of the assets.

Depreciation is recognised in the Statement of Comprehensive Income over the estimated useful lives of each part of an item of property, plant and equipment. For items of property, plant and equipment under construction, depreciation begins when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Thus as long as an item of property, plant and equipment is under construction, it is not depreciated. Leasehold improvements are amortised over the shorter of the lease term or their useful lives.

Depreciation is calculated on a straight-line basis.

The estimated useful lives for the current year are as

Assets	**Estimated Life of assets**
Equipment	3-5 Years
Computers	2-3 Years
Furniture	5-7 Years
Vehicle	5-7 Years

Depreciation methods, useful lives and residual value are reassessed at each reporting date.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

(l) TRADE RECEIVABLES AND PAYABLES

Trade receivables are financial assets categorised as loans and receivables, measured initially at fair value and subsequently at amortised cost using an effective interest rate method, less an allowance for impairment. An allowance for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Trade payables are financial liabilities at amortised cost, measured initially at fair value and subsequently at amortised cost using an effective interest rate method.

(m) TRADE RECEIVABLES FOR ADVANCES

Advances paid to the EPC contractor and suppliers for build out of the facility are categorised as trade receivables for advances. These advances are measured initially at fair value and subsequently at amortised cost using an effective interest rate method, less an allowance for impairment. An allowance for impairment is made when there is objective evidence that the Group will not be able to recover these advances.

(n) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) SHARE CAPITAL AND RESERVES

Shares are 'no par value'. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Foreign currency translation differences are included in the translation reserve. Retained earnings include all current and prior year retained profits.

(p) IMPAIRMENT OF FINANCIAL AND OTHER ASSETS

Property, Plant and Equipment

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

Considering the current stage of the Group, it possesses very limited equipment. Going-forward as the Group accumulates property, plant and equipment, these will be stated at cost, net of accumulated depreciation and/or impairment losses, if any. The cost will include expenditures that are directly attributable to property, plant and equipment such as employee cost, if recognition criteria are met. Likewise, when a major inspection will be performed, its costs will be recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria have been satisfied. All other repairs and maintenance will be recognised in the Consolidated Statement of Comprehensive Income as incurred. There is currently no impairment of property, plant and equipment.

(q) STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Warrants

The Board of Directors are of the opinion that based on where the group is currently with regards to the build out of its facility that, the warrants granted to the Founder Shareholders and to Cenkos Securities PLC (Nominated Adviser) will not be exercised and hence are not dilutive.

The Board is not accounting for the warrants that were granted at the time of IPO to the Founders Shareholders and to Cenkos Securities PLC (Nominated Adviser) as they are significantly out of the money. These warrants have lapsed during the year and there are no warrants outstanding as on reporting date.

Functional Currency

The Company is listed on the London Stock Exchange's AIM market ("AIM"). The Company's subsidiaries are Karanja Terminal & Logistics (Cyprus) Limited and Karanja Terminal & Logistics Private Limited, in Cyprus and in India respectively. SPL which is the managing entity of all the subsidiaries is managed and controlled in Guernsey.

Since the company's investors are predominantly UK based and invested in £, the Board of directors has decided to keep £ as the functional currency of the company. The Board at the time of IPO decided not to hedge its exposure to INR as the project is based in India and the capex, debt, operating expenses and revenue are expected to be in INR.

Capitalisation of expenses related to port and logistics facility

The Group is in the process of constructing its initial project; the creation of a modern and efficient port and logistics facility in India. All the expenditures directly attributable in respect of the port and logistics facility under development are carried at historical cost under Capital Work In Progress as the Board believes that these expenses will generate probable future economic benefits. These costs include borrowing cost, professional fees, construction costs and other direct expenditure. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deductible temporary differences can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Recognition of income tax liabilities

In light of a recent court judgement, there is a possibility that the group will not be expected to pay Income tax in India on interest income due to the availability of pre-operating losses. Full liability has been made for income tax liabilities based on the assumption that the interest income will be taxed in full. However no accrual has been made for tax related interest or penalties on the non-payment of Indian income tax.

4. SEGMENTAL REPORTING

The Group has only one operating and geographic segment, being the project on hand in India and hence no separate segmental report has been presented.

5. ADMINISTRATIVE EXPENSES

	Year ended 31 Dec 15	Year ended 31 Dec 14
	£000	£000
Employee costs	290	176
Traveling expenses	280	307
Professional fees	621	393
Directors' fees	360	304
Communication charges	10	12
Operating lease rentals	175	170
Other borrowing costs	225	401
Foreign exchange gains/loss	1	1
Other administration costs	202	154
Depreciation	50	18
	2,214	**1,936**

6. FINANCE INCOME

	Year ended 31 Dec 15	Year ended 31 Dec 14
	£000	£000
Interest on demand deposits	2,314	2,624
Interest on bank deposits	38	41
	2,352	**2,665**

7. INCOME TAX

The major components of tax expense and the reconciliation of the expected tax expense and the reported tax expense in the Statement of Comprehensive Income are as follows:

	Year ended 31 Dec 15	Year ended 31 Dec 14
	£000	£000
Profit Before Tax	138	729
Applicable tax rate in India*	34.45%	32.45%
Expected tax expense	**47**	**236**

Adjustment for non-deductible losses of SPL & Cyprus entity against income from India	295	220
Adjustment for non-deductible expenses	466	406
Actual tax expense	**808**	**862**

*Considering that the Group's operations are presently based in India, the effective tax rate of the Group of 34.45% (prior year 32.45%) has been computed based on the current tax rates prevailing in India. In India, incomes earned from all sources (including interest income) are taxable at the prevailing tax rate unless exempted. However, administrative expenses are treated as non-deductible expenses until commencement of operations. The current income tax expense of £0.80 million (prior year £0.86 million) represents tax on profit/interest arising in India.

The Company is incorporated in Guernsey under The Companies (Guernsey) Law 2008, as amended. The Guernsey tax rate for companies is 0%. The rate of withholding tax on dividend payments to non-residents by companies within the 0% corporate income tax regime is also 0%. Accordingly, the Company will have no liability to Guernsey income tax on its income and there will be no requirement to deduct withholding tax from payments of dividends to non-resident shareholders. There is no corporation tax payable in Guernsey.

In Cyprus, the tax rate for companies is 12.5 % with effect from 1 January 2014.

8. AUDITORS' REMUNERATION

The following are the details of fees paid to the auditors, Grant Thornton UK LLP and Indian auditors, in various capacities for the year:

	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
Audit Fees		
Interim	10	9
Annual	65	55
Subsidiary Audit Fees	3	12
Prior Year Overruns	-	7
Site Visit Fees	8	-
	86	**83**

9. EARNINGS PER SHARE

Both basic and diluted earnings per share for the year ended 31 December 2015 have been calculated using the loss attributable to equity holders of the Group of £0.67 million {prior year loss of £0.13 million}.

	Year ended 31 Dec 15	Year ended 31 Dec 14
Loss attributable to equity holders of the parent	£(670,000)	£(135,000)
Weighted average number of shares used in basic & diluted earnings per share	44,000,000	44,000,000
EARNINGS PER SHARE	**Pence**	**Pence**
Basic & Diluted earnings per share	(0.015)	(0.003)

As mentioned under note 3, the warrants are not dilutive. There are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

	Computers	**Office Equipment**	**Furniture**	**Vehicles**	**Capital Work In Progress**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Gross carrying amount						
Balance 1 Jan 2015	**14**	**20**	**14**	**44**	**15,461**	**15,553**
Net Exchange Difference	-	-	-	1	100	101
Additions	8	6	7	192	13,009	13,222
Balance 31 Dec 2015	22	26	21	237	28,570	28,876
Depreciation						
Balance 1 Jan 2015	(10)	(8)	(4)	(23)	-	(45)
Net Exchange Difference	(1)	-	-	-	-	(1)
Charge for the year	(3)	(3)	(3)	(41)	-	(50)
Balance 31 Dec 2015	(14)	(11)	(7)	(64)	-	(96)
Carrying amount 31 Dec 2015	**8**	**15**	**14**	**173**	**28,570**	**28,780**

	Computers	Office Equipment	Furniture	Vehicles	Capital Work In Progress	Total
	£000	£000	£000	£000	£000	£000
Gross carrying amount						
Balance 1 Jan 2014	**10**	**16**	**8**	**44**	**6,412**	**6,490**
Net Exchange Difference	-	1	-	-	201	202
Additions	4	3	6	-	8,848	8,861
Balance 31 Dec 2014	14	20	14	44	15,461	15,553
Depreciation						
Balance 1 Jan 2014	(7)	(5)	(3)	(12)	-	(27)
Net Exchange Difference	-	-	-	-	-	-
Charge for the year	(3)	(3)	(1)	(11)	-	(18)
Balance 31 Dec 2014	(10)	(8)	(4)	(23)	-	(45)
Carrying amount 31 Dec 2014	**4**	**12**	**10**	**21**	**15,461**	**15,508**

The net exchange difference on the Group's property, plant and equipment's carrying amount is a loss of £0.10 million (prior year gain of £0.20 million). The net exchange difference on the Group's property, plant and equipment carrying amount is on the account of the foreign exchange movement.

a) Net Book Value of assets held under Finance Lease

KTLPL's vehicles are held under finance lease arrangements. The Net Book Value of assets held under finance lease arrangements are as follows:

	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
Vehicles	173	21
	173	**21**

The Port facility being developed in India has been hypothecated by the Indian subsidiary as security for the bank borrowings [Borrowing limit sanctioned INR 480 crore (£48.91 million)] for part financing the build out of the facility.

The borrowing cost in respect of the bank borrowing for financing the build out of facility are capitalised under Capital work in progress. During the year the company has capitalised borrowing cost of £1.70 million (prior year £0.76 million).

The Indian subsidiary has a contractual commitment of INR 800.74 crore (£81.60 million) towards construction of the port facility, for which the expected completion date is second half of 2017. There were no other material contractual commitments.

11. TRADE AND OTHER RECEIVABLES

	Year ended 31 Dec 15	Year ended 31 Dec 14
	£000	**£000**
Deposits	1,749	229
Advances	13,918	16,008
Debtors		
- Related Party	142	60
- Prepayment	23	23
	15,832	**16,320**

Advances include payment to EPC contractor of £13.25 million (prior year £14.54 million) towards mobilisation advances and quarry development. These advances will be recovered as a deduction from the invoices being raised by the contractor over the contract period.

12. CASH AND CASH EQUIVALENTS

	Year ended 31 Dec 15	Year ended 31 Dec 14
	£000	**£000**
Cash at bank and in hand	1,503	3,339
Deposits	37,066	37,702
	38,569	**41,041**

Cash at bank earns interest at floating rates based on bank deposit rates. Short-term deposits are callable on demand depending on the immediate cash requirements of the Group, and earn fixed interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is £38.56 million (prior year £41.04 million).

13. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by the Board of Directors.

(a) Market Risk

(i) Translation risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market foreign exchange rates. The Company's presentation currency is the UK Sterling (£). The functional currency of SPL is £. The functional currency of its subsidiary Karanja Terminal & Logistics Private Limited (KTLPL) is INR and the functional currency of Karanja Terminal & Logistics (Cyprus) Limited is the Euro.

The exchange difference arising due to foreign currency exchange rate variances on translating a foreign operation into the presentation currency results in a translation risk. The exchange differences arising from

the translation of foreign operation into the presentation currency are recognised in other comprehensive income. There are no flows between the parent and KTLPL and therefore, there are no other currency risks or exposures at the reporting date. As stated under note 3 - Functional currency, the board has decided not to hedge its exposure to INR as the project is based in India and the cash balance, capex, debt, operating expenses and revenue are all expected to be in INR and hence no foreign exchange risk exists.

Currency risk exposure arises from financial instruments that are denominated in a currency that is not the functional currency of the entity in which they are recognised. Therefore as the cash balance is denominated in INR and the functional currency of the entity holding the cash is INR, no currency risk exposure arises.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the cash and cash equivalents available with the Indian entity of INR 3,647 million (£37.16 million) as on reporting date [prior period INR 3,835 million (£38.83 million)]. In computing the below sensitivity analysis, the management has assumed the following % movement between foreign currency (INR) and the underlying functional currency (£):

Functional Currency (£)	**31 Dec 2015**	**31 Dec 2014**
INR	+- 10%	+- 10%

The following table details the Group's sensitivity to appreciation or depreciation in functional currency vis-à-vis the currency in which the foreign currency cash and cash equivalents are denominated:

Functional currency	**£ (depreciation by 10%) £000**	**£ (appreciation by 10%) £000**
31 December 2015	3,716	(3,716)
31 December 2014	3,883	(3,883)

If the functional currency (£) had weakened with respect to foreign currency (INR) by the percentages mentioned above, for year ended 31 December 2015 then the effect will be change in profit and equity for the year by £3.71 million (prior period £3.88 million). If the functional currency had strengthened with respect to the various currencies, there would be an equal and opposite impact on profit and equity for each year. This exchange difference arising due to foreign currency exchange rate variances on translating a foreign operation into the presentation currency results in a translation risk.

(ii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

KTLPL has successfully tied-up rupee term loan of INR 480 crore (£48.91 million) for part financing the build out of its facility. The company has commenced the drawdown of its sanctioned bank borrowing as of the reporting date. The rate of interest on the bank borrowing will be a floating rate linked to the bank base rate with an additional spread of 355 basis points. The present composite rate of interest is 13.50%.

The base rate set by the bank may be changed periodically as per the discretion of the bank in line with Reserve Bank of India (RBI) guidelines. Based on the current economic outlook and RBI Guidance, management expects the Indian economy to enter a lower interest rate regime as moderating inflation will allow the RBI and thus the banks to lower its base rate in the coming quarters.

Interest rate sensitivity

At 31 December 2015, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 1% (2014: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Year	Profit for the Year £000		Equity, net of tax £000	
	+1%	-1%	+1%	-1%
31 December 2025	(15)	15	(10)	10
31 December 2024	(91)	91	(60)	60
31 December 2023	(174)	174	(114)	114
31 December 2022	(254)	254	(167)	167
31 December 2021	(333)	333	(218)	218
31 December 2020	(402)	402	(263)	263
31 December 2019	(456)	456	(299)	299
31 December 2018	(487)	487	(319)	319
31 December 2017	(486)	486	(318)	318
31 December 2016	(340)	340	(223)	223

(b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group's maximum exposure (£37.06 million) to credit risk is limited to the carrying amount of financial assets recognised at the reporting date. The Group's policy is to deal only with creditworthy counterparties. The Group has no significant concentrations of credit risk.

The Group does not concentrate any of its deposits in one bank or a non-banking finance company (NBFC). This is seen as being prudent. Credit risk is managed by the management having conducted its own due diligence. The balances held with NBFC's and banks are on a short term basis. Management reviews quarterly NAV information sent by NBFC's and monitors bank counter-party risk on an on-going basis.

(c) Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its financial obligations. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. To date all investments have been funded by

cash from the IPO. KTLPL has tied-up rupee term loan of INR 480 crore (£48.91 million) for financing the build out of its facility. The company has started utilisation of bank borrowing.

The Group's objective is to maintain cash and demand deposits to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for build out of the port facility is secured by sufficient equity, sanctioned credit facilities from lenders and the ability to raise additional funds due to headroom in the capital structure.

The Group manages its liquidity needs by monitoring scheduled contractual payments for build out of the port facility as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored and reviewed by the management on a regular basis. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

As at 31 December 2015, the Group's non-derivative financial liabilities have contractual maturities (and interest payments) as summarised below:

	Principal payments		**Interest payments**	
Payment falling due	**INR in Crore**	**£000**	**INR in Crore**	**£000**
Within 1 year	-	-	45	4,589
1 to 5 year's	109	11,127	243	24,713
After 5 year's	371	37,784	115	11,704
Total	**480**	**48,911**	**403**	**41,006**

The present composite rate of interest of 13.50% and closing exchange rate has been considered for the above analysis.

In addition, the Company's liquidity management policy involves considering the level of liquid assets necessary to meet the funding requirement; monitoring balance sheet liquidity ratio against internal requirements and maintaining debt financing plans. As a part of monitoring balance sheet liquidity ratio, management monitors the debt to equity ratio and has specified optimal level for debt to equity ratio of 1.

Financial Instruments

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of the entire Group's financial instruments that are carried in the financial statements.

	Note	Loans and Receivables (Carried at amortised cost) Year ended 31 Dec 15	Year ended 31 Dec 14
		£000	£000
Financial Assets			
Cash and Equivalents	12	38,569	41,041
Trade and Other Receivables	11	15,832	16,320
		54,401	**57,361**
Financial Liability			
Borrowings	15	17,228	9,421
Trade and other payables	17	2,894	985
		20,122	**10,406**

The fair value of the Company's financial assets and financial liabilities significantly approximate their carrying amount as at the reporting date.

14. EQUITY

14.1 Issued Capital

The share capital of SPL consists only of fully paid ordinary shares of no par value. The total number of shares issued and fully paid up of the company as on each reporting date is summarised as follows:

Particulars	Year ended 31 Dec 15	Year ended 31 Dec 14
Shares issues and fully paid:		
Beginning of the year	44,000,000	44,000,000
Closing number of shares	**44,000,000**	**44,000,000**

The share premium amount to £71.59 million (prior year £71.59 million) after reduction of share issue costs. Holders of the ordinary shares are entitled to receive dividends and other distributions and to attend and vote at any general meeting.

14.2 Other Components of Equity

Retained Earnings

Retained earnings of £4.46 million (prior year £5.13 million) include all current year retained profits.

Translation Reserve

The translation reserve of £19.65 million (prior year £20.00 million) is on account of exchange differences relating to the translation of the net assets of the Group's foreign operations which relate to subsidiaries, from their functional currency into the Group's presentational currency being £.

15. BORROWINGS

Borrowings consist of the following:

	Year ended 31 Dec 15	Year ended 31 Dec 14
	£000	**£000**
Current		
Vehicle loan	27	9
	27	**9**
Non-Current		
Bank loan	17,106	9,403
Vehicle loan	95	9
	17,201	**9,412**

Borrowing

Karanja Terminal & Logistics Private Limited (KTLPL), the Indian subsidiary has in place rupee term loan of INR 480 crore (£48.91 million) for part financing the port facility. The rupee term loan has been sanctioned by 4 Indian public sector banks and the loan agreement was executed on 28th February, 2014. The tenure of the loan is for 10 years with repayment beginning at the end of the fifth year. The repayment schedule is as follows:

	Repayment amount	
Payment falling due	**INR in Crore**	**£000**
Within 1 year	-	-
1 to 5 year's	109	11,127
After 5 year's	371	37,784
Total	**480**	**48,911**

The rate of interest will be a floating rate linked to the Canara bank base rate with an additional spread of 355 basis points. The present composite rate of interest is 13.50%. The borrowings are secured by the hypothecation of the port facility and pledge of its shares. The carrying amount of the bank borrowing is considered to be a reasonable approximation of the fair value.

KTLPL has utilised the rupee term loan facility of INR 167.87 crore (£17.10 million) {prior year INR 92.87 crore (£9.40 million)} as of the reporting date.

16. CURRENT TAX LIABILITIES

Current tax liabilities consist of the following:

	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
Duties & taxes	607	528
Provision for Income Tax	6,035	5,196
Current tax liabilities	**6,642**	**5,724**

The carrying amounts and the movements in the Provision for Income Tax account are as follows:

	£000
Carrying amount 1 January 2015	5,196
Additional Provisions	839
Carrying amount 31 December 2015	**6,035**

The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of assessment by the Income Tax department on these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made. The company discharges the tax liability on the basis of income tax assessment.

17. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
Current		
Sundry creditor	2,767	877
Other payables	127	108
	2,894	**985**

18. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial of the Company and the subsidiaries listed in the following table:

Name	Country of Incorporation	Field Activity	Ownership Interest	Type of share Held
HELD BY The Company (SPL):				
Karanja Terminal & Logistics (Cyprus) Limited	Cyprus	Holding Company	100%	Ordinary
HELD BY Karanja Terminal & Logistics (Cyprus) Limited:				
Karanja Terminal & Logistics Pvt. Ltd	India	Operating Company - Terminal Project	99.71%	Ordinary

The Group has the following related parties with whom it has entered into transactions with during the year.

a) Shareholders having significant influence

The following shareholders of the Group have had a significant influence during the year under review:

- SKIL Global Ports & Logistics Limited, which is 100% owned by Mr. Nikhil Gandhi, holds 28.91% of issued share capital of SKIL Ports & Logistics Limited at the year end.
- Pavan Bakhshi holds 2% of issued share capital of SKIL Ports & Logistics Limited at the year end.

b) Key Managerial Personnel of the parent

Non-executive Directors

- Mr. Peter Anthony Jones
- Mr. James Stocks Sutcliffe
- Mr. Sunil Tandon (resigned on 7 January 2016)

Chief Executive Officer and Key Managers

- Mr. Pavan Bakhshi (Managing Director)

c) Key Managerial Personnel of the subsidiaries

Directors of KTLPL (India)

- Mr. Pavan Bakhshi
- Mr. Jay Mehta
- Mr. Jigar Shah
- Mr. Nikhil Gandhi

(Mr. Nikhil Gandhi is Chairman)

Directors of KTLCL (Cyprus)

- Mr. Pavan Bakhshi

- Ms. Andria Andreou
- Ms. Olga Georgiades

d) Other related party disclosure

Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual or close family member of such individual referred above.

- SKIL Infrastructure Limited
- JPT Securities Limited
- KLG Capital Services Limited
- Grevek Investment & Finance Private Limited
- Carey Commercial (Cyprus) Limited
- Athos Hq Group Bus. Ser. Cy Ltd

e) Transaction with related parties

The following transactions took place between the Group and related parties during the year ended 31 December 2015:

	Nature of transaction	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
Athos Hq Group Bus. Ser. Cy Ltd	Administrative fees	10	5
Carey Commercial (Cyprus) Ltd	Administrative fees	-	10
Grevek Investment & Finance P. Ltd	Interest income	87	-
JPT Securities Limited	Interest income	2	-
KLG Capital Services Limited	Interest income	3	-
		102	**15**

The following table provides the total amount outstanding with related parties as at year ended 31 December 2015:

Transactions with shareholder having significant influence

SKIL Global Ports & Logistics Limited - Receivable amount:

	Nature of transaction	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
Debtors	Advances	72	60
		72	**60**

Transactions with subsidiary

None

Transactions with Key Managerial Personnel of the parent

Nikhil Gandhi - Receivable amount:

	Nature of transaction	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
Debtors	Advances	70	-
		70	**-**

See Key Managerial Personnel Compensation details as provided below

Transactions with Key Managerial Personnel of the subsidiaries

See Key Managerial Personnel Compensation details as provided below

Advisory services fee

None

Compensation to Key Managerial Personnel of the parent

Fees paid to persons or entities considered to be Key Managerial Personnel of the Group include

	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
Directors' fees		
- Peter Jones	45	45
- James Sutcliffe	40	40
- Sunil Tandon	46	-
	131	**85**
Short-term employee benefits		
- Pavan Bakhshi	175	175
	175	**175**
Total compensation paid to Key Managerial Personnel	**306**	**260**

SKIL Global Ports & Logistics Limited (controlled by Mr. Nikhil Gandhi, a director) and Mr. Pavan Bakhshi, a director (together the "Founder Shareholders"), have been granted warrants by the Company to subscribe, for 4,400,000 ordinary shares at nominal consideration at the time of (1) the Multi-purpose Terminal and Logistics Park becoming fully operational and (2) the Group generating annualised consolidated revenues of at least £48 million in any consecutive three month period ending on or prior to 31 December 2015. As stated above, given that this date has passed, the warrants have lapsed and hence no charge is recognised in the current year Statement of Comprehensive Income.

As per the contract agreement entered into with the nominated adviser (Cenkos Securities PLC), they were granted warrants to subscribe for 220,000 ordinary shares exercisable at £2.50 per share at any time within five years ending October 7, 2015. As stated under note 3, given that this date has passed, the warrants have lapsed and hence no charge is recognised in the current year Statement of Comprehensive Income.

Compensation to Key Managerial Personnel of the subsidiaries

	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
Directors' fees		
KTLPL - India	53	44
KTLCL - Cyprus	3	3
	56	**47**

Corporate Deposits

As at 31 December 2015, the Group had £0.98 million (prior year £1.11 million) as demand deposits with related parties.

	Year ended 31 Dec 15 £000	Year ended 31 Dec 14 £000
Grevek Investment & Finance Pvt Ltd	986	840
KLG Capital Services Ltd	-	118
JPT Securities Limited	-	159
	986	**1,117**

Terms and conditions of transactions with related parties

The demand deposits are unsecured, callable on demand, carrying interest at 5% per annum and settlement occurs in cash. For the year ended 31 December 2015, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2014: £ NIL). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Ultimate controlling party

The Directors do not consider there to be an ultimate controlling party.

19. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

	Year ended 31 Dec 15	Year ended 31 Dec 14
	£000	**£000**
Non cash flow adjustments		
Depreciation	50	18
Finance Income	(2,352)	(2,665)
Tax Expenses	(808)	(862)
Change In Current Tax Liabilities	918	1,208
	(2,192)	**(2,301)**
Net changes in working capital		
Change in trade & other payables	1,890	(1,848)
Change in borrowings	19	101
Change in trade & other receivables	488	(6,047)
	2,397	**(7,794)**

20. CAPITAL MANAGEMENT POLICIES AND PROCEDURE

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern
- To provide an adequate return to shareholders

By development of the port and logistics facility and effective & efficient operation of the business commensurate with the level of risk.

During the year, the group has commenced the construction of the port facility. The group has also secured sanction for bank borrowing. It has commenced the drawdown of the credit facility.

With debt and equity funding fully tied-up, the EPC contract being a fixed-price contract and given the group's substantial project execution experience, the Group is protected against any significant cost overruns. Additionally, contingencies have been factored as 5% of the project cost. The Group believes that it is adequately capitalised and will pursue a conservative capital structure during the development and operational phase.

The Board has no immediate plans for paying a dividend and as such would only consider a dividend or share buy-back at a time where the project has significant free cash flow. The capital that was raised at the time of the IPO has been earmarked for the build out of the project and for the general working capital.

Given that the project has gone into the construction phase the Group has started redeeming its deposit from NBFCs. The cash management policy is regularly reviewed at its board meetings.

Capital

The Company's capital includes share premium (reduced by share issue costs), retained earnings and translation reserve which are reflected on the face of the statement on financial position and in Note 14.

21. FINANCE LEASE

KTLPLs vehicles are held under finance lease arrangements. As of 31 December 2015, the net carrying amount of the vehicles is £ 0.17 million (2014: £ 0.02 million).

Finance lease liabilities are secured by the related assets held under finance leases. Future minimum finance lease payments at 31 December were as follows:

	Minimum lease payments due			
	within 1 year £000	**1 to 5 year £000**	**after 5 year £000**	**Total £000**
31 December 2015				
Lease payments	38	112	-	150
Finance charges	(11)	(17)	-	(28)
Net present values	**27**	**95**	**-**	**122**
31 December 2014				
Lease payments	11	10	-	21
Finance charges	(2)	(1)	-	(3)
Net present values	**9**	**9**	**-**	**18**

22. OPERATING LEASE

The Group has entered into a 30 years lease agreement with the Maharashtra Maritime Board for the development of a port and logistics facility in India. The operating lease payments are capitalised at historical cost under Capital Work in Progress in the consolidated financial statement on a straight-line basis until the completion of construction.

The future minimum lease payments are as follows:

Payments falling due	**Future minimum lease payments outstanding on 31 Dec 2015 £000**	**Future minimum lease payments outstanding on 31 Dec 2014 £000**
Within 1 year	174	173
1 to 5 year's	696	692
After 5 year's	3,238	3,390
Total	**4,108**	**4,255**

The annual lease rent is payable by KTLPL in INR. The exchange rate on the reporting date has been considered for deriving the £ amount for future minimum lease payment.

23. CONTINGENT LIABILITIES AND COMMITMENTS

The group has no (2014: £ NIL) contingent liabilities as at 31 December 2015.

24. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There are no notable events have occurred subsequent to the balance sheet date.

25. AUTHORISATION OF FINANCIALS STATEMENTS

The consolidated financial statements for the Year ended 31 December 2015 were approved and authorised for issue by the board of directors on 16 June 2016.

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