

**SKIL Ports and Logistics Limited**  
**("SPL" or the "Company")**

**Final audited results for the period ended 31 December 2013**

The Company is pleased to announce its final audited results for the period ended 31 December 2013.

## **Chairman's Statement**

2013 was a year of significant progress for the Company, with the appointment of ITD Cementation as the lead EPC contractor in building out our facility, the Ground Breaking ceremony and the mobilisation of the construction workforce. Since the period end, preparatory ground works to ensure timely project completion have been executed and will enable the contractor to focus on laying the foundation for the first approach trestle. Other parts of the process are progressing in line with management's expectations. Every quarter will see progress being made on the three key areas for building our port, including dredging, reclamation and piling. By the end of the year we are expected to have placed approximately 275 piles. We continue to expect to have a revenue generating facility in operation by the end of 2015 with revenue from partial commencement of the logistics facilities expected to be produced by the end of 2014.

As we draw closer to opening the facility, the Board will continue to ensure that it has the optimum skill set and experience on the Board and, with this in mind, are seeking to strengthen the Board with candidates who have relevant experience in the development and running of infrastructure assets in India.

We have continued with the marketing of the facility by adding additional resource in this area and expect to make further announcements in this regard. The interest we continue to receive validates the Board's view that there is pent up demand for a facility like ours in the region. The business case for building a port and logistics facility in India is as strong, if not stronger, today as it was at the time of the Company's IPO in 2010. Turnaround times are still extremely slow and capacity constraints and other bottlenecks are a frequent complaint from end users. Our facility is centrally located in the most vibrant of places; Navi Mumbai will act as a gateway to a number of land locked states as well as a central point for trans-shipment and logistics handling.

I was also pleased to announce in April, the closure of a syndicated debt facility of Rs 480 crores (GBP 47.13 million). This was achieved against a backdrop of significant credit tightening and is testament to the attractive business case that this development presents.

The Group's cash and cash equivalents at 31 December 2013 were £45.8 million. I and my team remain optimistic about India as an attractive country to make investments and remain totally committed to seeing our Company deliver a revenue generating port and logistics facility by the end of 2015. As the Company's largest shareholder, I am determined to build real shareholder value. We are now in the exciting phase of our Company's development and I look forward to sharing our progress with all of our stakeholders over the coming months.

**Nikhil Gandhi**

**Chairman**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
<b>CONTINUING OPERATIONS</b>			
Revenue		-	-
		-	-
Administrative Expenses	5	(1,921)	(1,118)
<b>OPERATING LOSS</b>		<b>(1,921)</b>	<b>(1,118)</b>
Finance Income	6	4,321	5,114
Finance Cost		-	-
<b>NET FINANCING INCOME</b>		<b>4,321</b>	<b>5,114</b>
<b>PROFIT BEFORE TAX</b>		<b>2,400</b>	<b>3,996</b>
Tax expense for the year	7	(1,399)	(1,982)
<b>PROFIT FOR THE YEAR</b>		<b>1,001</b>	<b>2,014</b>
<b>Profit for the year attributable to:</b>			
Non-controlling interest		5	8
Owners of the parent		996	2,006
<b>Profit for the year</b>		<b>1,001</b>	<b>2,014</b>
<b>Other Comprehensive Income / (expense):</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>		-	-
<b>Items that will be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations		(7,941)	(1,876)
<b>Other comprehensive income/(expense) for the year</b>		<b>(7,941)</b>	<b>(1,876)</b>
<b>Total comprehensive income/(expense) for the year</b>		<b>(6,940)</b>	<b>138</b>
<b>Total comprehensive income/(expense) for the year attributable to:</b>			
Non-controlling interest		5	8
Owners of the parent		(6,945)	130
		<b>(6,940)</b>	<b>138</b>
<b>Earnings per share (consolidated):</b>			
Basic & Diluted, for the year attributable to ordinary equity holders (pence)	9	0.023	0.046

The notes form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2013**

	Notes	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
<b>Assets</b>			
Property, plant and equipment	10	6,463	1,951
<b>Total non-current assets</b>		<b>6,463</b>	<b>1,951</b>
Trade and other receivables	11	10,273	363
Cash and cash equivalents	12	45,796	64,180
<b>Total current assets</b>		<b>56,069</b>	<b>64,543</b>
<b>Total assets</b>		<b>62,532</b>	<b>66,494</b>
<b>Equity</b>			
Share Premium	14	71,590	71,590
Retained earnings	14	5,269	4,273
Translation Reserve	14	(21,641)	(13,700)
<b>Equity attributable to owners of parent</b>		<b>55,218</b>	<b>62,163</b>
Non-controlling Interest		13	8
<b>Total equity</b>		<b>55,231</b>	<b>62,171</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Borrowings	15	53	64
<b>Non-current Liabilities</b>		<b>53</b>	<b>64</b>
<b>Current</b>			
Current tax liabilities	16	4,516	3,435
Trade and other payables	15	2,732	824
<b>Current liabilities</b>		<b>7,248</b>	<b>4,259</b>
<b>Total liabilities</b>		<b>7,301</b>	<b>4,323</b>
<b>Total equity and liabilities</b>		<b>62,532</b>	<b>66,494</b>

The notes form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit Before Tax		2,400	3,996
Non cash flow adjustments	18	(4,616)	(5,105)
Operating profit before working capital changes		<b>(2,216)</b>	<b>(1,109)</b>
Net changes in working capital		(8,013)	450
<b>Net cash used in operating activities</b>		<b>(10,229)</b>	<b>(659)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(4,801)	(1,632)
Proceeds from disposals of property, plant and equipment		15	-
Finance Income		4,321	5,114
<b>Net cash from investing activities</b>		<b>(465)</b>	<b>3,482</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of share capital (net of issue cost)		-	-
<b>Net cash from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>		<b>(10,694)</b>	<b>2,823</b>
Cash and cash equivalents, beginning of the year		64,180	63,447
Exchange differences on cash and cash equivalents		(7,690)	(2,090)
<b>Cash and cash equivalents, end of the year</b>		<b>45,796</b>	<b>64,180</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

	Share Premium	Translation Reserve	Retained Earnings	Non- controlling Interest	Total Equity
	£000	£000	£000	£000	£000
<b>Balance at 1 January 2013</b>	71,590	(13,700)	4,273	8	62,171
Share capital adjustment	-	-	-	-	-
Transactions with owners	-	-	-	-	-
Profit for the year	-	-	996	5	1,001
Foreign currency translation differences for foreign operations	-	(7,941)	-	-	(7,941)
Total comprehensive income for the year	-	(7,941)	996	5	(6,940)
<b>Balance at 31 December 2013</b>	<b>71,590</b>	<b>(21,641)</b>	<b>5,269</b>	<b>13</b>	<b>55,231</b>
<b>Balance at 1 January 2012</b>	<b>71,596</b>	<b>(11,824)</b>	<b>2,267</b>	<b>-</b>	<b>62,039</b>
Share capital adjustment	(6)	-	-	-	(6)
Transactions with owners	(6)	-	-	-	(6)
Profit for the year	-	-	2,006	8	2,014
Foreign currency translation differences for foreign operations	-	(1,876)	-	-	(1,876)
Total comprehensive income for the year	-	(1,876)	2,006	8	138
<b>Balance at 31 December 2012</b>	<b>71,590</b>	<b>(13,700)</b>	<b>4,273</b>	<b>8</b>	<b>62,171</b>

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 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 2013, and are presented in UK Sterling (GBP).

The principal activities of the Group are to develop, own and operate port and logistics facilities. As of 31 December 2013, the Group had 10 (Ten) [prior year 9 (Nine)] 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.

#### (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 2013. 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:

<b>Subsidiary</b>	<b>Immediate Parent</b>	<b>Country of Incorporation</b>	<b>% Voting Rights</b>	<b>% Economic Interest</b>
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 (GBP), 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 GBP are translated into GBP upon consolidation.

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

<b>Assets</b>	<b>Estimated Life of assets</b>
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 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 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 receivable for advances. These advances are measured initially at fair value and subsequently at amortised cost using 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. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 January 2014 are:

- IFRS 9 Financial Instruments (effective 1 January 2015)

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The Group's management have yet to assess the impact of this new standard on the Group's consolidated financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through profit or loss.

- IAS 10 Events after the Reporting Period (effective 1 January 2015)

Management does not anticipate a material impact on the Group's consolidated 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 in the next 24 months and hence are not dilutive.

The Board is not accounting for the warrants that were granted to the Founders Shareholders and to Cenkos Securities PLC (Nominated Adviser) at the time of IPO as they are so significantly out of the money and the chance of them being exercised within the next 12 to 24 months period is almost zero. The Board will continue to assess the treatment of these outstanding warrants on a six monthly basis.

### **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 GBP, the Board of directors has decided to keep GBP 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 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.

## **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 13	Year ended 31 Dec 12
	£000	£000
Employee costs	75	42
Traveling expenses	292	345
Professional fees	207	278
Directors' fees	323	323
Communication charges	20	29

Operating lease rentals	820	-
Other borrowing costs	75	-
Foreign exchange gains/loss	-	-
Other administration costs	86	92
Depreciation	23	9
	<b>1,921</b>	<b>1,118</b>

## 6. FINANCE INCOME

	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
Interest on demand deposits	4,312	5,087
Interest on bank deposits	9	27
	<b>4,321</b>	<b>5,114</b>

## 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 13 £000	Year ended 31 Dec 12 £000
Profit Before Tax	2,400	3,996
Applicable tax rate in India*	32.45%	32.45%
Expected tax expense	<b>779</b>	<b>1,297</b>
Adjustment for non-deductible losses of SPL & Cyprus entity against income from India	238	268
Adjustment for non-deductible expenses	382	93
Short provision in previous year	-	324
<b>Actual tax expense</b>	<b>1,399</b>	<b>1,982</b>

\*Considering that the Group's operations are presently based in India, the effective tax rate of the Group of 32.45% (previous 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 £1,399,000 (prior year £1,982,000) 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 2013.

## 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 13 £000	Year ended 31 Dec 12 £000
<b>Audit Fees</b>		
Interim	9	17
Annual	55	45
Subsidiary Audit Fees	2	2
Prior Year Overruns	4	17
	<b>70</b>	<b>81</b>

## 9. EARNINGS PER SHARE

Both basic and diluted earnings per share for the year ended 31 December 2013 have been calculated using the profit attributable to equity holders of the Group of £ 996,000 (previous year £ 2,006,000).

	Year ended 31 Dec 13	Year ended 31 Dec 12
Profit attributable to equity holders of the parent	£ 996,000	£ 2,006,000
Weighted average number of shares used in basic & diluted earnings per share	44,000,000	44,000,000
<b>EARNINGS PER SHARE</b>	<b>Pence</b>	<b>Pence</b>
Basic & Diluted earnings per share	0.023	0.046

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
<b>Gross carrying amount</b>						
Balance 1 Jan 2013	10	17	9	47	1,881	1,964
Net Exchange Difference	(1)	(2)	(1)	(6)	(250)	(260)
Disposal	-	-	-	(15)	-	(15)
Additions	1	1	-	18	4,781	4,801
<b>Balance 31 Dec 2013</b>	<b>10</b>	<b>16</b>	<b>8</b>	<b>44</b>	<b>6,412</b>	<b>6,490</b>
<b>Depreciation</b>						
Balance 1 Jan 2013	(4)	(3)	(2)	(4)	-	(13)
Net Exchange Difference	1	-	-	1	-	2
Charge for the year	(4)	(2)	(1)	(14)	-	(21)
Disposal	-	-	-	5	-	5
<b>Balance 31 Dec 2013</b>	<b>(7)</b>	<b>(5)</b>	<b>(3)</b>	<b>(12)</b>	<b>-</b>	<b>(27)</b>
<b>Carrying amount 31 Dec 2013</b>	<b>3</b>	<b>11</b>	<b>5</b>	<b>32</b>	<b>6,412</b>	<b>6,463</b>

	Computers	Office Equipment	Furniture	Vehicles	Capital Work In Progress	Total
	£000	£000	£000	£000	£000	£000
<b>Gross carrying amount</b>						
Balance 1 Jan 2012	6	11	9	-	306	332
Net Exchange Difference	-	-	-	-	-	-
Additions	4	6	-	47	1,575	1,632
<b>Balance 31 Dec 2012</b>	<b>10</b>	<b>17</b>	<b>9</b>	<b>47</b>	<b>1,881</b>	<b>1,964</b>
<b>Depreciation</b>						
Balance 1 Jan 2012	(2)	(1)	(1)	-	-	(4)
Net Exchange Difference	-	-	-	-	-	-
Charge for the year	(2)	(2)	(1)	(4)	-	(9)
<b>Balance 31 Dec 2012</b>	<b>(4)</b>	<b>(3)</b>	<b>(2)</b>	<b>(4)</b>	<b>-</b>	<b>(13)</b>
<b>Carrying amount 31 Dec 2012</b>	<b>6</b>	<b>14</b>	<b>7</b>	<b>43</b>	<b>1,881</b>	<b>1,951</b>

The net exchange difference on Group's property, plant and equipment's carrying amount is GBP 260,000 (prior year GBP NIL). The net exchange difference on Group's property, plant and equipment carrying amount is on the account of the foreign exchange movement. Since the foreign exchange movement was minimal in the previous year, with lower carrying amount of Group's property, plant and equipment, the net exchange difference was insignificant and was not provided in the previous year.

#### 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 is as follows:

	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
Vehicles	31	47
	<b>31</b>	<b>47</b>

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 (GBP 47.13 million)] for part financing the build out of the facility.

The Indian subsidiary has a contractual commitment of INR 800.74 crore (GBP 78.62 million) towards construction of the port facility over a scheduled construction period of 26 months (ground work commenced in September 2013 and expected completion date on November 2015). There were no other material contractual commitments.

#### 11. TRADE AND OTHER RECEIVABLES

	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
Deposits	262	298
Advances	9,940	-
Debtors		
- Related Party	47	35
- Prepayment	24	24
- Other	-	6
	<b>10,273</b>	<b>363</b>

Advances include payment to EPC contractor of GBP 9,916,154 towards mobilisation advances. 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 13 £000	Year ended 31 Dec 12 £000
Cash at bank and in hand	2,899	3,868
Deposits	42,897	60,312
	<b>45,796</b>	<b>64,180</b>

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 £45,796,000 (prior year £64,180,000).

## 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 (GBP). The functional currency of SPL is GBP. 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 Indian entity of INR 4,370 million (£45.80 million) as on reporting date [prior period INR 5,336 million (£64.18 million)]. In computing the below sensitivity analysis, the management has assumed the following % movement between foreign currency (INR) and the underlying functional currency (GBP):

Functional Currency (GBP)	31 Dec 2013	31 Dec 2012
INR	+/- 10%	+/- 10%

The following table details 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	GBP (depreciation by 10%) £000	GBP (appreciation by 10%) £000
31 December 2013	4,580	(4,580)
31 December 2012	6,418	(6,418)

If the functional currency (GBP) had weakened with respect to foreign currency (INR) by the percentages mentioned above, for year ended 31 December 2013 then the effect will be change in profit and equity for the year by GBP 4,580,000 (prior period GBP 6,418,000). 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 fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

KTLPL has successfully tied-up rupee term loan of INR 480 crore (GBP 47.13 million) for part financing the build out of its facility. However, the company has not commenced the drawdown of its sanctioned bank borrowing as of the reporting date. The rate of interest 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.

#### (b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group's maximum exposure (GBP 42.87 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 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 (GBP 47.13 million) for financing the build out of its facility. The company has not utilised its sanctioned bank borrowing until the reporting date.

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 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. 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 ratios against internal requirements and maintaining debt financing plans.

## 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.

<b>Loans and Receivables (Carried at amortised cost)</b>			
	<b>Note</b>	<b>Year ended 31 Dec 13</b>	<b>Year ended 31 Dec 12</b>
		<b>£000</b>	<b>£000</b>
<b>Financial Assets</b>			
Cash and Equivalents	12	45,796	64,180
Trade and Other Receivable	11	10,273	363
		<b>56,069</b>	<b>64,543</b>
<b>Financial Liability</b>			
Trade and other payables	15		
Non-Current		53	64
Current		2,732	824
		<b>2,785</b>	<b>888</b>

The fair value of

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 13	Year ended 31 Dec 12
Shares issues and fully paid:		
Beginning of the year	44,000,000	44,000,000
<b>Closing number of shares</b>	<b>44,000,000</b>	<b>44,000,000</b>

The share premium amount to £71,590,000 (prior year £71,590,000) 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 £5,269,000 (prior year £4,273,000) include all current year retained profits.

#### *Translation Reserve*

The translation reserve of £21,641,000 (prior year £13,700,000) 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 GBP.

## 15. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
<b>Current</b>		
Sundry creditors	2,725	816
Borrowings	7	8
<b>Current Liabilities</b>	<b>2,732</b>	<b>824</b>
<b>Non-Current</b>		
Borrowings	53	64
	<b>53</b>	<b>64</b>

## 16. CURRENT TAX LIABILITIES

Current tax liabilities consist of the following:

Name	Country of Incorporation	Field Activity	Ownership Interest	Type of share Held
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	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
Duties & taxes	327	58
Provision for Income Tax	4,189	3,377
<b>Current tax liabilities</b>	<b>4,516</b>	<b>3,435</b>

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

	£000
Carrying amount 1 January 2013	3,378
Additional Provisions	811
<b>Carrying amount 31 December 2013</b>	<b>4,189</b>

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. RELATED PARTY TRANSACTIONS

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

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**HELD BY The Company (SPL):**

Karanja Terminal & Logistics (Cyprus) Limited	Cyprus	Holding Company	100%	Ordinary
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**HELD BY Karanja Terminal & Logistics (Cyprus) Limited:**

Karanja Terminal & Logistics Pvt. Ltd	India	Operating Company - Terminal Project	99.71%	Ordinary
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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

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. Umesh Grover (resigned on 16 September 2013)
- Mr. Nikhil Gandhi (appointed on 13 March 2014)  
(Mr. Nikhil Gandhi is Chairman)

**Directors of KTLCL (Cyprus)**

- Mr. Pavan Bakhshi
- CL Directors Limited
- Ms. Andria Andreou

#### 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
- Grevek Investment & Finance Private Limited
- Carey Commercial (Cyprus) Limited

#### e) Transaction with related parties

The following transactions took place between the Group and related parties during the year ended 31 December 2013:

	Nature of transaction	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
Grevek Investment & Finance Pvt Ltd	Interest income	27	58
JPT Securities Limited	Interest income	-	11
Carey Commercial (Cyprus) Ltd	Administrative fees	2	2
		<u>29</u>	<u>71</u>

The following table provides the total amount outstanding with related parties as at year ended 31 December 2013

Carey Commercial (Cyprus) Limited – Creditor:

	Nature of transaction	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
Creditor	Administrative services	1	1
		<u>1</u>	<u>1</u>

SKIL Infrastructure Limited – Loan taken:

	Nature of transaction	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
Loan	Loan taken	35	41
		<u>35</u>	<u>41</u>

### Transactions with shareholder having significant influence

SKIL Global Ports & Logistics Limited – Receivable amount:

	Nature of transaction	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
	Debtors	Advances	
		47	35
		<b>47</b>	<b>35</b>

### Transactions with subsidiary

None

### Transactions with Key Managerial Personnel of the parent

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 13 £000	Year ended 31 Dec 12 £000
<b>Directors' fees</b>		
– Peter Jones	45	45
– James Sutcliffe	40	40
	<b>85</b>	<b>85</b>
<b>Short-term employee benefits</b>		
– Pavan Bakhshi	175	175
	<b>175</b>	<b>175</b>
<b>Total compensation paid to Key Managerial Personnel</b>	<b>260</b>	<b>260</b>

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 in note 3, the Board of Directors believes that under the current situation, these founder warrants will not be exercised in the next 24 months 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, the Board of Directors believes that under the current situation, these warrants will not be exercised in the next 24 months 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 13 £000	Year ended 31 Dec 12 £000
<b>Directors’ fees</b>		
KTLPL - India	60	60
KTLCL - Cyprus	3	3
	<b>63</b>	<b>63</b>

### Corporate Deposits

As at 31 December 2013, the Group had GBP 952,000 (previous year GBP 3,008,000) as demand deposits with related parties.

	Year ended 31 Dec 13 £000	Year ended 31 Dec 12 £000
Grevek Investment & Finance Pvt Ltd	682	2,698
KLG Capital Services Ltd	115	132
JPT Securities Limited	155	178
	<b>952</b>	<b>3,008</b>

### 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 2013, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2012: GBP 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.

## 18. 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 13 £000	Year ended 31 Dec 12 £000
<b>Non cash flow adjustments</b>		
Depreciation	23	9
Finance Income	(4,321)	(5,114)
Tax Expenses	(1,399)	-
Change In Current Tax Liabilities	1,081	-
	<b>(4,616)</b>	<b>(5,105)</b>
<b>Net changes in working capital</b>		
Change in trade & other payables	1,908	685
Change in borrowings	(10)	64
Change in trade & other receivables	(9,911)	(299)
	<b>(8,013)</b>	<b>450</b>

## 19. 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, however it has not yet 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.

## 20. 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 2013 £000	Future minimum lease payments outstanding on 31 Dec 2012 £000
Within 1 year	168	193
1 to 5 year's	671	967
After 5 year's	3,455	4,255
<b>Total</b>	<b>4,294</b>	<b>5,415</b>

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

## 21. CONTINGENT LIABILITIES AND COMMITMENTS

The group has no (2012: GBP NIL) contingent liabilities as at 31 December 2013.

## **22. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

The following notable events have occurred subsequent to the balance sheet date:

KTLPL, the Indian Subsidiary has successfully tied-up rupee term loan of INR 480 crore (GBP 47.13 million) for part financing the build out of its facility. The rupee term loan has been sanctioned by 4 Indian public sector banks.

The group has not commenced utilisation of the sanctioned bank borrowing as of the reporting date. The company plans to utilise the borrowed funds in a phased manner.

## **23. AUTHORISATION OF FINANCIALS STATEMENTS**

The consolidated financial statements for the Year ended 31 December 2013 were approved and authorised for issue by the board of directors on 29<sup>th</sup> May 2014.