Mercantile Ports & Logistics Ltd - MPL

Released 07:00 13-Jun-2017

RNS Number : 8770H
Mercantile Ports & Logistics Ltd
13 June 2017

13 June, 2017

Mercantile Ports & Logistics Limited (the "Company" or "MPL")

Preliminary results for the year ended 31 December 2016

MPL, 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 2016.

The preliminary results are set out below. 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 - www.mercpl.com.

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Chairman's Statement

The year ended 31 December was important for the Company. In September 2016, we were pleased to announce the appointment of two additional directors; Lord Flight and Jay Mehta. Lord Flight's extensive PLC experience as well as his commercial understanding and relationships in India are a valuable addition to the Board. This, combined with Jay's significant operational experience, has strengthened the breadth of experience on our Board. We will aim to strengthen the board further during the course of the year as we move to the operational phase of the project.

In November 2016, we were successful in raising £36 million of equity funding, supported by both existing and new investors. During the year, the Company made progress on site across all work streams and, as at 31 December 2016, the Group had cash resources of £35.69 million with a subscription commitment of £3 million which was received in January. There was approximately £25 million still available for drawdown at the year-end under the Company's banking facilities. In addition, as part of the audit process, the Company was pleased that an impairment review has been performed and that the Value in Use of the port, once completed, has been calculated as being higher than the final expected cost of the completed port.

The Company has been pleased with progress although, as announced in the update of 13 March this year, the combination of temporarily reduced access to the site, due to deterioration of the road, together with undetected rock in the harbour basin during piling, meant that some delays have been experienced.

Project update

The Company's discussions with the contractor regarding the optimum configuration of the facility have continued to progress well. The completed port and logistics facility will consist of approximately 200 acres of reclaimed land, and six berths capable of handling 4000 DWT vessels with a draft of up to 5 meters. An optimised berth configuration will now include approximately 800 meters of quay length (200 meters more than envisaged at the time of Admission) by utilising both sides of a 400 meter jetty. Such a configuration will allow for 600 meters of waterfront (out of a total of 1000 meters) to be available for future expansion.

The Company is pleased to report that channel dredging is now complete and the turning circle and berth pockets are currently being dredged. Dredging work is being synchronised with the schedule of other streams and is progressing in line with management's expectations. Reclamation continues apace and circa 90 acres of land have now been reclaimed. This is sufficient reclaimed land to enable the facility to commence operations once the vital services and infrastructure have been installed. In addition, sufficient reclamation material for at least a further 10 acres of land is on site, with this material currently being used for the surcharging process.

MPL has laid 160 piles, which is sufficient for 250 meters of jetty. The Company intends to lay 240 piles in total. At the same time, the jetty deck slabs continue to be fabricated on site. A sufficient number to cover 150 meters of jetty have now been fabricated and these are expected to be laid on the jetty in the near term. Certain other work streams will continue throughout the monsoon season, which is due to commence in approximately three weeks. Reclamation will cease for the duration of the monsoon.

Along with the project's contractor, MPL's engineering team is managing the work to enable the facility to commence operation by end of 31st December 2017. MPL benefits from having an experienced in-house engineering team led by Mr K.V.Natrajan, one of India's most experienced marine civil engineers, with over 45 years' experience in port and harbour engineering and construction. Mr. Natrajan was the Chief Engineer of the JNPT, a World Bank aided project, while it was being constructed between 1984 to 1989. He was also the Chief Technical Expert for Adani Ports & SEZ following which he led the coal terminal construction for Jindal Steel as Managing Director. He has also been associated with other large port projects including for Birlas, Tata and the Reliance Group.

The Company was pleased to announce earlier this year two Memorandums of Understandings for customers wishing to use the facility and the Company's business development team, led by Mr Umesh Grover, who has over 43 years' experience in the industry, continues to gain traction with new customers. The Company expects to make further announcements in the coming weeks.

Mr. Grover spent 39 years with the Shipping Corporation of India (SCI) in various capacities including Chief Engineer on board SCI vessels, head of the container business and finally as a Director on the Board of SCI. He has also served as the head of various trade bodies including the Indian National Ship Owners Association (INSA) as CEO and the Container Freight Station Association of India (CFSAI) as its Secretary General. The Company has also appointed Captain Ashok Shrivastava as co-head of Marketing & Sales to assist with these efforts. Captain Shrivastava is a master mariner and joins the team with over 35 years of experience in the shipping industry and has been CEO of the shipping division of Allcargo Logistics, a major listed logistics company in India.

Conclusion

The Company has experienced the sort of minor interruptions to activity that often impact projects such as this in India. The cumulative effect of these minor and unforeseen interruptions is that management no longer expect the facility to be completed by the end of the year. However, depending on the length of the monsoon and other factors beyond its control, management is confident that two berths will be operational and the facility will be generating revenue by the end of the year.

The Directors believe that, once completed, the Facility will be well aligned with the Government of India's recently announced 'Sagarmala' policy initiative which seeks to promote coastal and in-land waterways movement of cargo. The initiative is aimed at reducing the carbon foot-print and bringing down logistical costs in India so as to be more in line with those of developed nations.

The macro opportunities in India remain as compelling as ever and the Directors believe that the Facility is perfectly positioned to benefit from these factors.

Nikhil Gandhi

Executive Chairman

Mercantile Ports & Logistics Limited

12th June, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
CONTINUING OPERATIONS			
Revenue		-	-
		-	-
Administrative Expenses	5	(2,409)	(2,214)
OPERATING LOSS		**(2,409)**	**(2,214)**
Finance Income	6	1,301	2,352
Finance Cost		-	-
NET FINANCING INCOME		**1,301**	**2,352**
(LOSS) / PROFIT BEFORE TAX		**(1,108)**	**138**
Tax expense for the year	7	(449)	(808)
LOSS FOR THE YEAR		**(1,557)**	**(670)**
(Loss)/profit for the year attributable to:			
Non-controlling interest		2	-
Owners of the parent		(1,559)	(670)
Loss for the year		**(1,557)**	**(670)**
Other Comprehensive Income / (expense):			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		9,697	348
Other comprehensive income/(expense) for the year		**9,697**	**348**
Total comprehensive income/(expense) for the year		**8,140**	**(322)**
Total comprehensive income/(expense) for the year attributable to:			
Non-controlling interest		2	-
Owners of the parent		8,138	(322)
		8,140	**(322)**
Earnings per share (consolidated):			
Basic & Diluted, for the year attributable to ordinary equity holders	9	(0.020)	(0.015)

The notes pages 18 to 41 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
Assets			
Property, plant and equipment	10	95,111	28,780
Total non-current assets		**95,111**	**28,780**
Trade and other receivables	11	19,079	15,832
Cash and cash equivalents	12	35,697	38,569
Total current assets		**54,776**	**54,401**
Total assets		**149,887**	**83,181**
Equity			
Share Premium	14	103,714	71,590
Retained earnings	14	2,905	4,464
Translation Reserve	14	(9,955)	(19,652)
Equity attributable to owners of parent		**96,664**	**56,402**
Non-controlling Interest		17	15
Total equity		**96,681**	**56,417**
Liabilities			
Non-current			
Borrowings	15	32,294	17,201
Non-current liabilities		**32,294**	**17,201**
Current			
Borrowings	15	33	27
Current tax liabilities	16	9,077	6,642
Trade and other payables	17	11,802	2,894
Current liabilities		**20,912**	**9,563**
Total liabilities		**53,206**	**26,764**
Total equity and liabilities		**149,887**	**83,181**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before tax		(1,108)	138
Non cash flow adjustments	19	3,764	(2,192)
Operating loss before working capital changes		**2,656**	**(2,054)**
Net changes in working capital	19	2,861	2,397
Net cash from operating activities		**5,517**	**343**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(58,555)	(13,222)
Finance Income		1,301	2,352
Net cash used in investing activities		**(57,254)**	**(10,870)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of Share Capital		29,124	-
Proceeds from new borrowing		15,099	7,807
Net cash from financing activities		**44,223**	**7,807**
Net change in cash and cash equivalents		**(7,514)**	**(2,720)**
Cash and cash equivalents, beginning of the year		38,569	41,041
Exchange differences on cash and cash equivalents		4,642	248
Cash and cash equivalents, end of the year		**35,697**	**38,569**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Premium	Translation Reserve	Retained Earnings	Non-controlling Interest	Total Equity
	£000	£000	£000	£000	£000
Balance at 1 January 2016	**71,590**	**(19,652)**	**4,464**	**15**	**56,417**
Issue of share capital	32,124	-	-	-	32,124
Transactions with owners	32,124	-	-	-	32,124
Loss for the year	-	-	(1,559)	2	(1,557)
Foreign currency translation differences for foreign operations	-	9,697	-	-	9,697
Total comprehensive income for the year	-	9,697	(1,559)	2	8,140
Balance at 31 December 2016	**103,714**	**(9,955)**	**2,905**	**17**	**96,681**

Balance at 1 January 2015	**71,590**	**(20,000)**	**5,134**	**15**	**56,739**
Issue of share capital	-	-	-	-	-
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Mercantile Ports & Logistics Limited formerly known as 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 Redwood House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA. It was listed on the Alternative Investment Market ('AIM') of the London Stock Exchange on 7 October 2010.

The consolidated financial statements of the Company 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 2016, 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 2016, the Group had 26 (Twenty-Six) [prior year 26 (Twenty-Six)] 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 continued the construction work at site. During the year, the Company was successful in a £36 million equity fundraise (of which £29 million was received in November 2016 and an additional £3 million in Q1 2017 being a total additional cash amount of £32 million, the rest was shares in lieu of operational expenses and share issue fees) after it became apparent that the optimum facility fit out required additional funding. The Directors believe 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. The Company is pleased to report that construction of the project is progressing and we expect the facility to become revenue generating by the end of 2017.

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.

(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 2016. 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) Ltd	Mercantile Ports & Logistics Limited	Cyprus	100.00	100.00
Karanja Terminal & Logistics Private Limited	Karanja Terminal & Logistics (Cyprus) Ltd	India	99.72	99.72

(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) Ltd (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 consolidated 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 consolidated 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 the 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 Consolidated 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. IFRS 16 should be applied for annual reporting beginning on or after 1st January, 2019. Implementation of this standard may have an impact on the financial statements of the Group and an assessment of the impact of this standard is being carried out. The Group is presently unable to quantity the potential impact until the assessment has been concluded. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

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.

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 2015 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) Ltd and Karanja Terminal & Logistics Private Limited, registered and operating in Cyprus and in India respectively. MPL 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 Sterling, the Board of directors has decided to keep Sterling 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. The board maintained the policy after the additional Equity Fundraise in November 2016.

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 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 until we have certainty on the tax position.

Impairment Review

At the end of each reporting period, the board is required to assess whether there is any indication that an asset may be impaired (i.e., it's carrying amount may be higher than its recoverable amount). As at 31 December the carrying value of the port which is still under construction is £94.93 Million. The Value in use has been calculated using the present value of the future cash flows expected to be derived from the port. As the port is still under construction this has included the costs to completion plus the anticipated revenues and expenses once the port becomes operational. The key assumptions behind the discounted cash flow as at 31 December 2016 are:

- Construction outflow of £60 Million to get the asset in a state to start generating income.
- Construction end date 31 March 2018.
- Commercial operation starts date, end of December 2017 - this is a partial commencement with full operations starting April 2018.
- Cashflow projection have been run until 2039. This is the length of the lease of the land.
- The revenue capacity is a product of the area available to store and stack containers and is a simple calculation of ground berths x 4 x 3-4 days per container.
- Inflation 4%.
- Utilisation rate at 25% 2017-2018 to 75% by 2020.
- Revenue based on current comparable market rates.
- The costs are set based on margins of 40-45%, based on margin of similar ports & CFS facilities.
- Discount Rate 13.2%

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 16 £000	Year ended 31 Dec 15 £000
Employee costs	306	290
Directors' fees	348	360
Operating lease rentals	188	175
Foreign exchange gains/loss	3	1
Deprecation	85	50
Other administration costs	1,479	1,338
	2,409	**2,214**

6. FINANCE INCOME

	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
Interest on demand deposits	1,297	2,314
Interest on bank deposits	4	38
	1,301	**2,352**

7. INCOME TAX

	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
(Loss) / Profit Before Tax	(1,108)	138
Applicable tax rate in India*	34.61%	34.45%
Expected tax expense	**(384)**	**47**
Adjustment for non-deductible losses of MPL & Cyprus entity against income from India	339	295
Adjustment for non-deductible expenses	494	466
Actual tax expense	**449**	**808**

*Considering that the Group's operations are presently based in India, the effective tax rate of the Group of 34.61% (prior year 34.45%) 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 £0.44 million (prior year £0.80 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.

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 16 £000	Year ended 31 Dec 15 £000
Audit Fees		
Interim	11	10
Annual	75	65
Site Visit Fees	9	8
	95	**83**

A fee of £45,000 was charged for financial advisory services performed by Grant Thornton UK LLP during the year (2015: Nil). Subsidiary Audit Fees during the year amount to £3,000 (2015: £3,000), auditors of subsidiary companies are other than Grant Thornton UK LLP. Audit fees related to prior year overruns during the year amount to £10,000 (2015: Nil).

9. EARNINGS PER SHARE

Both basic and diluted earnings per share for the year ended 31 December 2016 have been calculated using the loss attributable to equity holders of the Group of £1.56 million {prior year loss of £0.67 million}.

	Year ended 31 Dec 16	Year ended 31 Dec 15
Loss attributable to equity holders of the parent	£(1,559,050)	£(670,000)
Weighted average number of shares used in basic and diluted earnings per share	78,467,548	44,000,000
EARNINGS PER SHARE		
Basic and Diluted earnings per share	(0.020)	(0.015)

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 2016	**22**	**26**	**21**	**237**	**28,570**	**28,876**
Net Exchange Difference	4	5	4	42	5,024	5,079
Additions	7	5	-	-	61,342	61,354
Balance 31 Dec 2016	**33**	**36**	**25**	**279**	**94,936**	**95,309**
Depreciation						
Balance 1 Jan 2016	(14)	(11)	(7)	(64)	-	(96)
Net Exchange Difference	(2)	(2)	(1)	(12)	-	(17)
Charge for the year	(7)	(5)	(4)	(69)	-	(85)
Balance 31 Dec 2016	(23)	(18)	(12)	(145)	-	(198)
Carrying amount 31 Dec 2016	**10**	**18**	**13**	**134**	**94,936**	**95,111**

	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**

The net exchange difference on the Group's property, plant and equipment's carrying amount is a gain of £5.06 million (prior year gain of £0.10 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 16 £000	Year ended 31 Dec 15 £000
Vehicles	134	173
	134	**173**

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 (£57.51 million) (2015 INR 480 crore (£48.91))] for part financing the build out of the facility.

The borrowing costs 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 £3.93 million (prior year £1.70 million).

The Indian subsidiary has a contractual commitment of INR 1047.98 Crore (£125.5 million) towards construction of the port facility. As of 31st Dec. 2016, the contractual amount (net of advances) of INR 313.08 Crore (£37.51 million) is still payable. There were no other material contractual commitments.

11. TRADE AND OTHER RECEIVABLES

	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
Deposits	2,226	1,749
Advances	16,743	13,918
Debtors		
- Related Party	72	142
- Prepayment	38	23
	19,079	**15,832**

Advances include payment to EPC contractor of £16.70 million (prior year £13.25 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 16 £000	Year ended 31 Dec 15 £000
Cash at bank and in hand	25,977	1,503
Deposits	9,720	37,066
	35,697	**38,569**

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 £35.69 million (prior year £38.56 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 MPL is Sterling (£). The functional currency of its subsidiary Karanja Terminal & Logistics Private Limited (KTLPL) is INR and the functional currency of Karanja Terminal & Logistics (Cyprus) Ltd 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. As stated under note 3 - Functional currency - with new equity in Guernsey the board has decided to monitor the forex exposure of UK Sterling against INR. A strategy is in place with the option to use a forward contract on large payment if deemed commercial 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.

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 850.13 million (£10.18 million) as on reporting date [prior year INR 3,647 million (£37.16 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 2016**	**31 Dec 2015**
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 2016	1,018	(1,018)
31 December 2015	3,716	(3,716)

If the functional currency (£) had weakened with respect to foreign currency (INR) by the percentages mentioned above, for year ended 31 December 2016 then the effect will be change in profit and equity for the year by £1.01 million (prior period £3.71 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 a rupee term loan of INR 480 crore (£57.51 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 375 basis points (2015: 355 bp). The present composite rate of interest is 13.20% (2015: 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 2016, 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% (2015: +/- 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	(20)	20	(13)	13
31 December 2024	(110)	110	(72)	72
31 December 2023	(200)	200	(131)	131
31 December 2022	(290)	290	(190)	190
31 December 2021	(380)	380	(248)	248
31 December 2020	(450)	450	(294)	294
31 December 2019	(510)	510	(333)	333
31 December 2018	(540)	540	(353)	353
31 December 2017	(130)	130	(85)	85

(b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group's maximum exposure (£10.18 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. KTLPL has tied-up rupee term loan of INR 480 crore (£57.51 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 2016, 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	-	-	50	5,952
1 to 5 year's	182	21,855	217	26,040
After 5 year's	298	35,658	69	8,294
Total	**480**	**57,513**	**336**	**40,286**

The present composite rate of interest of 13.20% and closing exchange rate has been considered for the above analysis. Principal and Interest Payments are after considering future drawdowns of term loans.

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	(Carried at amortised cost) Year ended 31 Dec 16	Year ended 31 Dec 15
		£000	**£000**
Financial Assets			
Cash and Equivalents	2		
Cash and Equivalents	12	35,697	38,569
Trade and Other Receivables	11	19,079	15,832
		54,776	**54,401**
Financial Liability			
Borrowings	15	32,327	17,228
Trade and other payables	17	11,802	2,894
		44,129	**20,122**

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

Particulars	**Year ended 31 Dec 16**	**Year ended 31 Dec 15**
Shares issues and fully paid:		
Beginning of the year	44,000,000	44,000,000
Addition in the year	340,017,669	-
Closing number of shares	**384,017,699**	**44,000,000**

The share premium amount to £103.71 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.

Detailed breakup of shares issued during November 2016 are as follows:

Value of shares issued during November 2016	
(340,017,669 shares @10 pence per share)	34,001,770
Share issue cost	(1,878,059)
Share Premium (net of share issue cost)	**32,123,711**

On 31 October 2016 the Company entered into the NG Subscription Agreement with, amongst others, Nikhil Gandhi and SKIL Global, pursuant to which, subject to the Resolutions being duly passed, Nikhil Gandhi agreed to subscribe for the NG Subscription Shares at the Offer Price (10p per a share) equal to an aggregate subscription amount of £3.0 million. Mr. Gandhi agreed to complete the subscription by 15 January 2017 and, as such, the Company will utilise the £3.0 million received by Mr. Gandhi to fund the continued construction of the Facility in accordance with the planned timetable.

ITD, the main contractor was provided £3.0 million in shares in lieu of services. Professional advisors involved in the equity issue had £1.9 million in costs paid for in shares or money held back from the share issue.

14.2 Other Components of Equity

Retained Earnings

Retained earnings of £2.90 million (prior year £4.46 million) include all current year retained profits.

Translation Reserve

The translation reserve of £9.95 million (prior year £19.65 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 Sterling.

15. BORROWINGS

Borrowings consist of the following:

	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
Current		
Vehicle loan	33	27
	33	**27**
Non-Current		
Bank loan	32,215	17,106
Vehicle loan	79	95
	32,294	**17,201**

Borrowing

Karanja Terminal & Logistics Private Limited (KTLPL), the Indian subsidiary has successfully agreed a Rupee term loan of INR 480 crore (£57.51 million) for part financing the port facility. The Rupee term loan has been sanctioned by four 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:

Payment falling due	Repayment amount	
	INR in Crore	**£000**
Within 1 year	-	-
1 to 5 year's	182	21,855
After 5 year's	298	35,658
Total	**480**	**57,513**

The rate of interest will be a floating rate linked to the Canara bank base rate with an additional spread of 375 basis points. The present composite rate of interest is 13.20%. 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 268.87 crore (£32.22 million) {prior year INR 167.87 crore (£17.10 million)} as of the reporting date.

16. CURRENT TAX LIABILITIES

Current tax liabilities consist of the following:

	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
Duties & taxes	1,492	607
Provision for Income Tax	7,585	6,035
Current tax liabilities	**9,077**	**6,642**

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

	£000
Carrying amount 1 January 2016	6,035
Additional Provisions	1,550
Carrying amount 31 December 2016	**7,585**

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 16 £000	Year ended 31 Dec 15 £000
Current		
Sundry creditors	11,510	2,767
Other payables	292	127
	11,802	**2,894**

18. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements 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 (MPL): Karanja Terminal & Logistics (Cyprus) Ltd	Cyprus	Holding Company	100%	Ordinary
HELD BY Karanja Terminal & Logistics (Cyprus) Ltd: Karanja Terminal & Logistics Pvt. Ltd	India	Operating Company -Terminal Project	99.72%	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 3.31% of issued share capital as on 31 December 2016 (as on 31 December 2015 - 28.91%) of Mercantile Ports & Logistics Limited. Nikhil Gandhi had agreed to acquire additional shares of £3 million of MPL, and this was transferred to the bank accounts of Karanja Terminal & Logistics Pvt. Ltd., in January 2017.
- Pavan Bakhshi holds 0.36% of issued share capital as on 31 December 2016 (as on 31 December 2015 - 2%) of Mercantile Ports & Logistics Limited at the year end.
- Peter Jones holds 0.05% of issued share capital as on 31 December 2016 (as on 31 December 2015 - 0.02%) of Mercantile Ports & Logistics Limited at the year end.
- James Sutcliffe holds 0.002% of issued share capital as on 31 December 2016 (as on 31 December 2015 - 0.02%) of Mercantile Ports & Logistics Limited at the year end.
- Lord Howard Flight holds 0.26% of issued share capital as on 31 December 2016 (as on 31 December 2015 - Nil) of Mercantile 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
- Lord Howard Flight - Appointed 8 September 2016

Chief Executive Officer and Key Managers

- Mr. Nikhil Gandhi (Chairman)
- Mr. Pavan Bakhshi (Managing Director)
- Mr. Jay Mehta (Director, Appointed on 8 September 2016)

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 2016:

	Nature of transaction	**Year ended 31 Dec 16 £000**	**Year ended 31 Dec 15 £000**
Athos Hq Group Bus. Ser. Cy Ltd	Administrative fees	**10**	10
Grevek Investment & Finance P. Ltd	Interest income	-	87
JPT Securities Limited	Interest income	-	2
KLG Capital Services Limited	Interest income	-	3
		10	**102**

The following table provides the total amount outstanding with related parties as at year ended 31 December 2016:

Transactions with shareholder having significant influence

SKIL Global Ports & Logistics Limited - Receivable amount:

	Nature of transaction	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
Debtors	Advances	72	72
		72	**72**

Transactions with Key Managerial Personnel of the parent

Nikhil Gandhi - Receivable amount:

	Nature of transaction	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
Debtors	Advances	**-**	70
		-	
		-	**70**

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 16 £000	Year ended 31 Dec 15 £000
Directors' fees		
- Peter Jones	45	45
- James Sutcliffe	40	40
- Lord Flight	12	-
- Sunil Tandon	-	46
	97	**131**
Short-term employee benefits		
- Pavan Bakhshi	175	175
- Jay Mehta	76	-
	251	**175**
Total compensation paid to Key Managerial Personnel	**348**	**306**

Compensation to Key Managerial Personnel of the subsidiaries

	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
Directors' fees		
KTLPL - India	77	53
KTLCL - Cyprus	2	3
	79	**56**

Corporate Deposits

As at 31 December 2016, the Group had Nil (prior year £0.98 million) as demand deposits with related parties.

	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
Grevek Investment & Finance Pvt Ltd	-	986
	-	**986**

Sundry Creditors

As at 31 December 2016, the Group had £0.05 million (prior year Nil) as sundry creditors with related parties.

	Year ended 31 Dec 16 £000	Year ended 31 Dec 15 £000
Grevek Investment & Finance Pvt Ltd	50	-
	50	**-**

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 16 £000	Year ended 31 Dec 15 £000
Non-cash flow adjustments		
Depreciation	85	50
FX movement on depreciation	(8)	-
Finance Income	(1,301)	(2,352)
Tax Expenses	(449)	(808)
Movement in Share Capital (due to share issued in lieu of services)	3,000	-
Increase in Non-Controlling Interest	2	-
Change in Current Tax Liabilities	2,435	918
	3,764	**(2,192)**
Change in trade & other payables	8,743	1,890
Change in borrowings	164	19
Change in trade & other receivables	(6,046)	488
	2,861	**2,397**

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

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 2016, the net carrying amount of the vehicles is £ 0.11 million (2015: £ 0.17 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 2016				
Lease payments	42	90	-	132
Finance charges	(10)	(11)	-	(21)
Net present values	**32**	**79**	**-**	**111**
31 December 2015				
Lease payments	38	112	-	150
Finance charges	(11)	(17)	-	(28)
Net present values	**27**	**95**	**-**	**122**

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 future minimum lease payments are as follows:

Payments falling due	**Future minimum lease payments outstanding on 31 Dec 16 £000**	**Future minimum lease payments outstanding on 31 Dec 15 £000**
Within 1 year	205	174
1 to 5 years	819	696
After 5 years	3,602	3,238
Total	**4,626**	**4,108**

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 (2015: £ NIL) contingent liabilities as at 31 December 2016.

24. EVENTS SUBSEQUENT TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATE

As at 19th April 2017, the company has incorporated a new 100% owned subsidiary of Mercantile Ports and Logistics Limited in the Netherlands the new entity is Mercantile Ports (Netherlands) BV and has been established to replace Karanja Terminal & Logistics (Cyprus) Ltd as part of a restructuring.

25. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the Year ended 31 December 2016 were approved and authorised for issue by the board of directors on 12th June 2017.

END