RNS Number : 8262Q
Mercantile Ports & Logistics Ltd
15 September 2017

15th September 2017

Mercantile Ports & Logistics Limited (the "Company")

Interim results for the period ended 30 June 2017

Mercantile Ports & Logistics Limited ("MPL") is pleased to announce its interim results for the period ended 30 June 2017, as it develops its modern port and logistics facility in Mumbai, India, which when completed will consist of approximately 200 acres of reclaimed land.

Managing Director Pavan Bakhshi said,

"MPL is focused on developing its port facility in Mumbai so that it is in position to generate revenue from the end of 2017. 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."

Enquiries:

MPL	Pavan Bakhshi/Jay Mehta
	C/O Redleaf Communications
	+44 (0) 20 7382 4769
Cenkos Securities plc	Stephen Keys/Camilla Hume
(Nomad and Broker)	+44 (0) 20 7397 8926
Redleaf Communications	Charlie Geller/Fiona Norman
(Financial PR)	+44 (0) 20 7382 4769
	MPL@redleafpr.com

Chairman's Statement

We are pleased to report that activities have continued on site during the six months to 30 June 2017 without any unscheduled interruption.

Project update

As at 14 September 2017, 220 piles have been completed out of 248. This means that piles have been completed for approximately 340 meters of the 400-meter jetty. Pre-cast beams have been laid for approximately 140 meters of jetty, with top-deck slabs having been laid for 100 meters. By December 2017, 200 meters of jetty (400 meters of quay length), capable of handling four 4,000 DWT vessels, is expected to be complete in all respects and ready for operations.

As of 30 June 2017 MPL had £19.16 million cash on hand (31 Dec 2016: £35.69m and 30 June 2016: £35.7m) and £21.4 million (31 Dec 2016: £25m) headroom in it existing credit facility (using INR/GBP exchange rate at 30 June 2017 of 84.09, 31 December 2016: 83.8 and 30 June 2016: 90.6)

Operational update

We were excited to announce in August that we have signed a contract with a customer to start using the Facility, which is expected to commence from the end of the year. This is further to the two Memorandums of Understanding, which we referred to in June this year. The Company's business development team, led by Mr Grover, continues to gain traction with new customers and the team is being set the target of 70% utilisation of the facility by the end of year 1, while at the same time using discretion in selecting customers/port users to maximise revenue and earnings.

The Company confirms that it has been in compliance with Maharashtra Maritime Board ("MMB") requirements and was pleased to receive a letter from the MMB dated 14 September 2017, which acknowledges the expectation that commercial operations will commence in December 2017 and also that the MMB considers that the Company continues "to remain in full compliance".

Board Restructuring

As the Company moves to becoming fully operational, we were pleased to announce in August that John Fitzgerald will be joining the Board as Non-Executive Director and Andrew Henderson will also be joining the Board as Chief Financial Officer, immediately following the Company's AGM to be held on 20 September.

John Fitzgerald is a respected UK port infrastructure and services specialist, and has previously acted as a Board Member for Associated British Ports, and as Port Director for Humber, South Wales, Grimsby and Immingham Ports.

Andrew Henderson has over 15 years' experience acting as an ACA accountant and financial advisor to private and public companies in the UK and internationally, and has also worked with Deloitte and Grant Thornton.

The Company announced that James Sutcliffe and Peter Jones will be stepping down as Non-Executive Directors of the Company following the AGM. On behalf of myself and the rest of the Company, I would particularly like to thank James and Peter for their enormous contribution to MPL. Their experience was of great assistance, particularly when overcoming hurdles. They have played an important role in enabling the project to move into its operational phase and we wish them well.

Outlook

We thank our investors for supporting us during the development stage of the project and can report that the last six months has seen a sharpening of our focus to be ready for business by the end of this year and fully operational as early as possible.

Nikhil Gandhi

Executive Chairman

Mercantile Ports & Logistics Limited

14th September, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2017

	Note	6 months to 30 June 2017	6 months to 30 June 2016	Year to 31 Dec 2016
		£000	**£000**	**£000**
CONTINUING OPERATIONS				
Revenue		-	-	-
Administrative expenses		(1,629)	(966)	(2,409)
OPERATING LOSS		**(1,629)**	**(966)**	**(2,409)**
Finance income		1	972	1,301
Finance cost		-	-	-
NET FINANCING INCOME		**1**	**972**	1,301
(LOSS) / PROFIT BEFORE TAX		**(1,628)**	**6**	**(1,108)**
Tax expense for the period / year		-	(336)	(449)
LOSS FOR THE PERIOD / YEAR		**(1,628)**	**(330)**	**(1,557)**
Profit / (loss) for the period / year attributable to:				
Non-controlling interest		3	-	2
Owners of the parent		(1,631)	(330)	(1,559)

Loss for the period / year		**(1,628)**	**(330)**	**(1,557)**
Other comprehensive income/(expense)				
Exchange differences on translating foreign operations	4	(353)	4,589	9,697
Other comprehensive income / (expense) for the period / year		**(353)**	**4,589**	**9,697**
Total comprehensive income / (expense) for the period / year		**(1,981)**	**4,259**	**8,140**
Total comprehensive income / (expense) for the period / year attributable to:				
Non-controlling interest		(3)	-	2
Owners of the parent		(1,979)	4,259	8,138
		(1,981)	**4,259**	**8,140**
Loss per share (consolidated):				
Basic & Diluted, for the year/period attributable to ordinary equity holders (£)		(0.004)	(0.008)	(0.020)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Note	Period ended 30 June 2017	Period ended 30 June 2016	Year ended 31 Dec 2016
		£000	**£000**	**£000**
Assets				
Property, plant and equipment	7	116,529	66,011	95,111
Total non-current assets		**116,529**	**66,011**	**95,111**
Trade and other receivables		15,523	11,396	19,079
Cash and cash equivalents		19,159	24,830	35,697
Total current assets		**34,682**	**36,226**	**54,776**
Total assets		**151,211**	**102,237**	**149,887**
Equity				
Share capital and share premium		106,763	71,590	103,714
Retained earnings		1,275	4,134	2,905
Translation reserve		(10,309)	(15,063)	(9,955)
Equity attributable to owners of parent		**97,729**	**60,661**	**96,664**
Non-controlling interest		14	15	17
Total equity		**97,743**	**60,676**	**96,681**
Liabilities				
Non-current				
Borrowings		35,868	28,226	32,294

Non-current liabilities	**35,868**	**28,226**	**32,294**
Current			
Borrowings	53	30	33
Current tax liabilities	9,390	7,947	9,077
Trade and other payables	8,158	5,358	11,802
Current liabilities	**17,601**	**13,335**	**20,912**
Total liabilities	**53,468**	**41,561**	**53,206**
Total equity and liabilities	**151,211**	**102,237**	**149,887**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 30 June 2017

	Note	6 months to 30 June 2017	6 months to 30 June 2016	Year to 31 Dec 2016
		£000	**£000**	**£000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit / (loss) before tax		(1,628)	6	(1,108)
Adjustments including changes in working capital	5	263	1,113	6,625
Net cash generated from operating activities		**(1,365)**	**1,119**	**5,517**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(21,750)	(29,048)	(58,555)
Finance income		1	972	1,301
Net cash used in investing activities		**(21,749)**	**(28,076)**	**(57,254)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of Share Capital		3,049	-	29,124
Proceeds from borrowing		3,594	11,028	15,099
Net cash generated from / (used in) financing activities		**6,643**	**11,028**	**44,223**
Net change in cash and cash equivalents		**(16,471)**	**(15,929)**	**(7,514)**
Cash and cash equivalents, beginning of the period / year		35,697	38,569	38,569
Exchange differences on cash and cash equivalents		(67)	2,190	4,642
Cash and cash equivalents, end of the period / year		**19,159**	**24,830**	**35,697**

Note :

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

2) The £3m of share capital received in the 6 month to 30 June 2017 is the deferred payment of equity by Nikhil Gandhi and Skil Global as per the terms of the NG Subscription Agreement as entered into on 31 October 2016 as part of the November 2016 Equity Fundraise allowing payment to be deferred until 15 January 2017.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Mercantile Ports & Logistics Limited (the "Company") 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 2017 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 6 month period ended 30 June 2017 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.

The Company is confident of its ability to raise further funds to meet cost overruns, project enhancements or working capital requirements. The Company's financing effort to date is considered sufficient to enable the Company to fund all aspects of its operations. As a result, the condensed interim consolidated financial statements have been prepared on a going concern basis.

The condensed interim consolidated financial statements have been approved for issue by the Board of Directors on September 06, 2017.

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 2016. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

4. Comprehensive income

The comprehensive income for the period is calculated after debiting a loss of £ 0.35 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 2017 of 84.09, 31 December 2016: 83.8 and 30 June 2016: 90.6 were used).

5. 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 2017 £000	Period ended 30 Jun 2016 £000	Year ended 31 Dec 2016 £000
Adjustments and changes in working capital			
Depreciation	45	38	85

FX movement on depreciation	-	-	(8)
Finance income	(1)	(972)	(1,301)
Increase / (Decrease in Non-Controlling interest)	(3)	-	2
Change in trade and other payables	(3,841)	3,264	10,729
Change in trade and other receivables	3,556	(1,386)	(3,046)
Change in borrowings	509	169	164
	263	**1,113**	**6,625**

The year ended 31 December 2016 and period ended 30 June 2016 comparatives have been restated in presenting the above summary. The totals have not changed.

6. Loan facility

Karanja Terminal & Logistics Private Limited (KTLPL), the Indian subsidiary has in place a rupee term loan of INR 480 crore (£ 57.33 million) for part financing the port facility. The rupee term loan was sanctioned by 4 Indian public sector banks and the loan agreement was executed on 28th February, 2014. The tenure of the loan is for 12 years with repayment beginning at the end of the fifth year. The repayment schedule is as follows:

	Repayment amount	
Payment falling due	**INR in Crore**	**GBP in Million**
Within 1 year	-	-
1 to 5 year's	220.80	26.37
After 5 year's	259.20	30.96
Total	**480.00**	**57.33**

The rate of interest is a floating rate linked to the Canara bank MCL 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 298.45 crore £ 35.65 million) as at 30 June 2017 (1 Core = 10 Million Rupees).

7. Property, plant and equipment

During the six months ended 30 June 2017, the Group progressed construction of the facility and the carrying amount at 30 June 2017 was £ 116.12 million (31 December 2016: £ 94.94 million). The amount of borrowing costs capitalised during the six months ended 30 June 2017 was £ 2.29 million (31 December 2016: £ 3.93 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.