RNS Number : 2503C
Mercantile Ports & Logistics Ltd
28 September 2018

**The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.**

28 September 2018

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

### Interim results for the period ended 30 June 2018

Mercantile Ports & Logistics Limited (AIM: MPL) is pleased to announce its interim results for the period ended 30 June 2018, as it develops its modern port and logistics facility in Mumbai, India, which when completed will consist of approximately 200 acres of reclaimed land.

**Enquiries:**


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### Chairman's Statement

The first half of 2018 saw progress made at MPL with the facility now physically ready to receive vessels, and we were delighted to receive an extension to our lease to beyond 2060. However, there was also frustration as the customs' approval process, which is necessary to enable the facility to operate, has taken longer than anticipated.

## Custom Clearance

The Company is pleased to report that all approvals have been received and that this has been the position for a number of weeks. In addition, further to the announcement on the 18 June regarding the receipt of customs' notification under section 7 of the Customs Act 1962, the Company can confirm that its wholly owned subsidiary, Karanja Terminal and Logistics Private Limited ("KTLPL") has received confirmation from the Ministry of Finance for the change of jurisdiction to Jawaharlal Nehru ("JN") Custom House. This will enable the Company to have seamless container handling operations between Karanja and Jawaharlal Nehru Port Trust ("JNPT") Port, which is India's largest and busiest container handling port. Strategically, this is a substantial development as it gives access to a wider and well-established customer base which will not have to deal with two separate custom jurisdictions. The final and outstanding part of the customs process is simply the allocation of customs staff to our site and the Company expects the necessary personnel to be identified and on site in a matter of weeks.

## Project update

As at 28 September 2018, the 400 metre general cargo jetty and the 200 metre bulk jetty were both 90 per cent complete. The Company can confirm that everything required to be ready for operations is being put in place, including the installation of fenders and bollards. The channel marking buoys for the approach channel are being installed and are expected to be in place by the end of September 2018. Another significant milestone has been the appointment of J.K. Mishra as the Operation Manager and the recruitment of other site personnel is progressing well.

Despite the delay in the facility being able to generate revenue, the Company is pleased with the level of interest it has received from other potential customers, who are attracted by the ability to secure priority berthing at the Karanja facility. It is pleasing to note that the relationships that the Company has already forged with potential customers remain strong and the delay in commencement of operations has not caused any problems for the customers that have already signed MOUs or contracts. Taken together, the Company is encouraged by the volume on which it has visibility and the Company expects to enter into further MOUs in the coming months. The commercial pipeline is looking healthy as more and more businesses operating in the supply chain in the area become aware of the significant logistical advantages that shipping via Karanja will offer.

## Debt

As of 30 June 2018, MPL had £1.08 million cash in hand (31 Dec 2017: £5.42m and 30 June 2017: £19.16m) and £20.19 million headroom in its existing credit facility (31 Dec 2017: £21.4m) (using INR/GBP exchange rate at 30 June 2018 of 89.93, 31 December 2016: 85.8 and 30 June 2017: 84.09). The Group continues to comply with the terms of its banking facilities, which I guarantee personally. However, as was reported in June, the general banking constraints in India, due in part to an increase in the number of Non-Performing Assets in India, has meant that the Board was keen to ensure that any delay to the drawdown of the Company's banking facilities in the future did not have an impact on the Group. At that time, I agreed to personally provide a loan facility for 12 months to 30 June 2019, for an amount and on terms consistent with the undrawn existing bank facility, to ensure that there is no interruption to work on site should the general banking position cause an issue for the Company. This facility has not been used to date but I have agreed to continue to offer it until 30 September 2019. Whilst this facility remains unused, during the period a separate loan of £2.6 million was provided by Grevek Investment & Finance Private Limited, a company that I control. That loan, which is unsecured and interest free, currently stands at £2.6million and is considered a related party transaction under Rule 13 of the AIM Rules.

The independent directors consider, having consulted with the Company's nominated adviser, that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

During the summer monsoon and prior to revenue being generated whilst the customs process continued, the Company managed its cash position prudently. We continue to be in advanced discussions with the banking consortium and anticipate drawdown under our banking facilities in the coming days. However, whilst the banking issues in India remain and as the Company approaches commercial operations, the Directors do not consider reliance upon financial support from the Chairman to be a long-term option and, as such, the Company will consider alternatives to refinance its existing banking facilities.

**Corporate Governance**

From 28 September 2018, under the AIM Rules, the Company is required to comply with a recognised corporate governance code chosen by the Board. The Board recognises the importance of sound corporate governance and has adopted that the Quoted Companies Alliance ("QCA") Code.

As a Chairman, it is my responsibility to provide a clear explanation as to how the QCA Code has been applied. A Statement of Compliance with the QCA Corporate Governance Code will be published on our website on the 28 September.

**Outlook**

We would like to thank our investors for their continued support. Although we had hoped to be operational before these results were announced, once the customs personnel are on site, we will be ready to operate. Whilst we recognise that the delays experienced will require us to rebuild trust with investors, we remind ourselves that we are a short period from being operational and making a huge step in achieving our vision of creating a world class, modern, maritime and logistics facility to support India's and other emerging countries' burgeoning trade demands, and to create value for all our stakeholders. We believe that, once completed, the facility will be well aligned with the Government of India's initiative to promote coastal and in-land waterways movement of cargo.

Nikhil Gandhi

Executive Chairman

Mercantile Ports & Logistics Limited
28th September 2018

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### for the period ended 30 June 2018

| | Note | 6 months to 30 June 2018 | 6 months to 30 June 2017 | Year to 31 Dec 2017 |
|---|---|---|---|---|
| | | **£000** | **£000** | **£000** |
| **CONTINUING OPERATIONS** | | | | |
| Revenue | | - | - | - |
| Administrative expenses | | (1,711) | (1,629) | (3,416) |
| **OPERATING LOSS** | | **(1,711)** | **(1,629)** | **(3,416)** |
| Finance income | | 12 | 1 | 11 |
| Finance cost | | - | - | - |
| **NET FINANCING INCOME** | | **12** | **1** | 11 |
| **LOSS BEFORE TAX** | | **(1,699)** | **(1,628)** | **(3,405)** |
| Tax expense for the period / year | | - | - | - |
| **LOSS FOR THE PERIOD / YEAR** | | **(1,699)** | **(1,628)** | **(3,405)** |
| **Loss for the period / year attributable to:** | | | | |
| Non-controlling interest | | (2) | 3 | (1) |
| Owners of the parent | | (1,697) | (1,631) | (3,404) |
| **Loss for the period / year** | | **(1,699)** | **(1,628)** | **(3,405)** |
| **Other comprehensive income/(expense)** | | | | |
| **Items that will not be reclassified to profit or( loss)** | | | | |
| Re-measurement of net defined benefit liability | | 6 | - | - |
| **Items that may be reclassified to profit or loss** | | | | |
| Exchange differences on translating foreign operations | 5 | (3,815) | (353) | (2,785) |
| **Other comprehensive loss for the period / year** | | **(3,809)** | **(353)** | **(2,785)** |
| **Total comprehensive loss for the period / year** | | **(5,508)** | **(1,981)** | **(6,190)** |
| **Total comprehensive loss for the period / year attributable to:** | | | | |
| Non-controlling interest | | (2) | (2) | (1) |
| Owners of the parent | | (5,506) | (1,979) | (6,189) |
| | | **(5,508)** | **(1,981)** | **(6,190)** |
| Loss per share (consolidated): Basic & Diluted, for the year/period attributable to ordinary equity holders (£) | | (0.004p) | (0.004p) | (0.008p) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**as at 30 June 2018**

| | Note | Period ended 30 June 2018 | Period ended 30 June 2017 | Year ended 31 Dec 2017 |
|---|---|---|---|---|
| | | £000 | £000 | £000 |
| **Assets** | | | | |
| Property, plant and equipment | 8 | 127,094 | 116,529 | 123,985 |
| **Total non-current assets** | | **127,094** | **116,529** | **123,985** |
| Trade and other receivables | | 14,182 | 15,523 | 15,315 |
| Cash and cash equivalents | | 1,084 | 19,159 | 5,423 |
| **Total current assets** | | **15,266** | **34,682** | **20,738** |
| **Total assets** | | **142,360** | **151,211** | **144,723** |
| **Equity** | | | | |
| Share capital and share premium | | 106,763 | 106,763 | 106,763 |
| Retained earnings | | (2,191) | 1,275 | (498) |
| Translation reserve | | (16,555) | (10,309) | (12,740) |
| **Equity attributable to owners of parent** | | **88,017** | **97,729** | **93,525** |
| Non-controlling interest | | 14 | 14 | 16 |
| **Total equity** | | **88,031** | **97,743** | **93,541** |

| | | | |
|---|---|---|---|
| **Liabilities** | | | |
| **Non-current** | | | |
| Borrowings | 33,341 | 35,868 | 34,934 |
| Employee benefit obligations | 1 | - | - |
| **Non-current liabilities** | **33,342** | **35,868** | **34,934** |
| **Current** | | | |
| Borrowings | 55 | 53 | 23 |
| Employee benefit obligations | 54 | - | - |
| Current tax liabilities | 7,157 | 9,390 | 7,417 |
| Trade and other payables | 13,721 | 8,158 | 8,808 |
| **Current liabilities** | **20,987** | **17,601** | **16,248** |
| **Total liabilities** | **54,329** | **53,468** | **51,182** |
| **Total equity and liabilities** | **142,360** | **151,211** | **144,723** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

### for the period ended 30 June 2018

| | Note | 6 months to 30 June 2018 | 6 months to 30 June 2017 | Year to 31 Dec 2017 |
|---|---|---|---|---|
| | | £000 | £000 | £000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Loss before tax | | (1,699) | (1,628) | (3,405) |
| Adjustments including changes in working capital | 6 | 1,949 | 263 | (789) |
| **Net cash generated/used from operating activities** | | **250** | **(1,365)** | **(4,194)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Purchase of property, plant and equipment | | (4,525) | (21,750) | (31,752) |
| Finance income | | 7 | 1 | 11 |
| **Net cash used in investing activities** | | **(4,518)** | **(21,749)** | **(31,741)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Issue of Share Capital | | - | 3,049 | 3,000 |
| Reversal of share issue cost | | - | - | 49 |
| Proceeds from borrowing | | (17) | 3,594 | 2,630 |
| **Net cash generated from / (used in) financing activities** | | **(17)** | **6,643** | **5,679** |
| **Net change in cash and cash equivalents** | | **(4,285)** | **(16,471)** | **(30,256)** |
| Cash and cash equivalents, beginning of the period / year | | 5,423 | 35,697 | 35,697 |
| Exchange differences on cash and cash equivalents | | (54) | (67) | (18) |
| **Cash and cash equivalents, end of the period / year** | | **1,084** | **19,159** | **5,423** |

**Note**:

1) The adjustments and working capital movements have been combined in the above Statement of Cash Flows.

2) The positive net cash generated position as at 30 June 2018 includes the large movement on trade payables which is as a result of the short-term funding of £2.6m from Grevek Investment & Finance Private Limited. This has been included in cashflow from operating activities rather than as proceeds from borrowing due to the nature and terms of the funding being short-term in nature.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. Reporting entity

Mercantile Ports & Logistics Limited (the "Company" or "MPL") was incorporated in Guernsey under the Companies (Guernsey) Law 2008 on 24 August 2010. The condensed interim consolidated financial statements of the Company for the period ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Company has been established to develop, own and operate port and logistics facilities.

### 2. General information and basis of preparation

The condensed interim consolidated financial statements are for the six month period ended 30 June 2018 and are not full year accounts. The condensed interim consolidated financial statements are prepared under AIM 18 guidance. They have been prepared on the historical cost basis. They do not include all of the information required in annual financial statements in accordance with IFRS. The condensed interim consolidated financial statements are not audited.

The condensed interim consolidated financial statements are presented in Great British Pounds Sterling ("£"), which is the functional currency of the parent company. The preparation of the condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied in the annual IFRS financial statements, also refer to Note 4 on Going Concern for judgement made by management.

The condensed interim consolidated financial statements have been approved for issue by the Board of Directors on 28th September 2018.

### 3. Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2017. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements, also refer Note 4 on Going Concern for judgement and various assumption made by management in preparing the interim financial statement.

## 4. Going Concern

The condensed interim consolidated financial statements have been prepared on a going concern basis as the Directors believe that the Group has access to adequate funds and facilities to enable it to exist as a going concern for the foreseeable future. The Directors believe that they will have sufficient sanctioned credit facilities from lenders for the port to become operational. It has been assumed that the port will become operational soon now that a key element of customs clearance has been obtained and revenue will be generated which will also help fund future costs.

The Group continues to adhere and comply with the terms of its banking facilities. However, as was reported in June, the overall banking constrains due to an increase in Non-Performing Assets ("NPAs") in India meant the board was keen to ensure that the general situation with the Indian banking sector was mitigated and any delay to the drawdown of the Company's banking facilities in the future did not have any impact on the Group. As such at that time, Nikhil Gandhi, the Chairman of the Group agreed to personally provide a loan facility for 12 months to 30 June 2019, for an amount consistent with the undrawn existing bank facility, to ensure that there is no interruption to work on site should this be the case.

During the summer monsoon and prior to revenue being generated whilst the customs process continued, the Company managed its cash position prudently without the Board having to call upon the personal loan facility. Whilst, the facility remains unused during the period a separate loan was provided by Grevek Investment & Finance Private Limited a company that Nikhil Gandhi controls. Whilst we continue to be in advanced discussions with the banking consortium and anticipate drawdown soon. The Board is keen to ensure that the general situation with the Indian banking sector and any delay to the drawdown of its banking facilities in the future does not impact on the Group. As such, Nikhil Gandhi, the Chairman of the Group, has extended the provision of his original loan facility for a further 12 months to run now until 30 September 2019, on terms consistent with the Group's existing bank facility, should there be a delay in accessing the Group's existing bank facilities in the future. Whilst, the Company does expect to draw down on its banking facilities in the coming days, the Directors do not consider reliance upon support from the Chairman to be a long-term option and, as such, the Company will consider options to refinance its existing banking facilities.

The Group continues to closely monitor and manage 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 and other funding options, its capital investment plans and forecast of gross operating margins as and when the operations commence. Stress testing of the forecasts has been performed. 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 condensed interim consolidated financial statements.

## 5. Comprehensive income

The comprehensive loss for the period is calculated after debiting a loss of £3.82 million, which arises on the retranslation of foreign operations to Great British Pounds Sterling ("£"), which is the functional currency of the Company (INR/GBP exchange rate at 30 June 2018 of 89.93, 31 December 2017: 85.96 and 30 June 2017: 84.09 were used).

## 6. 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:

| | Period ended 30 Jun 2018 £000 | Period ended 30 Jun 2017 £000 | Year ended 31 Dec 2017 £000 |
|---|---|---|---|
| **Adjustments and changes in working capital** | | | |
| Depreciation | 36 | 45 | 113 |
| Finance income | (7) | (1) | (11) |
| Re-measurement of net defined benefit liability | 6 | - | - |
| Decrease in Non-Controlling interest | - | (3) | (1) |
| Increase / (Decrease) in current tax liability | - | - | (1,660) |
| Change in trade and other payables | 5,160 | (3,841) | (3,094) |
| Change in trade and other receivables | (3,246) | 3,554 | 3,764 |
| Change in borrowings | - | 509 | 100 |
| | **1,949** | **263** | **(789)** |

## 7. Loan facility

Karanja Terminal & Logistics Private Limited ("KTLPL"), the Indian subsidiary, has in place a rupee term loan of INR 480 crore (£ 53.38 million) for part financing the port facility. The rupee term loan was sanctioned by four Indian public sector banks and the loan agreement was executed on 28 February 2014. On 29 September 2017 the terms of sanction were amended, extending the tenure of the loan for 13 years and six months with repayment commencing from the end of June 2020 which is as follow:

| Payment falling due | Repayment amount **INR in Crore** | **GBP in Million** |
|---|---|---|
| Within 1 year | - | - |
| 1 to 5 years | 250.50 | 27.86 |
| After 5 years | 229.50 | 25.52 |
| **Total** | **480.00** | **53.38** |

The rate of interest will be a floating rate linked to the Canara bank base rate (9.40%) 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 as well as a personal guarantee by the chairman, Nikhil Ghandi. 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 298.45 crore (£ 33.19 million) as at 30 June 2018 (1 crore = 10 Million Rupees). (30 June 2017: INR 298.45 crore (£35.65 million)) as of the reporting date.

**8. Property, plant and equipment**

During the six months ended 30 June 2018, the Group progressed construction of the facility and the carrying amount at 30 June 2018 was £127.09 million (31 June 2017: £123.99 million). The amount of borrowing costs capitalised during the six months ended 30 June 2018 was £2.32 million (31 December 2017: £2.29 million). The weighted average rate used to determine the amount of borrowing costs during the period eligible for capitalisation was 13.20%, which is the effective interest rate of the specific borrowing.



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