

29 September 2023

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

Interim Results

Mercantile Ports & Logistics (AIM: MPL), which is operating and continuing to develop a port and logistics facility in Navi Mumbai, Maharashtra, India, announces its interim results for the period ended 30 June 2023.

Operational review - Jay Mehta, CEO:

We are pleased to see MPL operations building momentum on a year on year basis. The facility is gaining further traction with its existing customers, while being in advanced negotiations with new customers for new commodities including containers, liquid and oil and gas cargoes. The following table for illustrates this for cargoes handled during corresponding periods-

Period	January to June		January to August	
	2023	2022	2023	2022
Cargo handled (in tonnage)	783,457	494,168	862,962	685,409

These cargo movements are handled through contracted agreements and spot market demand which include multiple commodities such as coal, steel, cement and project cargo.

Financial review:

- Group revenue of £2.69 million (June 2022: £1.91 million).
- Positive EBITDA of £0.22 million for H1 June 2023 as against EBITDA loss of £0.23 million for H1 June 2022.
- Loss for 30 June 2023 £5.38 million (June 2022: £6.54 million).
- Net asset value as at 30 June 2023 £90.99 million (June 2022: £97.86 million)
- Total assets of £144.47 million (June 2022: £153.74 million), a debt to equity ratio of 0.47 (June 2022: 0.47) and cash of £6.40 million at 30 June 2023 (June 2022: £2.01 million).

The board believes that these results show an improvement in all-round performance aligned to a clearer business strategy. The Group is expecting further strong operational and financial performance in H2 2023, which we believe will help us achieve our targets for the current financial year.

Enquiries:

Mercantile Ports & Logistics Limited	Jay Mehta
	C/O SEC Newgate
	+44 (0)203 757 6880
Cavendish Securities plc	Stephen Keys
(Nomad and Broker)	+44 (0)207 220 0500

Chairman's Statement

The Indian economy has shown robust growth during the current year with GDP growth rate of 7.8% year-on-year in the April - June 2023 quarter and 6.1% year-on-year in the January - March 2023 quarter. India's influence in world affairs continues to develop positively as evidenced by the successful G20 Summit held in Delhi recently.

Against this backdrop, our Port of Karanja, located in Mumbai is uniquely positioned in the most important State in the country which acts as a gateway to multiple land locked States.

We started the year strongly and continued to build volumes through the facility. At the same time, we have been pleased with the increased number of enquiries from potential customers that are interested in using our facility. While the existing customers are pleased with the service levels and the overall ease of doing business at our port, the pipeline of new customers looking to use our facility is robust and will further expand our business.

Potential customers with whom we are in discussions include some of the major private sector industrial users but we are also in advanced discussions with state and federal government entities to use the Karanja facility. In addition to a variety of bulk commodities, MPL is looking increase the handling of liquids, containers and oil & gas cargoes at the port. Our discussions with the State Government regarding development of a logistics park at the facility continue to progress productively and we look forward to updating our shareholders on developments there.

We continue to work closely with our lenders for re-phasing of the loan facility from a seven-year repayment period to fourteen years including a two-year moratorium on principal repayments. We expect the renegotiated facility to become effective within the next four to six-week period.

We were delighted to receive the support of shareholders when we raised additional capital over the summer. On behalf of the Board, I should like to welcome new shareholders and to thank our existing shareholders for their ongoing support. In particular, I should like to thank Hunch Ventures for their continued commitment, as they increased their shareholding at the time of the fundraising.

Notwithstanding the intense monsoon of this year, our Port is busy and, we remain confident of a successful outcome in 2023.

Jeremy Warner Allan, Chairman

Mercantile Ports & Logistics Limited

29 September 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023

	Note	6 months ended 30 June 2023	6 months ended 30 June 2022 (restated) *	Year ended 31 Dec 2022
		£000	£000	£000
CONTINUING OPERATIONS				
Revenue		2,685	1,913	4,872
Operating costs		(1,234)	(410)	(1,449)
Administrative expenses		(4,037)	(4,717)	(9,978)
Operating profit / (loss) before depreciation	2	217	(228)	(324)

Depreciation	2	(2,803)	(2,986)	(6,231)
OPERATING LOSS		(2,586)	(3,214)	(6,555)
Finance income		15	22	38
Finance cost		(2,809)	(3,323)	(5,543)
NET FINANCING COST		(2,794)	(3,301)	(5,505)
LOSS BEFORE TAX		(5,380)	(6,515)	(12,060)
Tax expense for the period		-	(25)	2,421
LOSS FOR THE PERIOD		(5,380)	(6,540)	(9,639)
Loss for the period attributable to:				
Non-controlling interest		(10)	(13)	(18)
Owners of the parent		(5,370)	(6,527)	(9,621)
Loss for the period / year		(5,380)	(6,540)	(9,639)
<u>Other comprehensive income/(expense)</u>				
Items that will not be reclassified to profit or loss				
Re-measurement of net defined benefit liability		-	-	1
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations	5	(3,108)	4,190	808
Other comprehensive loss for the period / year		(3,108)	4,190	809
Total comprehensive loss for the period / year		(8,488)	(2,350)	(8,830)
Total comprehensive loss for the period / year attributable to:				
Non-controlling interest		(10)	(13)	(18)
Owners of the parent		(8,478)	(2,337)	(8,812)
		(8,488)	(2,350)	(8,830)
<u>Loss per share (consolidated):</u>				
Basic & Diluted, for the period attributable to ordinary equity holders		(£0.122p)	(£0.157p)	(£0.232p)

* The Consolidated Statement of Comprehensive Income for the 6 months ended 30 June 2022 has been restated as certain operating costs aggregating to GBP 196 ('000) have been presented as administrative expenses. The restatement is carried out to align the presentation of these costs in line with the annual audited financial statements and current half year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	Period ended 30 June 2023 £000	Period ended 30 June 2022 £000	Year ended 31 Dec 2022 £000
Assets				
Property, plant and equipment	8	120,256	135,332	127,382
Intangible asset		14	20	14
Non-current tax assets		2,077	-	2,108
Total non-current assets		122,347	135,352	129,504
Inventory of traded goods		-	-	96
Trade and other receivables	9	15,726	16,380	14,110
Cash and cash equivalents		6,398	2,010	558
Total current assets		22,124	18,390	14,764
Total assets		144,471	153,742	144,268
Liabilities				
Non-current				
Employee benefit obligations		56	3	53

Borrowings	7	36,047	42,097	39,165
Lease liabilities payables		763	1,569	1,611
Non-current liabilities		36,866	43,669	40,829
Current				
Employee benefit obligations		481	440	529
Borrowings	7	4,113	1,865	2,307
Current tax liabilities		73	404	17
Leases Liabilities payable		1,490	798	817
Trade and other payables		10,457	8,705	8,388
Current liabilities		16,614	12,212	12,058
Total liabilities		53,480	55,881	52,887
Net assets		90,991	97,861	91,381
Equity				
Share capital and share premium		151,949	143,851	143,851
Retained earnings		(31,392)	(22,929)	(26,022)
Translation reserve		(29,537)	(23,047)	(26,429)
Equity attributable to owners of parent		91,020	97,875	91,400
Non-controlling interest		(29)	(14)	(19)
Total equity and liabilities		90,991	97,861	91,381

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2023**

	Note	6 months ended 30 June 2023	6 months ended 30 June 2022	Year ended 31 Dec 2022
		£000	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax for the period / year		(5,380)	(6,515)	(12,060)
Non cash flow adjustments ⁽¹⁾	6	5,600	6,284	11,748
Net cash generated/(used in) operating activities		220	(231)	(312)
Net changes in working capital	6	651	810	305
Taxes paid		(46)	--	(85)
Net cash from operating activities		825	579	(92)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(283)	(1,143)	(1,425)
Finance income		15	18	38
Net cash generated/(used in) investing activities		(268)	(1,125)	(1,387)
CASH FLOWS FROM FINANCING ACTIVITIES				
From issue of additional shares		4,368	--	--
Subscription money received ⁽²⁾		1,951	--	2,452
Repayment of bank borrowing principal		(117)	(63)	(881)
Interest paid on borrowing		(759)	(2,009)	(4,217)
Repayment of leasing liabilities principal (net)		(160)	(179)	(138)
Interest payment on leasing liabilities		--	(9)	--
Net cash generated / (used in) from financing activities		5,283	(2,260)	(2,784)
Net change in cash and cash equivalents		5,840	(2,806)	(4,262)

Cash and cash equivalents, beginning of the period	558	4,783	4,783
Exchange differences on cash and cash equivalents	--	33	37
Cash and cash equivalents, end of the period	6,398	2,010	558

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

(2) As in previous fundraises, a process is required to be followed to enable the Company to receive Hunch's subscription monies in the Company's Indian bank account. This will conclude shortly but, in the meantime, the Company has a corporate guarantee in place and has on-demand access to the Hunch subscription monies at all times.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023

	Stated Capital	Translation Reserve	Retained Earnings	Other Components of equity	Non- controlling Interest	Total Equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2022	143,851	(27,237)	(16,402)	--	(1)	100,211
Transaction with owners in their capacity as owners	--	--	--	--	--	--
Loss for the period	--	--	(9,621)	--	(18)	(9,639)
Foreign currency translation differences for foreign operations	--	808	--	--	--	808
Re-measurement of net defined benefit pension liability	--	--	--	1	--	1
Re-measurement of net defined benefit pension liability transfer to retained earning	--	--	1	(1)	--	--
Total comprehensive income for the year	--	808	9,620	--	(19)	(8,830)
Balance at 31 December 2022	143,851	(26,429)	(26,022)	--	(19)	91,381
Balance at 1 January 2023	143,851	(26,429)	(26,002)	--	(19)	91,381
Issue of share capital	9,044	--	--	--	--	9,044
Share issue costs	(946)	--	--	--	--	(946)
Transaction with owners in their capacity as owners	8,098	--	--	--	--	8,098
Loss for the period	--	--	(5,370)	--	(10)	(5,380)
Foreign currency translation differences for foreign operations	--	(3,108)	--	--	--	(3,108)
Total comprehensive income for the period	--	(3,108)	(5,370)	--	(10)	(8,488)
Balance at 30 June 2023	151,949	(29,537)	(31,392)	--	(29)	90,991

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 2023 comprises the financial statement of the Company and its

subsidiaries (together referred to as the "Group"). The Company has been established to develop, own and operate port and logistics facility.

2. General information and basis of preparation

The condensed interim consolidated financial statements are for 6 months' period ended 30 June 2023 and are not the full year accounts. The condensed interim consolidated financial statements are prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (EU) and under AIM 18 guidelines. They have been prepared on a historical cost basis. They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the EU. The condensed interim consolidated financial statements are neither audited in accordance with International Standards on Auditing (UK) nor subject to review as per International Standard on Review Engagements (ISRE) 2410.

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 judgements, 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 judgements 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 has successfully raised funds of £9.044 million which will be utilized towards servicing of debt and 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 29 September, 2023.

Operating profit before depreciation

The above information is presented separately in the statement of comprehensive income as a supplementary information. This information is a primary measure used by the executive management and the Board to assess the financial performance of the Group, as it provides a more comparable assessment of the Group's year on year performance. It may also be a key metric used by the investor community to assess the performance of our year-on-year operations.

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 2022. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

New standards, amendments and interpretations to existing standards are effective from January 1, 2023

There is an amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction. This amendment does not have a significant impact on the Group's interim condensed consolidated financial statements.

4. Going Concern

The Directors have considered the application of the going concern basis of accounting.

In making this assessment, the Directors have considered the current and projected cash balance, borrowing facilities available, ongoing debt renegotiations with consortium banks, anticipated future utilisation of available funds, the Company's ability to control the variable costs, Group's capital investment plans and the projected operating performance of the business for the 15 months post the signing of these financial statements.

The group had a cash balance of £6.40 million as at 30 June 2023, and an additional line of unsecured credit from Hunch Ventures amounting to £4.5 million to mitigate funding risk as well as ensuring continuity in business. The company will continue to use the cash generated from operations as well as the balance subscription money receivable from Hunch Ventures of £2.95 million, to manage the projected costs until December 2024.

The Indian subsidiary has been in discussion with its consortium of banks for restructuring the existing debt facility. The Directors are confident that a restructured debt facility will be afforded to the company, that will include an increase in the term of the loan by an additional 7 years as well as moratorium on principal repayments for a period of 2 years and a moratorium on interest payable for 12 months.

Based on the above indicators, after taking into account the recent fundraising and the renegotiation on the debt restructuring, the Directors believe that it remains appropriate to continue to adopt the going concern in preparing the forecasts.

However, the fact that the debt restructure has not been completed to date represents the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

5. Comprehensive income

The comprehensive loss for the period is calculated after debiting a loss of £ 3.11 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 2023 of 103.51, 31 December 2022: 99.74 and 30 June 2022: 95.96 are used).

6. Cash flow adjustments and changes in working capital

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

	Period ended 30 Jun 2023 £000	Period ended 30 Jun 2022 £000	Year ended 31 Dec 2022 £000
Adjustments and changes in working capital			
Depreciation	2,803	2,986	6,231
Finance income	(15)	(18)	(38)
Unrealized exchange (loss)/gain	--	3	--
Finance cost	2,809	3,309	5,543
Re-measurement of net defined benefit liability	--	--	(1)
Provision for Gratuity	3	4	13
	5,600	6,284	11,748
Change in trade and other payables	705	829	247
Change in trade and other receivables	(150)	(19)	154
Change in inventory	96	--	(96)
	651	810	305

7. Loan facility

Karanja Terminal & Logistics Private Limited (KTLPL), the Indian subsidiary was sanctioned a term loan of INR 480 crores (£46.63 million) by 4 Indian public sector banks and the loan agreement was executed on 28th February, 2014. The loan was further successfully renegotiated with its lenders in June 2021 to reduce the interest rate from 13.45% to 9.50% p.a. and extend the commencement of principal repayments out by 24 months.

Outstanding balance as at 30 June 2023 are as follows:

Particular	Amount in INR Crore	Amount in £ Million
Total borrowing	415.68	40.16
Current	42.57	4.11
Non-current	373.11	36.05
Balance as at 30 June, 2023	415.68	40.16

As part of its capital structure optimization, the Indian subsidiary has initiated discussions with its lenders to restructure the term loan to allow for re-phasing of the loan from seven years to fourteen-year period

including a two-year moratorium on principal repayments. We expect this process to conclude over the coming weeks and the new package to become effective in H2 2023.

Repayment of schedule of above outstanding loan based on OTR sanction are as follow:

	Repayment amount	
	INR in Crore	GBP in Million
Within 1 year	42.57	4.11
1 to 5 year's	297.21	28.71
After 5 year's	120.25	11.62
Total	*460.03	*44.44

* Loan repayment is stated at gross amount, excluding gain on debt modification £4.28 million (INR 44.35 crore).

The rate of interest is a floating rate linked to the Canara bank base rate (7.40%) with an additional spread of 215 basis points. The present composite rate of interest is 9.55%. Above borrowings are secured by the hypothecation of the port facility and pledge of its shares as well as a personal guarantee by the Nikhil Gandhi. The carrying amount of the above bank borrowing considered as a reasonable approximation of the fair value.

8. Property, plant and equipment

As at 30 June 2023, the carrying amount of facility yet to be capitalized was £24.22 million (30 June 2022: £25.93 million).

During the 6 months ended 30 June 2023, additions to property plant and equipment are £0.29 million and negative impact of £4.92 million was on account of exchange fluctuation as GBP became stronger against INR (INR/GBP exchange rate at 30 June 2023 of 103.51, 31 December 2022: 99.74)

Depreciation on the property plant and equipment is included in the administrative expenses.

9. Trade and other receivables

Trade and other receivable consist of following:

	As at 30-Jun-23 £000	As at 30-Jun-22 £000	As at 31-Dec-22 £000
Trade receivable	568	404	896
Deposits	1,230	2,166	1,442
Other receivable (Advances to contractors, prepayment, accrued interest)	13,928	13,810	11,772
	15,726	16,380	14,110

10. Event Subsequent to the reporting period.

Pursuant to Corporate announcement dated 28 July 2023, MPL issued 13,333,333 shares amounting to £400,000 via the subscription. Immediately following Admission on 31 July 2023, the Company's enlarged issued share capital will comprise 356,312,692 Ordinary Shares, of which none are held in treasury.

As in previous fundraises, a process is required to be followed to enable the Company to receive Hunch's subscription monies in the Company's Indian bank account. This will conclude shortly but, in the meantime, the Company has a corporate guarantee in place and has on-demand access to the Hunch subscription monies at all times.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

