



# ANNUAL REPORT & ACCOUNTS

*for the year ended 2021*



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# Chairman's Statement



2021 was another year of progress for MPL but one which, inevitably, was hampered by COVID-19. The coal jetty handled volume cargo for the first time and a number of new contracts were signed. However, the second wave of the pandemic that hit India in the early part of 2021 was much harsher than the first one. The resulting restrictions imposed in the country and around the world had a cascading effect on our business, setting our customer acquisition strategy behind schedule and impacting cargo volumes.

Despite the challenges that were faced, much was achieved during the year, with construction starting on a new warehousing facilities, which continued into early 2022. Our cornerstone customer, Tata Daewoo, delivered the first blocks of the Mumbai Trans Harbour Link, which had been constructed at the Facility. We were proud to have played our part in this achievement and we look forward to continuing to perform under this contract.

With COVID-19 restrictions currently behind us, India's economic and business environment has rebounded with vigour. India does seem to be a bright spot in the global economy, with growth outpacing most of Western Europe, the US and China. Our facility in Karanja will undoubtedly benefit from this, both in terms of handling cargo for the development of the region as well as increased handling of raw materials such as cement, steel, sand, fertilizer and coal.

The Company enhanced its business development team during the period and this additional resource is delivering results, with momentum expected to continue during the course of 2022.

The Company is pleased to report that it is in early stage discussions with a number of large shipping lines to handle containers at its port. This development is welcomed and will ensure over time both stable and predictable revenue streams. The facility's location is well placed to handle containers both from a road logistics perspective as well as by barge transportation. Contracts for container cargo provide predictable and long term revenue and the Company is hopeful of being able to announce progress in this regard during FY 2022.



The Board was extremely pleased to announce the culmination of months of negotiations with its consortium of banks to restructure the Company's outstanding debt in June 21. The highlight of the restructuring was the c.400 basis point reduction in the interest rate of the debt, in addition to a defined moratorium of the payment of the interest and principal amounts. This was a significant achievement by the Company and demonstrated that the Company's existing lenders recognise the lower risk nature of the business and the significant opportunities available for the Company to pursue. However, one of the Board's principal priorities for 2022 is to further enhance the terms of its debt facility further, to better reflect progress that the business has made. The Company is working with a number of international brokers to facilitate this.

To further strengthen the capital structure of the Company, MPL embarked on a fund raise in the second half of 2021 amounting to £9.5 mn (net of cost). The Board was extremely pleased that the majority of its existing institutional investors participated in the placing, with Hunch Ventures, our largest investor, demonstrating its support for the Company by increasing its shareholding in the offering to 29%.

I was delighted to welcome Dmitri Tsvetkov to the board of MPL. Dmitri joined as a non-executive director and Chairman of the Audit Committee bringing public company experience to MPL and his position of as CFO of another Indian listed Company on AIM will further strengthen MPL's reporting and finance functions.



Jeremy Warner Allen

**Chairman**

**Mercantile Ports & Logistics Limited**

29 June, 2022

# Operational Review



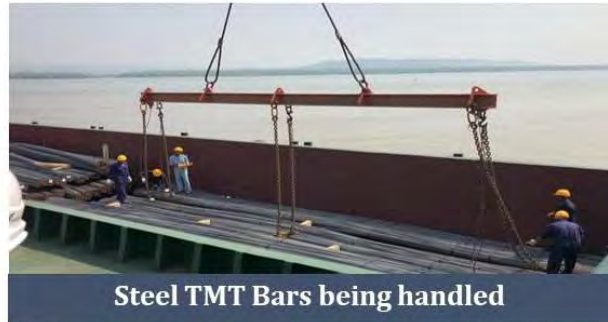
**Iron Ore Unloading**



**Steel TMT Bars from JSW being prepared for discharge**



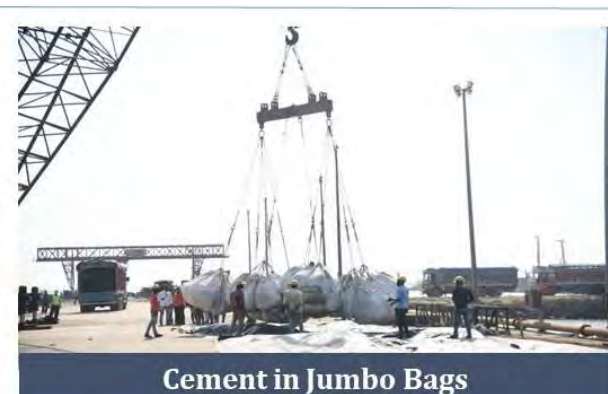
**Steel Coils Handling**



**Steel TMT Bars being handled**



**Cement Handling**



**Cement in Jumbo Bags**



**Fabricated part of MTHL**



**Tata Project**

## Indian Economy

### **After a dramatic second wave in 2021, the pandemic is steadily receding.**

The momentum that the Company had demonstrated came to a halt in early 2021 as the Delta variant caused a sharp increase in COVID-19 cases and fatalities. Restrictions were imposed and India endured one of the most comprehensive lockdowns in the world. However, with the vaccine rollout starting in January, India demonstrated enormous resilience and, by end-September 2021, more than half of the eligible population had been given at least one vaccination and at mid-November, more than one of four of the population was fully vaccinated.

### **Synopsis of current status**

With COVID-19 receding, the recovery began gaining momentum and GDP is projected to grow at 9.4% in fiscal year (FY) 2021-22 before reverting to 6.9% in FY 2022-23 and 6.2% in FY 2023-24. (Source: <https://www.oecd.org/economy/india-economic-snapshot/>)

As is being seen across the globe, inflation is increasing, but is expected to ebb as supply chain disruptions are overcome.

## Operations Update

From an operations perspective, 2021 marked an inflection point for MPL. In September 2021, with the waning of the second wave of the COVID-19 pandemic, MPL commenced the handling of significant and regular volumes of cargo under new contracts that were signed during the course of 2021. The Karanja facility was able to demonstrate its ability to be a 24X7 facility with the commencement of night navigation (berthing / de-berthing of vessels at night). With all key aspects of port and logistics operation, including vessel navigation, yard operations and transportation, being carried out in a seamless manner, successfully handled over 295,000 MT of coal in the September 2021 – March 2022 period. Whilst volume of coal handled during this period, was somewhat lower than expected on account of the third wave of the pandemic in December 2021 / January 2022, it is pleasing that this part of the Facility is operating well and we expect to increase volumes during FY 2022.

The port received positive feedback from its customers regarding the overall efficiency of operations and appreciation for the fact that no demurrage was incurred by any customer over this period. MPL continues to strengthen its business development and operations team, including on the container side of the business as it prepares to start handling containers during the course of 2022. New contracts are in discussion with a number of customers in a variety of cargo, including, with a large fertilizer company, a large French multinational for handling of construction material, a steel manufacturer, regional traders for multiple commodities and container handlers. In addition, the Company is in discussions with an international Logistics company interested in establishing a warehousing zone at Karanja Port.

## Going Concern

Post the COVID-19 Pandemic outbreak in CY 2020 & 2021, the Board has assessed the Group's ability to operate as a going concern for the next 12 months from the date of signing the financial statements, based on the financial model which was prepared as part of approving the 2022 budget.

The Directors considered the cash forecasts prepared for Eighteen months from 1 January 2022 up to 30 June 2023, together with certain assumptions for revenue and costs, to satisfy themselves of the appropriateness of the going concern used in preparing the financial statements.

Regarding financing, the group had capital £4.78 million cash balance as at 31 December 2021, additional line of unsecured credit from Hunch Ventures amounting to £4.7 million (INR 45 Crore) to mitigate funding risk as well as ensuring continuity in business. The company will use the cash generated from operations to manage the projected costs until June, 2023 of £ 3.33 million.

The Directors also took account of the principal risks and uncertainties facing the business referred to above, a sensitivity analysis on the key revenue growth assumption and the effectiveness of available mitigating actions.

A range of mitigating actions within the control of management has been assumed, including a reduction in all non-essential services.

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 utilization of available fund, its capital investment plans and forecast of gross operating margins as and when the operations commence.

Based on the above indications, after taking into account the past impact of COVID-19 on the Group's future trading, the Directors believe that it remains appropriate to continue to adopt the going concern in preparing the financial statements.

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.

## Conclusion

The port is well on its way to ramp up capacity utilization to achieve its targeted revenues and diversify its commodity mix towards handling a wider variety of bulk cargo as well as containers.

The Indian economy remains on a steady path to recovery, with businesses reverting to pre-COVID-19 levels of trade. With the level of containerization in India remaining far below the global average, and overall port capacity in the country remaining short of demand, the business case for a port & logistics facility like Karanja continues to stay robust.

Through the course of 2022, MPL will look to deepen its engagement with existing and new customers for incremental volumes as well as diversify its product / commodity mix towards revenue and margin accretive business of containers.

# Strategic Report

The purpose of the strategic report is to inform members of the company and help them to assess how the directors have performed their duty to promote the success of the company.

## Principal Business Objective

The Group's principal objective is to develop ports and logistics facilities in India and its sphere of influence. The Group's first project is at Karanja and in close proximity to the city of Mumbai and Navi Mumbai.

Our Vision	Our Mission
<p>Our Vision is to be a key link in the global logistics chain by creating world class, state-of-the-art maritime and logistics infrastructure to support India's and other emerging countries' burgeoning trade demands and to create value for all our stakeholders. To achieve these aims we have to identify sustainable growth opportunities and drive innovation in our sector.</p>	<p>Our Mission is to have a world class approach to business, where integrity and innovation are at the heart of our business philosophy of exceptional customer service culminating in sustainable value creation for all our stakeholders.</p>

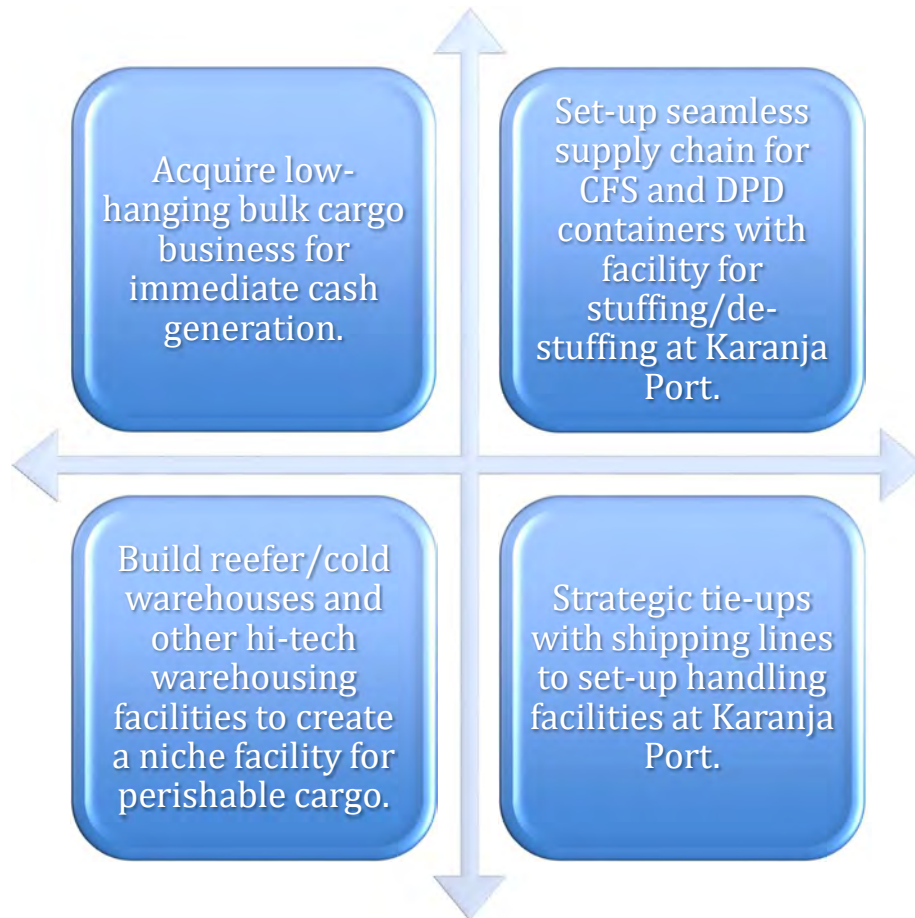
To achieve the above Vision and Mission we are driven by the following principal values.

## Principal Values:





## Our four-fold Strategy



## Karanja Port (KTPL) – Gateway to west coast of India

Karanja Port is strategically positioned within one of the most economically vibrant areas of India. Karanja is a high growth industrial zone in the heart of Navi Mumbai, and is approximately 7 nautical miles from JNPT, India's largest and busiest container port.

The port provides access to the primary inland part of the country including cargo clusters around Mumbai, Nashik, Pune, Aurangabad, South Gujarat, Madhya Pradesh and North Karnataka.

The area in the immediate vicinity of the Karanja Port is expected to see a radical transformation of business dynamics of the region with projects of up to USD 20 billion being developed over the next 3 to 5-year period (Source: Times of India). The port aims to cater to the requirements for building materials for these projects and will serve as the port of choice for export and import from the region.

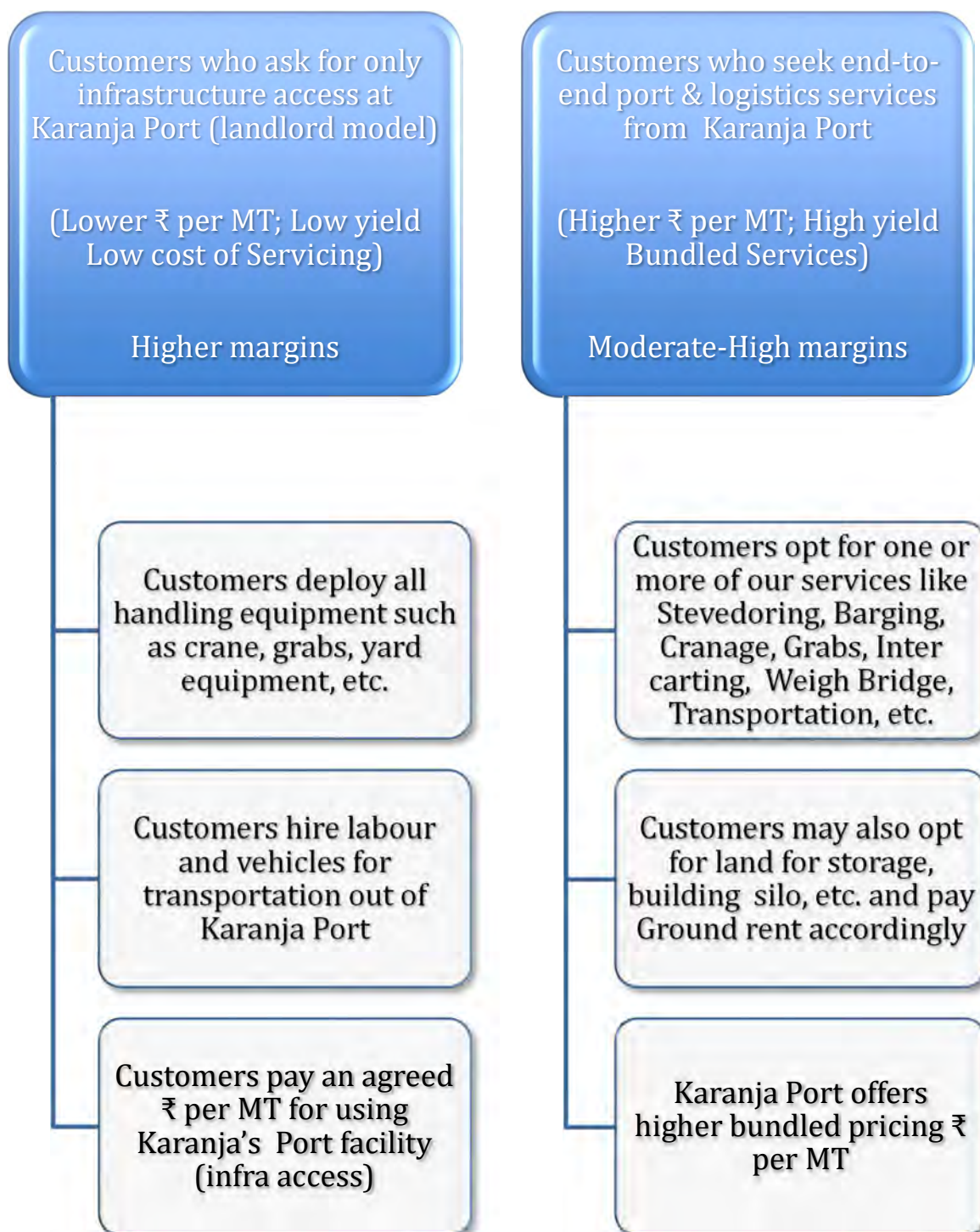


Karanja Port is strategically located enabling it to cater to the key hinterland of Maharashtra, Southern Gujarat, Northern Karnataka and Madhya Pradesh



## Business Mix - Only infra access versus Port Services

At Karanja, we see primarily a mix of customers at the two ends of spectrum and in between:





## Key Unique Selling Points of Karanja Port

### Location



### Customs Clearance



### Road Connectivity



### National Waterway





Karanja Port is strategically positioned within one of the most economically vibrant areas of India. Below are key Unique Selling Price.

(1) Location - KTPL is located close to the key demand clusters of Maharashtra and has the potential to attract cargo across commodities. It is also in close proximity of two major ports of India (JNPT and Mumbai Port) which together attract approximately 170 mn MT of Cargo traffic per annum.

(2) Customs Clearance – Karanja Port custom clearance is done by Jawaharlal Nehru Customs House (JNCH). The same customs house that does clearing for JNPT. This means that for clearing and forwarding agencies and even the end-customers they would have to deal with the same agencies they have been dealing with over the years for custom and related formalities.

(3) Road Connectivity – NH 4B (1.2 km) and SH 54 (3.5 km). This is a boon for Cargo evacuation. As this kind of road connectivity directly with state and national highway will allow speedy movement of Cargo in and out of the port.

(4) National Waterway – Karanja/Dharamtar creek declared as National Waterway 10 by Inland Waterway Authority of India (IWAI). Similar to national highways there are National waterways that can be used to move Cargo using Barges. For example, one Barge can load 150 to 200 Containers and move them in one go at relatively lower cost than road transport.

# Growth Catalysts

<div>Congestion at JNPT &amp; Regional Road Network</div> <div></div>	<div>Restrictions at MbPT</div> <div></div>
<div>Perishables</div> <div></div>	<div>Infra Projects</div> <div></div>



Karanja is a high growth industrial zone in the heart of Navi Mumbai with the following growth catalysts:

(1) Congestion in the road network around JNPT – While currently authorities are already working on how to reduce the delay in evacuation of Container Cargo. The overall container handling capacity of JNPT will move up from 5.5mn Containers to 10 mn Containers when the fourth terminal of JNPT becomes active.

(2) Restrictions at MbPT – Time restricted cargo evacuation window. Mumbai Port has restrictions in moving Cargo out of the port during the day. Compared to this, Karanja Port is allowed to operate 24x7.

(3) Perishables – Exports Oranges, Grapes, Fish and Mangoes from west coast of India from states like Maharashtra. Karanja Port could become a port of choice for Perishable cargo, given the road connectivity with state and national highway.

(4) Infra Projects – Infrastructure Projects like MTHL, Navi Mumbai Airport, Digital City will drive movement of Project Cargo including cement, steel, sand, construction material, equipment into the region. This in addition to recurring supplies will be a catalyst for demand for Karanja Port's facility.

## Drivers for cargo related to infrastructure projects

US \$ 2.3 bn

### **Mumbai Trans Harbor Link (MTHL) (18km from Karanja)**

- The MTHL bridge (located approx. 18km from Karanja Port) is expected to shorten the commute time between Mumbai and Navi Mumbai to 20 minutes from over 120 minutes currently. The ongoing construction of this longest seabridge of India has spurred significant regional development. The project by itself and the development around, is expected to consume significant volumes of construction material including cement, steel, clinker, fly ash etc which serves as a volume driver for the port.

• source- [https://en.wikipedia.org/wiki/Mumbai\\_Trans\\_Harbour\\_Link](https://en.wikipedia.org/wiki/Mumbai_Trans_Harbour_Link) (refer second paragraph)

US \$ 2.5 billion

### **Navi Mumbai International Airport (20km from Karanja)**

- The second international airport of Mumbai city, also to be the largest in India, is currently under construction, and is responsible for spurring regional development. As is the case with MTHL, this project on its own as well the development of the region will be significant consumers of construction material such as cement, clinker, steel and fly ash amongst others, which are expected to flow through Karanja Port.

• Source- [https://en.wikipedia.org/wiki/Navi\\_Mumbai\\_International\\_Airport#:~:text=The%20original%20estimated%20cost%20of,billion%20\(US%241.2%20billion\).](https://en.wikipedia.org/wiki/Navi_Mumbai_International_Airport#:~:text=The%20original%20estimated%20cost%20of,billion%20(US%241.2%20billion).) (refer third paragraph)

US \$ 1.5 billion

### **JNPT's 4th Terminal owned by Port of Singapore**

- The development of the 4th Terminal at JNPT and the consequent capacity addition will lead to significant opportunities for Karanja Port in helping JNPT with easing of its evacuation bottlenecks by moving cargo through coastal waterways rather than via road resulting in incremental cargo /container volumes for Karanja Port.

• Source-<https://timesofindia.indiatimes.com/india/pm-modi-opens-rs-7900-crore-4th-terminal-at-jnpt/articleshow/62971024.cms> (refer title of the article)



US \$ 75 bn

## Mega City being developed by Mr. Mukesh Ambani

- The planned megacity will be developed on the lines of a world class major international city with easy connectivity to airport, port and sea link connectivity to Mumbai.

• Source - <https://indianconstructioninfo.com/buildings-cities/megacity-by-reliance/> (refer title of the article)

These announced/under construction projects give us confidence that local evacuation infrastructure is and will be more than capable of handling forecasted volumes and should entice, or require, customers to use the port.

## Financial Performance:

Business development and revenue generation suffered a setback during the first half of the year in 2021 due to the second wave of the Covid 19 pandemic.

However, there were few other important events that need to highlighted here:

(1) The Group successfully restructured the term loan with following key highlights.

- Interest on term loan for the March 2020 to August 2022. has been converted to term loan
- Reduction in the rate of interest of principal term loan, from 13.45% to 9.5%;
- Moratorium on Interest repayment for the period Jan 2021 to February 2022 and same will be converted to FITL;
- Deferment of principal term loan repayment for a period of 24 months. Principal Repayment commencing from 31 October 2022 quarter.
- Interest on FITL to is 10.50%.

(2) New contract signed with a major cement company and with a large regional trading company for various bulk cargoes.

(3) The Group raised £9.5 mn (net of costs) via equity fund raise at £0.45 pence per share

## Key Performance Indicators as 31 December 2021

- The Group recorded revenues of £ 1.8 million during the year versus £ 0.75 million during the previous year
- Borrowings £ 45.2 million ( Net present value £ 40.97 million)
- Loss for the year £ 6.02 million (previous year £ 6.58 million)
- Debt Equity Ratio: 0.43 : 1.
- Cash position: £ 4.78 million

## Principal Risk and Uncertainties

The Directors believe that the management of the business and the implementation of the Group's plans are potentially exposed to a variety of risks. It is the Board's job to ensure that MPL is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to our business. Good governance and risk management are core to our business and to the achievement of our objectives.

## Risk Management

Currently, the principal risks facing the Group emanates from risk specific to the Karanja development.

Risk factors and their mitigation measures are as follows:

**Regulatory Risk:** While the Group has received all necessary approvals for the development phase of the project, future risk of change in policies impacting operational aspects such as tariff policies, Cabot age laws etc., continue to remain. However, the Group's strong management team and local advisors previous experience and reputation continues to be helpful in navigating any such hurdles along the way. Trade restrictions and regulatory policies stemming from geo-political events that can curb seamless functioning. We have focused on building strong quality control mechanisms to govern our operations and our client markets. Our compliant rich operations will ensure robust balance-sheet and operational efficiency.

**Construction & Completion Risk:** Management team has over 60 years of experience in successfully implementing large infrastructure projects. While time and cost overruns are common to large scale infrastructure projects, they can be mitigated to a large extent by the selection of a world class Engineering, Procurement and Construction ("EPC") contractor and by tight project management from the Group's side.

**Funding Risk:** Funding risks relates to the ability of the Group to obtain appropriate funding to continue to meet its

requirements until revenue activities can sustain the business. Due to the successful equity fundraise in August 2021, the Company has secured its funding requirement for both debt servicing as well as working capital. However, cash flows are being monitored closely by the Board. We have additional line of unsecured credit from Hunch Ventures amounting to £4.7 million (INR 45 crore) to mitigate funding risk and keep the business going.

**Foreign Exchange Risk:** The exchange difference arising due to foreign currency exchange rate variances on translating a foreign operation into the presentational currency results in a translation risk. The exposure to FX risk is being closely monitored by the board on a regular basis. Investors are at risk as investments are made in GBP and the asset is in INR, therefore the fluctuation in currency can impact the carrying value of the asset when retranslated.

**Marketing Risk:** Marketing risk refers to the risk that the Group may not be able to generate sufficient cargo for the port. To mitigate this risk, the Group has appointed Capt. Ashok Shrivastava as Head of Business Development and Sales & Marketing respectively.

Capt. Shrivastava, a Master Mariner by profession has enviable experience in the shipping industry with a specialty in coastal cargo movement. The Group benefits immensely from his experience and relationships in the sector.

We have hired two senior-to-mid level professionals for marketing and sales of container freight station (CFS) (i) Swati Mhatre - CFS Sales and Marketing, 18 years of experience in various container freight stations including AP Moller, DP World, Seabird CFS; and (ii) Jayant Raval, ex-JNPT with 31 years of experience.

Swati and Jayant will be supported by a new 3-member junior to mid level team focused on i) Documentation; (ii) Yard operations Planning and Execution; (iii) Customer Relationship Management (CRM) function.

**Challenging macro-economic environment:** The macro-economic environment with unstable demand growth, rising commodity prices and market volatility gives rise to business and credit risks. As other global competitors grapple with severe geo-political fluctuations, we are in a better position to further business growth given the Indian economy's strength and pace of development.

**COVID-19 Risk:** The global spread of the coronavirus (COVID-19) has caused significant business interruption on various counts from the risk of infection of workforce to closing the facility and back offices and therefore impacting cargo and revenues; and impairing the Group's supply chain, adding costs and delaying rolling out operations. MPL monitors and follows government (in all jurisdictions) advice making the necessary adjustments in order to maintain the well-being of its employees. MPL promotes hygienic practices at the Port and in its offices and avoids unnecessary travel. The Group operates technology driven systems that permit the Board and senior management remote working with the minimum of interruption. The Group has the ability to immediately reduce its investment in completion of developing the facility costs and manage discretionary spending. Working with its staff, suppliers and customers, MPL works hard to reduce the impact of any interruption.

Signed for and on behalf of the Board on 29 June, 2022

  
**Jay Mehta**

**Director**

**Mercantile Ports & Logistics Limited**

29 June, 2022

# Directors' Report

The Directors ("Directors") of Mercantile Port Limited present their reports and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

The Company was incorporated and registered under The Companies (Guernsey) Law, 2008 with registered number 52321 on 24 August 2010. On 7 October 2010 its ordinary shares of no par value were listed on the London Stock Exchange's Alternative Investment Market ("AIM"). The Company's subsidiaries are Karanja Terminal & Logistics (Cyprus) Ltd incorporated in August 2010 in Cyprus and Karanja Terminal & Logistics Private Limited, incorporated in May 2010 in India.

## Principal Activity

The Group's principal objective is to develop ports and logistics facilities in India and its sphere of influence. The Group's first project is being developed at Karanja in close proximity to the city of Mumbai and Jawaharlal Nehru Port Authority ("JNPA"), which is India's largest and busiest container handling port.

Non-executive Directors – Lord Howard Flight, Mr. John Fitzgerald, Mr. Jeremy Warner Allen, Mr. Karanpal Singh, Mr. Peter Mills (up to 31 January 2022), Mr. Amit Dutta (appointed from 11 January 2022), Mr. Dmitri Tsvetkov (appointed from 31 January 2022).

Executive Directors – Mr. Nikhil Gandhi, Mr. Jay Mehta (Managing Director).

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



In accordance with the Companies (Guernsey) Law, 2008 each director confirms that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware. Each director also confirms that they have taken all steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

## Events Subsequent to year end

India experienced a fourth wave (Omicron) from December-21 to February-22. Operations were impacted as China went into a lockdown again disruption global trade supply chain.

The invasion of Ukraine by Russia has increased geopolitical tensions. We, however, did not see any significant impact by way of rising cost or supply chain issues as all our customer contract are in the nature of utilisation of port facility.

## Dividend

No dividend has been declared by the Board.

Signed for and on behalf of the Board on 29 June, 2022

  
**Jay Mehta**

**Director**

**Mercantile Ports & Logistics Limited**

29 June, 2022

# Corporate Social Responsibility

Social, community and human rights issues:

The Groups Indian Subsidiary Karanja Terminal & Logistics Private Limited has been required to set up a CSR committee consisting of their board members and one independent member. The concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The act is applicable to KTPL as its net worth exceeds 500 INR Crores. The Company has invested approximately GBP 0.02 million (INR 0.07 Crores) in the Year ended December 2021 which primarily consisted of providing computers for local municipal school, providing drinking water tankers, Donation for Ganpati Festival and donation of COVID Vaccine for locals at Karanja Village.

The Group proposes to engage in several CSR initiatives over the tenure of its lease agreement with the Maharashtra Maritime Board.

The CSR Program will address the following areas for community development in the Chanje area:

- Education/Literacy Enhancement: 15% of the total budget
- Employment/Skill Development: 20% of the total budget
- Community Development: 10% of the total budget
- Health and Sanitation: 15% of the total budget
- Help to the Fishermen Community: 15% of the total budget
- Social Amenities/Infrastructure Development: 10% of the total budget
- Environment Protection: 15% of the total budget

These are indicative percentages; actual expenditure amongst these areas will depend upon local needs and discussion with local government bodies and citizen forums.

# Corporate Governance Report

The Board's corporate governance policy is structured around its Corporate Governance Framework in compliance with the QCA Corporate Governance Code. It is supported by a number of Committees to which certain Board responsibilities are delegated. These committees, in turn formally report to the Board following each meeting to ensure that the Board remains fully updated on their activities. The principal Board Committees include the Remuneration and Audit committees, which both have formally delegated duties and responsibilities and written terms of reference. From time to time, the Board may set up additional committees to consider specific issues when the need arises.

The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Reports on the activities of the principal Board Committees can be found on the following pages and their Terms of Reference are available on the Company's website, [www.mercpl.com](http://www.mercpl.com). The Group Company Secretary provides support as the secretary for the principal Board Committees.

## BOARD COMMITTEES

The Board of Directors are supported by the following committees:

(i) The Audit Committee - principal duties are to assist the Board in discharging its responsibilities to maintain the integrity of the financial statements, to review financial information, financial plans and budget, and to monitor the effectiveness of the systems of internal control and risk management. It also reviews the effectiveness and the objectivity of the external auditors.

(ii) The Remuneration Committee - determines the remuneration and benefits of executive directors, and manages associated incentive schemes.

(iii) The Nominations Committee - assists the Board in reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and makes recommendations to the Board with regard to any changes.

The Board considers that the Corporate Governance Framework promotes the effective and sound management of the Group in the long term interest of the Group and its shareholders and is effective in promoting compliance with the Corporate Governance principles of the AIM ruling.

## Board of Directors:

### Jeremy Warner Allen

#### Chairman

Appointed as Chairman to the Board 16 January 2020 , prior to which he served as Independent Non - Executive Director since 06 December 2018.



#### Skills and expertise

Jeremy joined the Group in December 2018. He has over

25 years' experience in capital markets, most recently as Executive Director, Board Member and Head of the Growth Companies Team at Cenkos Securities plc, where he advised a number of AIM companies over a period of 11 years. Whilst at Cenkos he was instrumental in supporting MPL since the IPO in 2010. Prior to joining Cenkos, he was a founding member of Evolution Beeson Gregory Limited and responsible for the UK sales desk, a role he retained when Beeson Gregory merged with Evolution Securities in 2002. As Chairman of MPL he focused on driving an increase in the operational activities of the Group.

#### Key External Appointments

Non-Executive Director TP Group and Non-Executive

Deputy Chairman of OPG Power Ventures PLC

#### Committee membership

Member of the Nomination and Remuneration Committee

### Nikhil Gandhi

#### Founding Partner & Director

Appointed as Director and Founding Partner

16 January 2020, prior to which he served as Chairman from 24 August 2010.



#### Skills and expertise

Nikhil is a first-generation entrepreneur with business interests in infrastructure, defence, oil & gas and education. He has over 30 years of experience in conceiving, developing and operating several path- breaking infrastructure projects in India including India's first private sector port & logistics facility, the first private sector railway line, first private expressway, special economic zone and most recently India's largest and world class



integrated defence shipyard. As Foundering Partner of MPL he has been at the forefront of the Group's first development project in India.

## Key External Appointments

Group Chairman of SKIL Infrastructure Limited, Grevek Investments, KLG Capital Services Limited and JPT Securities Limited.

## Committee membership

Board member.

## Jay Mehta

### Managing Director

Appointed as Managing Director 13 December 2018 prior to which he served as Group COO from 24 August 2010 and was appointed to the Board as Director 12 September 2016.



### Skills and expertise

Jay has over 18 years' experience in port operations and management, port marketing and logistics planning. He formerly worked for Merrill Lynch in New York. Jay holds a Diploma in Port, Shipping and Transport Management from the International Maritime Transport Academy, Rotterdam, The Netherlands and an MBA (Finance) from Fordham University, New York.

Jay was appointed to the Board having been with the Company since inception. Jay is the Managing Director of Karanja Terminals & Logistics Private Limited and MPL. Jay Mehta's tenure with MPL has been impressive and he is highly regarded, both internally and externally. Having been involved with this project from the outset, Jay's input on the Board is key to ensuring its first development is a success. With the support of the Board and other key management he has built a team that is ready for the transition of moving from a development project to a fully operational Ports & Logistics Facility. As Managing Director Jay has shown great persistence and leadership in overcoming the early difficulties related to securing environmental clearance and was key in securing the second and third round of equity finance.

### Key External Appointments

None.

### Committee membership

Board member.

## John Fitzgerald

### Independent Non-Executive Director

Appointed to the Board as Independent

Non-Executive Director on 20 September 2017.



### Skills and expertise

John is an experienced Director working in the UK as well as for global ports business. His 30-year career working for the two largest UK privatised port businesses, Associated British Ports and Peel Ports, culminated in him running the UK's largest and most commercially successful port complex, ABP Humber Ports. Heading up ports large and small John has pioneered many significant long term business development schemes, and managed large scale capital projects both enhancing existing and creating new infrastructure, generating significant shareholder value, and delivering economic value-add to the regions he has worked in. He has recently served as regional Chairman for Confederation of British Industries. John has spent the last 6 months working with the team challenging the operational structure to ensure we are establishing an efficient operating port. He has also taken an active role in how we optimise capacity utilisation and maximise revenues and profits.

### Key External Appointments

Non-Executive Director KCOM Group Limited.

Director of John Fitzgerald Limited.

### Committee membership

Chairman of the Remuneration Committee & Nomination

Committee and member of the Audit Committee.

## Lord Flight

### Independent Non-Executive Director

Appointed to the Board as Independent Director

12 September 2016.



### Skills and expertise

Lord Flight joined MPL with significant experience operating both in the City of London and in India and has long campaigned for closer commercial relations between Britain and India. He has acted as Chairman of Arden Partners and Joint Chairman of Investec Asset Management, as well as a Director of Panmure Gordon and Co, and joint founder and Managing Director of Guinness Flight Global Asset Management. Lord Flight also

enjoyed a successful political career, acting as Conservative MP for Arundel for eight years. During this time, he held positions as Shadow Economic Secretary to the Treasury, Shadow Paymaster General and Shadow Chief Secretary to the Treasury.

He is an experienced figure in the city of London and was a key figure in supporting the Chairman and MD in securing the latest round of equity finance. As Chairman of the Audit Committee his experience and insight has been invaluable in supporting the MD and new CFO in building on the Controls and Governance in place.

## Key External Appointments

Non-Executive Director of Investec Asset Management Limited.

## Committee membership

Chairman of the Audit Committee and member of the Remuneration Committee & Nomination Committee.

## Karanpal Singh

### Non-Executive Director

Appointed to the Board as Independent Director  
06 December 2018.



## Skills and expertise

Mr. Karanpal Singh serves as a Founder of Hunch Ventures. Mr. Singh has had a successful background in Real Estate, Hospitality, Mining and Construction and is among a new generation of self-made entrepreneurs investors who are changing the landscape of start-ups in India engaged in technology, marketing and services. He is extremely connected with the industry, clued on and engaged with the businesses he has invested into and has an aggressive vision for his group of companies. Prior to this, he served at Essential Resources Pvt. Ltd and KJS Concrete. He serves as Director at vMobo Inc.

## Key External Appointments

Founder of Hunch Ventures, Director of KJS Concrete

## Committee membership

None.

## Peter Mills

### Non-Executive Director

Appointed to the Board as Independent Director

Resigned on 31 January 2022



### Skills and expertise

Peter is an experienced Chairman and Board member, both non-executive and executive, with a strong corporate governance and regulatory understanding. He has a widespread industry knowledge with approximately 30 years in onshore and offshore financial services markets and broad involvement with government and regulators. Having qualified as a Chartered Accountant in 1996 his directorships have included banking groups, fund management companies, fiduciary services companies, listed and unlisted investment funds, captive insurance company and leasing companies. His fund management and investment fund roles have predominately been in the infrastructure, private equity and property asset classes.

### Key External Appointments

Need to confirm

### Committee membership

Audit Committee

## Amit Dutta

### Non-Executive Director

Appointed to the Board as Independent Director

from 11 January 2022



### Skills and expertise

Amit Dutta has over 21 years' experience in a corporate career with leading companies such as Unilever, Reliance Infocom, General Motors and American Express. He is currently serving as Managing Director and Co-Founder of BLADE India, a JV between Hunch Ventures and BLADE USA. Amit is also a member of the Board of Directors of Comprehensive Healthcare Systems, USA, a participant in the healthcare technology platform market in the United States and Canada. Amit holds an MBA from the Indian Institute of Management, Lucknow and a Bachelor's Degree in Civil Engineering from Jadavpur University, IndiaKey

### External Appointments

Astral Travels Private Ltd

Sea Sport Marine Private Limited  
 Luxury Hues Consultancy Services (India) Private Limited  
 Quintessentially Lifestyle Services (India) Private Limited  
 LH Consulting Private Limited  
 Radiant Hues CRM Solutions Private Limited  
 Radiant hues consultancy services private limited  
 Teamonk global foods private limited  
 Hues lifestyle services (india) private limited  
 Flyblade (india) private limited

## Committee membership

None

## Dmitri Tsvetkov

### Non-Executive Director

Appointed to the Board as Independent Director  
 from 31 January 2022



## Skills and expertise

Dmitry has over 27 years of financial, accounting, and operational experience, including substantial experience working with promoter/founder-led energy sector listed businesses in London, Africa, Asia, and Canada. Since November 2017, Tsvetkov has served as Chief Financial Officer of OPG Power Ventures PLC. He holds the designations of Chartered Accountant (CA) from the Canadian Institute of Chartered Accountants, FCCA from the Association of Chartered and Certified Accountants in the United Kingdom, and CFA from the CFA Institute in the United States.

## External Appointments

Clarion Petroleum Limited  
 Epiplex Limited

## Committee membership

Member of Audit Committee



## Directors' Independence

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

The Board comprises the Non-Executive Chairman, two Executive Directors and five Non-Executive Directors. The Board considers, after careful review, that the Non-Executive Directors bring an independent judgement to bear. The Board is satisfied that it has a suitable balance between independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

## Time Commitment

The executive directors are expected to devote substantially the whole of their time, attention and ability to their duties as one would expect. The non-executives have a lesser time commitment. It is anticipated that each of the non-executives will dedicate 24 days a year. The non-executive directors have all confirmed that they are able to allocate sufficient time to meet the expectations of their role, and they are required to obtain the chairman's agreement (or, in the case of the chairman, the chief executive's agreement) before accepting additional commitments that might affect the time they are able to devote.

## Training, development and advice

The Board remains committed to effectively leading the Company, ensuring that our business is managed prudently and soundly to drive sustained long-term value for our shareholders. The balance of skills and expertise on our Board will allow us to continue creating value as we expand our horizons and lead the future of world trade.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of port construction, finance, innovation, international trading and marketing. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings.

From time to time, the Directors, as appropriate, attend training courses, conferences and/or industry forums, read technical and other journals and undertake online learning to keep up-to-date on various matters. They also attend relevant specialist briefings, some of which form part of board or executive committee meetings.

Once a year, the Company nominated adviser provides education and training to all the directors on the AIM Rules and aspects of the Market Abuse Regulation, and the Company's dealing code.

Subject to certain limitations, all the Directors are entitled to obtain independent professional advice at the Company's expense.

Cenkos Securities plc, DWF LLP, Carey Olsen (Guernsey) LLP, Sastra Legal, Zeus Capital and Jonathan Keeling are or have been advisers to the board during 2021. The former is the Company's nominated adviser and broker; in its capacity as nominated adviser, it is responsible to the London Stock Exchange for providing advice and guidance in relation to the Company's continuing obligations resulting from its admission to AIM. DWF is an international law firm headquartered in London and provides UK legal advice and services from time to time.

Carey Olsen is a Guernsey based law firm that advises is of Guernsey legal issues. Sastra Legal is an Indian Law firm and since 7 December 2018 has been appointed to provide Indian legal advices and services. Jonathan Keeling a former Executive Director of Arden Partners with 33 years Capital Markets Experience in Equity Sales and Trading and Corporate Broking in the Small Mid Cap market with international experience provides the board with capital market support.

## Attendance at Board and Committee Meetings

Although there is a prescribed pattern of presentation to the Board, including matters specifically reserved for the Board's decision, all Board meetings tend to have further subjects for discussion and decision-making. Board papers, including an agenda, are sent out in advance of the meetings. Board meetings are discursive in style and all Directors are encouraged to offer their opinions.

The Board met six times during the year either in person or via telephone or video conference. In addition, written resolutions (as permitted by the Company's Articles of Association) can be used as required for the approval of decisions that exceeded the delegated authorities provided to Executive Directors and Committees. The table below sets out the attendance of the Directors at the Board and Committee meetings during the year.

The directors' attendance at Board and Committee meetings during the year is shown below:

Director	Board	AGM/EGM	Audit	Remuneration	Nomination
Jeremy Warner Allen	7	1	3	-	NA
Nikhil Gandhi	-	-	NA	NA	NA
Lord Howard Flight	7	1	3	-	-
Jay Mehta	7	1	NA	NA	NA
John Fitzgerald	7	1	3	-	-
Karanpal Singh	5	1	NA	NA	NA
Peter Mills	3	-	-	-	-

## 2021 Board Activities

Significant matters considered during the year.

2021	
<b>Leadership</b>	Reviewed the structure, size and composition of the Board and its Committees.
<b>Financial Reporting and Controls</b>	Considered results, after challenging them and the strategic decisions, Approved Group Budget, Going Concern and Impairment Review Memorandum.
<b>Strategy and Management</b>	Setting the strategy and regularly monitoring it by receiving detailed presentations on performance against strategic objectives and key performance indicators.
<b>Risk Management</b>	Received updates on insurance matters and approved the renewal of the Directors' and Officers' Insurance. Reviewed and monitored the key risks as outlined page 16 of the strategic report.
<b>Corporate Governance</b>	Review of Corporate Governance Statement of Compliance with the QCA Corporate Governance Code.
<b>Shareholders</b>	Reviewed and approved throughput announcements released during the year.  Reviewed and approved full and half-year results announcement. Approved the Group's Annual Report and Accounts.
<b>Equity Fundraise</b>	During CY 2021 The board has done fund raise of £10.1 million.

## Accountability

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

## Risk Management Framework

Risk management is the responsibility of the Board and is integral to the achievement of our strategic objectives. The Board is responsible for establishing the system of risk management,

setting the risk appetite of the Group and for maintaining a sound internal control system. The Audit Committee oversees certain elements of this responsibility on behalf of the Board.

The Group's risk management and internal control processes, which have been in place throughout the period under review, identify, manage and monitor the key risks facing the Group. The risks which are considered to be material are reviewed by the Audit Committee and then, together with their associated controls, are presented to the Board for review.

## Guidelines Regarding Insider Trading

The Group takes all reasonable steps to avoid the risk of insider trading. It has adopted processes to keep all members of staff informed about their duties with respect to the handling of inside information, as well as dealings in the Company's shares. The Group has a share dealing code which sets out the restrictions and "close" periods applicable to trading in securities. Memoranda and guidelines regarding dealings in shares (either selling or buying) have been circulated within the Group.

## Audit Committee

### Members

During the year, the Committee was composed of three members, the three Independent Non-Executives. The Company has appointed Dmitri Tsvetkov as an Independent Non- Executive Director to replace Peter Mills who stood down from his position to ensure adherence to the QCA Code and terms of reference.

### Committee Meetings

The Audit Committee meets formally at least three times a year and otherwise as required.

Attendance at the Audit Committee meetings is set out in the table on page 30.

### Role of the Committee

The primary role of the Audit Committee is to ensure the integrity of the financial reporting and audit process and to oversee the maintenance of sound internal control and risk management systems. This includes the responsibility to:

- make recommendations to the Board on the appointment and remuneration of the external auditors, review and monitor the external auditors' performance, expertise, independence and objectivity along with the effectiveness of the audit process and its scope;
- review and monitor the integrity of the Group's financial statements and the significant reporting judgements contained in them;
- monitor the appropriateness of the accounting policies and practices;
- review the adequacy and effectiveness of financial reporting and internal control policies and procedures and risk management systems;
- review the effectiveness of the Group's whistle blowing policies; and
- monitor risks and compliance procedures across the Group.



External auditors are invited to attend the Audit Committee meetings, along with any other Director or member of staff considered necessary by the Committee to complete its work. The Committee meets with external auditors without Executive Directors or members of staff present at least once a year, and additionally as it considers appropriate.

### Significant Issues

The Audit Committee identified the issues below as significant in the context of the 2021 financial statements. These areas are considered to be significant taking into account the level of materiality and the degree of judgement exercised by management. The Audit Committee debated the issues in detail to ensure that the approaches taken were appropriate and the judgments made were correct.

#### Impairment testing

(see note 3 to the financial statements)

An impairment review is carried out annually by management to consider whether there is any indication that the port may be impaired (i.e. its carrying amount may be higher than its recoverable amount). Impairment results in a charge to the Consolidated Statement of Comprehensive Income.

Key judgements and assumptions need to be made when valuing the port and the quantum of potential future cash flows arising from this asset.

The Audit Committee considered the significant judgements, assumptions and estimates made by management in preparing the impairment review to ensure that they were appropriate. In particular, the cash flow projections, port capacity, tariffs used, margins, discount rates, inflation and sensitivity analysis were reviewed. The Audit Committee also considered external market factors to assess reasonableness of management assumptions.

Taking this into account, together with the documentation presented and the explanations given by management, we were satisfied with the thoroughness of the approach and judgements taken.

The Committee also considered the internal valuation against the current market capitalization. The review did not result in any impairment during the year.

**Going Concern**

(see note 2 to the financial statements)

A going concern review is carried out annually by management to consider whether there is any indication of the Group not being able to continue in business for the foreseeable future and to confirm there is neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realise assets and discharge its liabilities in the normal course of business.

Key judgements and assumptions around the availability of cash and borrowings, together with the future income and costs need to be considered in assessing the business risks that individually or collectively may cast significant doubt about the going concern.

The Audit Committee reviewed future budgets and cash flow forecasts to understand the Group's available liquidity and ability to continue as a going concern. The Committee reviewed and challenged the risks identified to the forecasts. The Committee reviewed the outcome of the downside scenario modelling and stress testing.

The Audit Committee specifically considered the impact of COVID-19 on the budgets, cash flow forecasts and risks. The Committee reviewed actions to protect the Group's liquidity position, including reduction of expenses and deferment of salary.

The Committee was satisfied with the actions the Group has taken to protect liquidity and is satisfied that the Group is a going concern. The Committee is satisfied with the disclosures related to going concern.

**Depreciation of port assets**

With the facility having become operational, utilization of its berth and storage area will ramp up over a period driven by signing of new contracts.

The accounting treatment of the port asset into its components, along with the assessment of residual values and useful lives, is considered to be a complex component of the audit.

The Audit committee have assessed reasonableness of management assumptions in relation to both the useful life of the port and the start date of depreciation. Taking this into account, together with the documentation presented and the explanations given by management, we were satisfied with the thoroughness of the approach and judgements taken.

The depreciation of the asset began in September 2019 when the first part of the port was placed into operation. The useful life was determined to be the remaining life of the lease.

During 2020 and 2021, additional parts of the port have been placed into service, which was done post the certification from the engineering department which has been placed before the audit committee for their information.

**Financial Reporting**

The Committee reviewed the annual update to Group's accounting policies. The significant accounting judgements and policies adopted in respect of the Group's financial statements were agreed and considered appropriate.

## **Internal Controls**

The Board is responsible for establishing and maintaining an effective system of internal control and has established a control framework within which the Group operates. This system of internal control is embedded in all key operations and is designed to provide reasonable assurance that the Group's business objectives will be achieved.

The risk management process and the system of internal control are subject to continuous improvement.

The Group's internal control systems are designed to manage rather than eliminate business risk. They provide reasonable but not absolute assurance against material misstatement or loss. Such systems are necessary to safeguard shareholders' investment and the Company's assets and depend on regular evaluation of the extent of the risks to which the Group is exposed to. During the year, the controls have been developed to improve the control environment.

The Committee is of the view that the Group has made significant improvements during the year. The Chairperson (Lord Flight) of the Audit Committee reports any matters arising from the Committee's review to the Board following each meeting. This update covers the way in which the risk management and internal control processes are applied and on any breakdowns in, or exceptions to, these processes. There were no significant failings or weaknesses identified.

## **External Audit**

Throughout the year, the Committee monitored the cost and nature of non-audit work undertaken by the auditors and was in a position to take action if it believed that there was a threat to the auditors' independence through the award of this work.

Grant Thornton UK LLP have been the company's external auditors since inception in 2010. During the course of audit they have provided valuable findings with regards to strengthening of internal process as well as compliance to the reporting requirements prevailing in respective years. The whole Committee meets with Grant Thornton in private at least once a year.

The Committee has undertaken an annual review of the independence and objectivity of the auditors and an assessment of the effectiveness of the audit process. It also received assurances from the auditors regarding their independence. On the basis of this review, the Committee recommended to the Board that it recommends to the shareholders that they support the reappointment of the auditor at the AGM.

## **Shareholder Engagement**

### **Relations with Shareholders**

The Group is committed to communicating its strategy and activities clearly to its shareholders and, to that end, maintains an active dialogue with investors through a programme of investor relations activities.

Regular attendance at industry and regional investor conferences provides opportunities to meet with existing and prospective shareholders in order to update them on performance or to introduce them to the Group. In addition, the Group hosts investor and analyst visits to its port, offering analysts and shareholders a better understanding of the day-to-day business.

The Board receives regular updates on shareholders' views through briefings from the Group Chairman, Managing Director, Group Chief Financial Officer as well as reports from the Group's corporate brokers and Investor Relations team. In 2021, the Group maintained corporate broking relationships with Cenkos Securities plc.

The Chairman, the Non-Executive Independent Directors and the Managing Director are available to meet major investors on request.

Visit our dedicated Investors page on our corporate website [www.mercpl.com](http://www.mercpl.com) – Investors Reporting Contact our Investor Relations team: Investor Relations Email: [mpl@newgatecomms.com](mailto:mpl@newgatecomms.com).



# Directors Remuneration Report

The purpose of this report is to set out all the elements of the Directors' remuneration policy and the key factors that were taken into account in setting the policy and to report on how the directors' remuneration policy has been implemented. It also sets out amounts awarded to Directors and provides details on the link between the entity's performance and directors' remuneration.

**Executive Directors' Service Contracts and Remuneration as at 31 December 2021**  
The Executive Directors' remuneration structure follows the market practice. Each of the Executive Directors are employed pursuant to a service agreement or employment contract.

## *Jay Mehta – Managing Director*

Jay Mehta's employment contract is with Karanja Terminal & Logistics Pvt. Limited and he is entitled to receive a base salary and certain bonuses under his service agreement.

## *Nikhil Gandhi – Executive Director and Founding Partner*

Nikhil Gandhi's service agreement is with Karanja Terminal & Logistics Private Limited and is entitled to receive a base payment and currently no other benefits under his service agreement.

## Post-Retirement Benefits

The Gratuity Scheme (post-retirement benefit) covers the staff as well as the Senior Management of the Company.

## Table of Directors Remuneration:

The total remuneration of the Directors of the Company is as follows:

	2021	2020
	£ 000	£ 000
Salary & Bonus	298	364
Fees	125	125
Other benefit	--	-
Pension Contributions	--	-
<b>Total</b>	<b>423</b>	<b>489</b>

The remuneration, excluding pension contributions, of the individual Directors is as follows:

For year ended 31 December 2021	Directors' Salaries	Bonus Paid	Pension Contribution	Directors' fees	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Jay Mehta	89	--	--	--	89
Nikhil Gandhi	180	--	--	--	180
Jeremy Warner Allen	--	--	--	40	40
Lord Flight	--	--	--	40	40
John Fitzgerald	--	--	--	45	45
Peter Mills	29	--	--	--	29
Karanpal Singh	--	--	--	--	--
<b>Total</b>	<b>298</b>	<b>--</b>	<b>--</b>	<b>125</b>	<b>423</b>

For year ended 31 December 2020	Directors' Salaries	Bonus Paid	Pension Contributio n	Directors' fees	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Jay Mehta	95	-	-	-	95
Andrew Henderson	77	-	-	-	77
Nikhil Gandhi	192	-	-	-	192
Jeremy Warner Allen	-	-	-	40	40
Lord Flight	-	-	-	40	40
John Fitzgerald	-	-	-	45	45
Karanpal Singh	-	-	-	-	-
<b>Total</b>	<b>364</b>	<b>-</b>	<b>-</b>	<b>125</b>	<b>489</b>

### Non-Executive Directors' Letters of Appointment and Fees

The Non-Executive Directors do not have service contracts with the Company. Their terms of appointment are governed by letters of appointment. The Company has a contractual obligation to provide 3 months' fees but no further benefits to any of the Non-Executive Directors upon termination of their Directorship.

Each Non-Executive Director's letter of appointment is with MPL and is envisaged to be for a period of three years, subject to annual reappointment by the shareholders at each AGM. It can be terminated on three months' notice by either party.

During the financial year ending 31 December 2021 and 2020, Karanpal Singh, the representative for Hunch Ventures, was not remunerated by the Company.

### Performance Evaluation

The board as a whole regularly reviews the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. John Fitzgerald as Chairman of the Remuneration Committee has agreed to look into performance evaluation of the other directors, the Board (taken as a whole) and the Board's committees; this will be done in conjunction with an outside advisor. He has been assessing the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective
- They are committed
- Where relevant, they have maintained their independence

During the year the Board intend to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner. Further detail on the specific remuneration committee is disclosed in the corporate governance section of the Company website [www.mercpl.com](http://www.mercpl.com)

This is the second year in which such a structured approach to performance review will have been undertaken. Based on the first year review a plan is in place to build out a more structured remuneration as the company becomes operational.

### Frequency of evaluations

No evaluations were done during the year due to Covid-19 restriction/lockdown.

## Succession planning and process by which the board and senior management appointments are determined

Succession planning is regarded by the Board as vitally important in maintaining a “strong bench” and continued success of the business. Through regular reviews and management discussions, future business leaders are identified and personal development plans are put in place to harness their potential. In practice, the Chairman and the Chief Executive lead on the Board nomination and appointment process. They consider the balance of skills, knowledge and experience on the Board and make appropriate recommendations for consideration by the whole Board. Each Board member is invited to meet with the candidate. This process has been used effectively for a number of years and has led the board to remain of the view that it should continue to operate in this way rather than through a more formal nomination committee. Other senior appointments are made by the Chief Executive in discussion with the Chairman.

We expect the board evaluation process to evolve over time so that it becomes linked to succession.

## Interests in Shares

The following is a table of the Directors’ and Senior Managers’ shareholdings:

Particular	Ordinary Shares held as at 1 January 2021 <sup>#</sup>	Ordinary Shares held as at 31 December 2021	Change
Nikhil Gandhi (Executive Chairman) *	983,512	983,512	--
Lord Flight (Non-Executive Director)	141,650	230,538	88,888
John Fitzgerald (Non-Executive Director)	56,583	56,583	--
Jeremy Warner Allen (Non-Executive Director)	158,800	519,545	360,745
Karanpal Singh (Non-Executive Director) **	4,143,490	11,819,712	7,676,222
Jay Mehta (Managing Director)	94,713	205,780	111,067

\*Shares held through SKIL Ports and Logistics Limited

\*\*Shares held through Hunch Ventures and Investments Private Limited

<sup>#</sup> Company has undertaken a consolidation of share on 13 September 2021 and issued 1 new share for every 100 shares held, hence opening shares held are adjusted accordingly.

## Independent auditor's report to the members of Mercantile Ports & Logistics Ltd

### Opinion

#### **Our opinion on the Group financial statements is unmodified**

We have audited the Group financial statements of Mercantile Ports & Logistics Ltd for the year ended 31 December 2021, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of its loss for the year then ended;
- are in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- comply with the Companies (Guernsey) Law, 2008.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the Group financial statements' section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the key audit matters section of our report.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's business model including effects arising from macro-economic uncertainties such as Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period.



Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the Group financial statements' section of this report.

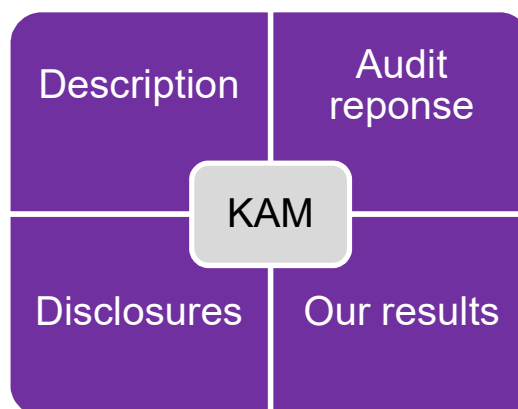


## Our approach to the audit

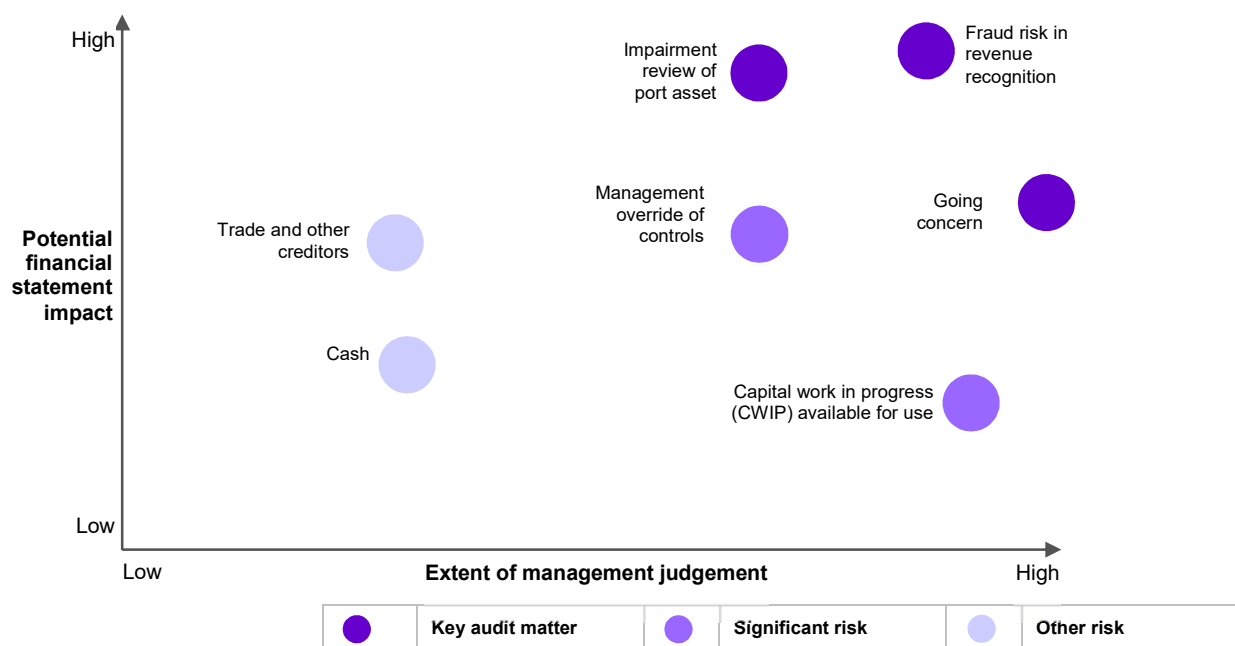
  	<b>Overview of our audit approach</b>
	<p>Overall materiality: £1,000,000, which represents 0.65% of the Group's total assets.</p>
	<p>Key audit matters were identified as:</p> <ul style="list-style-type: none"> <li>• Impairment review of port asset (same as previous year);</li> <li>• Fraud risk in revenue recognition (same as previous year); and</li> <li>• Going concern (same as previous year).</li> </ul> <p>Our auditor's report for the year ended 31 December 2020 included no key audit matters that have not also been reported as key audit matters in our current year's report.</p> <p>The audit was performed by the Group engagement team in the UK and included a full scope audit of the financial information of the trading entity in India, specific-scope audit on the financial information of the parent company in Guernsey and analytical procedures on the financial information of the intermediate holding company in Cyprus. Coverage of 99% of the Group's total assets, 100% of the Group's revenue and 100% of the Group's loss before tax was achieved through our full-scope and specific-scope audit procedures. There were no changes in the scope of the audit between years.</p>

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



## Key Audit Matter

## How our scope addressed the matter

### Impairment review of Port Asset

We identified the impairment review of port assets as one of the most significant assessed risks of material misstatement due to error.

The port and logistics facility in Mumbai had a carrying value at the end of the year of £131,344,000 (2020: £131,343,000). This includes the value of the port assets in use (the 'port asset') and that still under construction (the capital works in progress).

The port construction has been delayed resulting in only part of the port being operational during the year.

Management is required to perform an impairment review of the port asset as at the year-end, in accordance with International Accounting Standard (IAS) 36 'Impairment of Assets'. The assessment of the port asset for impairment requires management to make a number of significant judgements, including:

- Discount rate applied;
- Estimated forecast revenues; and
- Operating profit margins expected.

In responding to the key audit matter, we performed the following audit procedures:

- Obtaining management's impairment model, which included an assessment of the value in use of the port, and performing a recalculation to validate the mathematical accuracy of the model;
- Using an internal expert to compare the discount rate used in the impairment model to the current interest rate being charged on the Group's bank facility, whilst also factoring in the cost of equity for a port company based in India;
- Testing the accuracy of management's forecasting through a comparison of the prior year Board-approved forecasts to actual results during the year;
- Challenging the key inputs used in the impairment model, including examining revenue contracts signed up through the end of the year to check the reasonableness of management's revenue generation inputs;
- Corroborating growth forecasts and key inputs relating to pricing on container revenues with available market data; and
- Applying sensitivities to key inputs in the value in use calculations of the port to determine the headroom and robustness of the calculation.

Key Audit Matter	How our scope addressed the matter
<p><b>Relevant disclosures in the Annual Report &amp; Accounts 2021</b></p> <ul style="list-style-type: none"> <li>Financial statements: Note 3, Significant accounting judgements, estimates and assumptions, Impairment review and Note 12(a), Property, plant and equipment.</li> </ul> <p><b>Fraud risk in revenue recognition</b></p> <p>We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud.</p> <p>During the year, management has grown the Group's revenue receivable from customers by signing new contracts to perform more cargo handling and by agreeing additional leases of land. As a result of pressures to reflect growth in revenue, there is a risk of fraudulent revenue recognition.</p> <p>Management will continue to apply the provisions of IFRS 15 'Revenue from Contracts with Customers'. We consider the application of this Standard to be quite complex given a significant portion of the Group's revenue is contract based with multiple performance obligations, which may have different revenue recognition requirements.</p> <p>There is a risk due to timing differences between invoicing and occurrence for cargo handling income. This is because a portion of cargo handling is invoiced and paid for in advance of the vessel arriving in Port.</p>	<p><b>Our results</b></p> <p>We challenged management on key inputs used in the calculation of the value in use and found them to be appropriate. We therefore concluded that there was no material misstatement identified in relation to the carrying value of the port asset and that the disclosures are in accordance with IAS 36.</p> <p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>Assessment and testing of the application of and compliance with the revenue recognition policies, checking that they are in accordance with IFRS 15;</li> <li>Obtaining a detailed understanding of the business processes and controls surrounding the revenue cycle, along with performing walkthroughs to verify the implementation of these;</li> <li>Inspection of all client contracts signed during the period and the management assessments of these for compliance with IFRS 15;</li> <li>Agreeing 100% of the lease income to the contract;</li> <li>Inspecting new contracts signed with customers to determine if proper revenue recognition had occurred;</li> <li>Tracing a sample of cargo handling income to evidence of occurrence and bank receipt; and</li> <li>Inspecting a sample of invoices raised around the year-end and inspection of a sample of receipts subsequent to the year-end, to determine if revenue has been recognised in the correct period.</li> </ul>
<p><b>Relevant disclosures in the Annual Report &amp; Accounts 2021</b></p> <ul style="list-style-type: none"> <li>Financial statements: Note 5, Revenue from operations.</li> </ul>	<p><b>Our results</b></p> <p>Our audit work did not identify any material misstatements in revenue due to fraud. We conclude that revenue has been recognised in accordance with IFRS 15 and that adequate disclosures have been made.</p>
<p><b>Going concern</b></p> <p>We identified going concern as one of the most significant assessed risks of material misstatement due to error.</p> <p>There are a number of risks identified by management relating to the going concern of the Group.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>Inspecting management's going concern assessment for reasonableness and checking whether all going concern risk indicators have been included;</li> </ul>

**Key Audit Matter**

For the second year, there has been significantly lower trading activities than forecast for the year as a result of the lockdowns in response to Covid-19. While there have been positive developments in renegotiating debt agreements during the year, and the growth in revenue activities, the business has still made a loss and had negative operating cash flows in the year.

**Relevant disclosures in the Annual Report & Accounts 2021**

- Financial statements: Note 2(a), Basis of preparation, Going concern.

**How our scope addressed the matter**

- Inspecting management's cashflow forecast for the assessed period, which was determined to be for the period to June 2023, challenging management on their assumptions and estimates;
- Reperforming calculations within the cashflow forecasts where necessary to verify its mathematical accuracy;
- Obtaining the most recent bank statements available as of 31 May 2022, to check the cash position close to date of signing; and
- Inspecting agreements and bank statements to check sources of additional funding available, including the new facility with Hunch Ventures. and
- Performing sensitivity analyses on the forecasts and challenging management's reverse stress test to identify the realistic scenarios for going concern.

**Our results**

We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

**Our application of materiality**

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

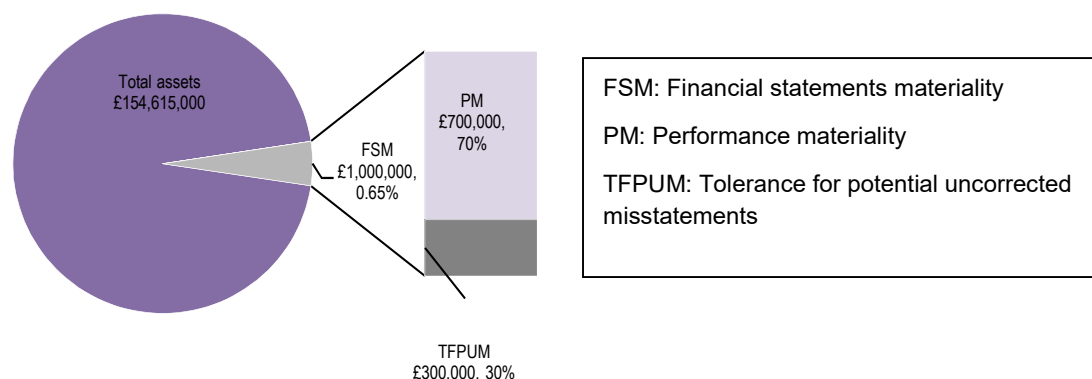
Materiality measure	Group
<b>Materiality for financial statements as a whole</b>	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£1,000,000, which is 0.65% of total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: <ul style="list-style-type: none"> <li>What measure a user of the accounts would consider to be most important to them. This was determined to be total assets given this is the largest balance on the Statement of Financial Position.</li> <li>Determining the level at which a user of the accounts would find an error to be significant to them. This was determined to be 0.65%. We believe</li> </ul>

Materiality measure	Group
	<p>that there was not enough of a change in the business that would warrant using a higher materiality than the prior year.</p> <ul style="list-style-type: none"> <li>Whether or not the revenue recognised would have a lower threshold of significance for an error. As a result, we decided to use a lower threshold for testing revenue.</li> </ul> <p>This benchmark is considered the most appropriate because the users of the Group financial statements are primarily interested in the use of their funds invested, which are being spent on completing the construction of the port, as well as funding the operations that have been geared up for trading.</p> <p>Materiality for the current year is lower than the level that we determined for the year ended 31 December 2020 (£1,018,000) to reflect the additional depreciation incurred this year on the Port asset.</p>
<b>Performance materiality used to drive the extent of our testing</b>	<p>We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.</p>
Performance materiality threshold	£700,000, which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> <li>considered the control environment at the group and component levels;</li> <li>the quantum and volume of audit adjustments and unadjusted items in the prior year; and</li> <li>the inherent risks associated with market pressures of publicly traded businesses.</li> </ul>
<b>Specific materiality</b>	<p>We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.</p>
Specific materiality	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> <li>Directors' remuneration;</li> <li>Related party transactions;</li> <li>Cash; and</li> <li>Revenue,</li> </ul>
<b>Communication of misstatements to the audit committee</b>	<p>We determine a threshold for reporting unadjusted differences to the audit committee.</p>
Threshold for communication	£50,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



## Overall materiality



## An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's business and in particular matters related to:

### Understanding the Group, its components, and their environments, including Group-wide controls

The engagement team obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level; and

The engagement team obtained an understanding of the control environment for each significant component as the finance teams are located in different geographic locations, each with their own control processes. We have assessed the risks of material misstatement for each component.

### Identifying significant components

We identified significant components as those that held significant amounts of the assets and revenues of the business. This was determined to be any components that made up greater than 15% of the total revenues or assets. The other components were analysed to identify if there were material balances that would require a specific-scope audit or analytical procedures.

- The Karanja Terminal & Logistics Private Limited component (based in India), which is where all of the Group's revenue is generated and holds greater than 90% of all the Group's assets, is considered individually financially significant.

### Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- An audit of the financial information using component materiality (full-scope audit) was performed on the significant component, Karanja Terminal & Logistics Private Limited (based in India). The KAMs for revenue recognition and impairment of the port asset relate to this component.
- An audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) was performed on the parent company, Mercantile Ports & Logistics Ltd (based in Guernsey). The KAM for going concern is relevant to this component.
- Analytical procedures at Group level (analytical procedures) were performed on the remaining component within the Group, Karanja Terminal and Logistics (Cyprus) Ltd (based in Cyprus).

### Performance of our audit

- All audit procedures were performed by the Group engagement team based in the UK.
- A site visit was carried out by the Group engagement team this year to observe operations and the port assets.

The total percentage coverage of full-scope audit, specific scope audit and analytical procedures is included in the table below

<b>Audit approach</b>	<b>No. of components</b>	<b>% coverage total assets</b>	<b>% coverage revenue</b>	<b>% coverage LBT</b>
<b>Full-scope audit</b>	<b>1</b>	<b>94</b>	<b>100</b>	<b>86</b>
<b>Specific-scope audit</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>14</b>
<b>Analytical procedures</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>

#### Changes in approach from previous period

- There were no significant changes in the audit approach between years. We did not identify any new KAMs or significant risks. The main difference in this year's audit was that we were able to visit the port operations in India given the loosening of travel restrictions relating to Covid-19.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report & Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the Group financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company; or
- the parent company's financial statements are not in agreement with the accounting records; or
- We have not obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

#### Responsibilities of directors for the Group financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the Group financial statements

Our objectives are to obtain reasonable assurance about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We identified the following laws and regulations as being of significance in the context of the Group: IFRSs as adopted by the European Union; Indian tax laws; and the Companies (Guernsey) Law, 2008;
- We obtained an understanding of the legal and regulatory framework applicable to the Group through discussions with management, research into the industry and our experience. We have gained assurance that management ensures compliance with the framework through the following means:
  - Including tests of detail within our audit approach to identify potential issues of non-compliance; and
  - Obtaining internal policies and verifying alignment to relevant standards and implementation thereof.
- Our audit work was designed to identify non-compliance with such laws and regulations and included the following audit procedures:
  - inquiring of management;
  - inspecting board minutes and examining legal and professional fees to identify if there were any instances of non-compliance; and
  - examining correspondence with Indian tax authorities.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner has considered the experience within the team working on these types of engagements. There was adequate supervision of junior team members, and oversight provided by a quality control review. There is a collective experience in the Group engagement team within the maritime industry and listed company audits. Accordingly, the Group engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations;
- There were no matters relating to non-compliance with laws and regulations or fraud that were communicated to the engagement team;

### Use of our report

This report is made solely to the company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Christopher Raab, ACA**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

29 June, 2022

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
<b>CONTINUING OPERATIONS</b>			
Revenue	5	1,801	745
Cost of sales	6	(307)	(48)
		1,494	697
Administrative Expenses	7	(8,373)	(4,944)
<b>OPERATING LOSS</b>		<b>(6,879)</b>	<b>(4,247)</b>
Finance Income	8(a)	40	104
Gains from extinguishment of debt	8(a)	5,408	--
Finance Cost	8(b)	(4,576)	(1,976)
<b>NET FINANCING COST</b>		<b>872</b>	<b>(1,872)</b>
<b>LOSS BEFORE TAX</b>		<b>(6,007)</b>	<b>(6,119)</b>
Tax (expense)/Income for the year	9	(14)	(456)
<b>LOSS FOR THE YEAR</b>		<b>(6,021)</b>	<b>(6,575)</b>
<b>Loss for the year attributable to:</b>			
Non-controlling interest		(5)	(11)
Owners of the parent		(6,016)	(6,564)
<b>LOSS FOR THE YEAR</b>		<b>(6,021)</b>	<b>(6,575)</b>
<b><u>Other Comprehensive (Loss)/income:</u></b>			
<b><u>Items that will not be reclassified subsequently to profit or (loss)</u></b>			
Re-measurement of net defined benefit liability	24	8	(4)
<b><u>Items that will be reclassified subsequently to profit or (loss)</u></b>			
Exchange differences on translating foreign operations		(673)	(6,161)
<b>Other comprehensive expense for the year</b>		<b>(665)</b>	<b>(6,165)</b>
<b>Total comprehensive expense for the year</b>		<b>(6,686)</b>	<b>(12,740)</b>
<b>Total comprehensive expense for the year attributable to:</b>			
Non-controlling interest		(5)	(11)
Owners of the parent		(6,681)	(12,729)
		<b>(6,686)</b>	<b>(12,740)</b>
<b><u>Earnings per share (consolidated):</u></b>			
Basic & Diluted, for the year attributable to ordinary equity holders	11	<b>*(0.231p)</b>	<b>*(0.345p)</b>

\*1. On 13 September 2021 group has consolidated its share by way of issuing one new share for every hundred shares held, consequently EPS for December 2020 has-been adjusted to reflect consolidation and consistency in presentation of statement of financial position.

2. The accompanying notes on page 54 to 85 form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	Notes	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
<b>Assets</b>			
Property, plant and equipment	12(a)	131,344	131,343
Intangible asset	12(b)	4	4
<b>Total non-current assets</b>		<b>131,348</b>	<b>131,347</b>
Trade and other receivables	13	18,484	18,771
Cash and cash equivalents	14	4,783	3,895
<b>Total current assets</b>		<b>23,267</b>	<b>22,666</b>
<b>Total assets</b>		<b>154,615</b>	<b>154,013</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Employee benefit obligations	17	43	33
Borrowings	18	39,932	34,729
Lease liabilities payable	20	1,562	1,716
<b>Non-current liabilities</b>		<b>41,537</b>	<b>36,478</b>
<b>Current</b>			
Employee benefit obligations	17	449	198
Borrowings	18	1,037	4,074
Current tax liabilities	19	415	384
Lease liabilities payable	20	795	694
Trade and other payable	20	10,171	14,512
<b>Current liabilities</b>		<b>12,867</b>	<b>19,862</b>
<b>Total liabilities</b>		<b>54,404</b>	<b>56,340</b>
<b>Net assets</b>		<b>100,211</b>	<b>97,673</b>
<b>Equity</b>			
Stated Capital	16	143,851	134,627
Retained earnings	16	(16,402)	(10,394)
Translation Reserve	16	(27,237)	(26,564)
<b>Equity attributable to owners of parent</b>		<b>100,212</b>	<b>97,669</b>
Non-controlling Interest		(1)	4
<b>Total equity</b>		<b>100,211</b>	<b>97,673</b>

1. The accompanying notes on page 54 to 85 form part of these consolidated financial statements.
2. The consolidated financial statements have been approved and authorized for issue by the Board on 29 June, 2022.

*Jay Mehta*  
**Jay Mehta**  
**Director**



**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before tax		(6,007)	(6119)
Non cash flow adjustments	22	5,149	2,020
		<b>(858)</b>	<b>(4,099)</b>
Operating (loss)/profit before working capital changes			
Net changes in working capital	22	(4,669)	1,661
<b>Net cash used in operating activities</b>		<b>(5,527)</b>	<b>(2,438)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Used in purchase of property, plant and equipment		(2,107)	(8,390)
Finance Income	8	27	73
<b>Net cash used in investing activities</b>		<b>(2,080)</b>	<b>(8,317)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
From issue of additional shares	16	9,224	--
From borrowing		984	2,678
Repayment of bank borrowing Principal		(641)	--
Interest paid on borrowing		(810)	(1,520)
Repayment of leasing liabilities principal		(96)	(845)
Interest payment on leasing liabilities		(131)	(188)
<b>Net cash from financing activities</b>		<b>8,530</b>	<b>125</b>
<b>Net change in cash and cash equivalents</b>		<b>923</b>	<b>(10,630)</b>
Cash and cash equivalents, beginning of the year		3,895	14,823
Exchange difference on cash and cash equivalents		(35)	(298)
<b>Cash and cash equivalents, end of the year</b>		<b>4,783</b>	<b>3,895</b>

The accompanying notes on page 54 to 85 form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Stated Capital	Translation Reserve	Retained Earnings	Other Components of equity	Non- controlling Interest	Total Equity
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 January 2021</b>	<b>134,627</b>	<b>(26,564)</b>	<b>(10,394)</b>	--	<b>4</b>	<b>97,673</b>
Issue of share capital	10,102	--	--	--	--	10,102
Share Issue cost	(878)	--	--	--	--	(878)
Transaction with owners	<b>143,851</b>	<b>(26,564)</b>	<b>(10,394)</b>	--	<b>4</b>	<b>106,897</b>
Loss for the year	--	--	(6,016)	--	(5)	(6,021)
Foreign currency translation difference for foreign operations	--	(673)	--	--	--	(673)
Re-measurement of net defined benefit liability	--	--	--	8	--	8
Re-measurement of net defined benefit liability transfer to retained earning	--	--	8	(8)	--	--
Total comprehensive income for the year	--	(673)	(6,008)	--	(5)	(6,686)
<b>Balance at 31 December 2021</b>	<b>143,851</b>	<b>(27,237)</b>	<b>(16,402)</b>	--	<b>(1)</b>	<b>100,211</b>
<b>Balance at 1 January 2020</b>	<b>134,627</b>	<b>(20,403)</b>	<b>(3,826)</b>	--	<b>15</b>	<b>110,413</b>
Issue of share capital	--	--	--	--	-	--
Share Issue cost	--	--	--	--	-	--
Transaction with owners	<b>134,627</b>	<b>(20,403)</b>	<b>(3,826)</b>	--	<b>15</b>	<b>110,413</b>
Loss for the year	--	--	(6,564)	--	(11)	(6,575)
Foreign currency translation difference for foreign operations	--	(6,161)	--	--	--	(6,161)
Re-measurement of net defined benefit liability	--	--	--	(4)	--	(4)
Re-measurement of net defined benefit liability transfer to retained earning	--	--	(4)	4	--	--
Total comprehensive income for the year	--	(6,161)	(6,568)	--	(11)	(12,740)
<b>Balance at 31 December 2020</b>	<b>134,627</b>	<b>(26,564)</b>	<b>(10,394)</b>	--	<b>4</b>	<b>97,673</b>

The accompanying notes on page 54 to 85 form part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

Mercantile 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 Floor, Tudor House, Le Bordage Rd, Guernsey GY1 1DB. It was listed on the Alternative Investment Market (‘AIM’) of the London Stock Exchange on 7 October 2010.

The consolidated financial statements of the Company comprise of 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 2021, and presented in UK Sterling (£).

The principal activities of the Group are to develop, own and operate a port and logistics facilities. As of 31 December 2021, the Group had 63 (Sixty-three) (2020: 59 (Fifty-Nine)) employees.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis except where otherwise stated. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations 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 near future. The Group has nearly finished the construction work at site and the Directors believe that they will have sufficient equity, sanctioned credit facilities from lenders and headroom in the capital structure for managing the balance work as well as Port operations at the Facility.

The Directors considered the cash forecasts prepared for the eighteen months ending 30<sup>th</sup> June, 2023, together with certain assumptions for revenue and costs, to satisfy themselves of the appropriateness of the going concern basis used in preparing the financial statements.

Regarding financing, the group has £4.78 million cash balance as at 31 December 2021 and £0.70 million of FITL drawdown on its revised Rupee term loan facility of INR 475.57 crore. Under the original terms of the loan facility the company was to start repayment of the principal amount from June 2020, which was revised to September, 2020 subsequently due to Covid 19 Lockdown vide RBI circular dated 6th August, 2020 the principal repayment has been deferred for a period of 24 months and now to commence from Oct. 2022 quarter onwards. The directors believe that the debt providers will continue to support the Group thereafter.

A range of mitigating actions within the control of management were assumed, including reductions in the Directors and all staff salary by 35% from May 2020 until July 2021, as necessary reduction in all non-essential services.

In line with relief measures provided by the RBI to borrowers impacted by Covid-19 related distress, the lenders on 11 June 2021 sanctioned OTR (One Time Restructuring) scheme and implemented the same effective from Jun’21. Salient features of the OTR are as below:

1. Interest on term loan for a period March 2020 to August 2020 was converted in to Term Loan
2. Deferment of commencement of principal repayment by 24 months (October’2020 to October’2022)
3. Reduction in interest rate by c.400 bps (from 13.45% to 9.5%)
4. Moratorium on interest payments from Jan 2021 to Feb’2022

There is additional line of credit of £4.7 million (INR 45 Crore) from Hunch Ventures, to provide additional headroom for the Company's operations, the draw down is available from July 2022 to 31 December 2023, and repayment will start within 24 month from the draw down date and repayment can be extended mutually by both the parties.

Based on the above, the Board of Directors believe that the Group has adequate resources to continue in operational existence for the near 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 2021. Subsidiaries are entities over which the Company has the power to control the financial and operating policies. The Company 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 (Karanja Terminal & Logistics Private Limited) KTPL ends on March 31 and its accounts are adjusted for the same period as a 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.

### **Non-controlling interest**

Non-controlling interest, 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 interest.

## **(c) LIST OF SUBSIDIARIES**

Details of the Group's subsidiaries which are consolidated into the Company's financial statements are as follows:

Subsidiary	Immediate Parent	Country of Incorporation	% Voting Rights	% Economic Interest
Karanja Terminal & Logistics (Cyprus) Ltd	Mercantile Ports & Logistics Limited	Cyprus	100.00	100.00
Karanja Terminal & Logistics Private Limited*	Mercantile Ports & Logistics Limited	Cyprus	5.53	5.53
Karanja Terminal & Logistics Private Limited*	Karanja Terminal & Logistics (Cyprus) Ltd	India	94.25	94.25

\* Financial year end for KTLPL is April to March, as same is governed by Companies Act 2013, but for preparing group financials we have considered January to December period.

## **(d) FOREIGN CURRENCY TRANSLATION**

The consolidated financial statements are presented in UK Sterling (£), which is the Company's functional currency. The functional currency for all of the subsidiaries within the Group is as detailed below:

Karanja Terminal & Logistics (Cyprus) Ltd (KTLCL) - Euro

Karanja Terminal & Logistics Private Limited (KTLPL) - Indian Rupees

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the date of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary items denominated in foreign currency at the year-end exchange rates are recognised in the Consolidated Statement of Comprehensive Income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date).

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than 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 profit or loss in the Consolidated Statement of Comprehensive Income.

### **(e) REVENUE RECOGNITION**

Revenue arises mainly from the provision of services relating to use of the port by customers, including use of the port, loading/unloading services, storage and land rental.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue as an when performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative standalone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due. Invoicing for services is set out in the contract.

The group does not believe there are elements of financing in the contracts. There are no warranties or guarantees included in the contract.

The specific recognition criteria described below must also be met before revenue is recognised.

### **Port operation and logistics services**

Revenue from port operation services including cargo handling, storage, other ancillary port and logistics services are measured based upon cargo handled at rates specified under the contract and charged on per metric tonne basis.

The performance obligation is satisfied using the output method; this method recognises revenue based, on the value of services transferred to the customer, for example, quantity of cargo loaded and unloaded and/or transported.

Revenue is recognized in the accounting period in which the services are rendered and completed till reporting date.

Management determines if there are separate performance obligations from which customer are being able to benefit from, for example, barging, stevedoring or transportation.

Each of these services are distinct from the other. Customer may choose one or more of these distinct services and revenue recognition would be based on per metric tonne basis on satisfaction of each service obligation.



## **Income from long term leases**

As a part of its business activity, the Group sub-leases land on long term basis to its customers. Leases are classified as finance lease whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease. In some cases, the Group enters into cancellable lease / sub-lease transaction agreement, while in other cases, it enters into non-cancellable lease / sub-lease agreement. The Group recognises the income based on the principles of leases as set out in IFRS 16 "Leases" and accordingly in cases where the land lease / sub-lease agreement are cancellable in nature, the income in the nature of upfront premium received / receivable is recognised on operating lease basis i.e. on a straight line basis over the period of lease / sub-lease agreement / date of memorandum of understanding takes effect over lease period and annual lease rentals are recognised on an accrual basis.

## **Interest income**

Interest income is reported on an accrual basis using the effective interest method.

## **(f) BORROWING COST**

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 under finance costs.

## **(g) EMPLOYEE BENEFITS**

### **i) Defined contribution plans (Provident Fund)**

In accordance with Indian Law, eligible employees receive benefit from Provident Fund, which is a defined contribution plan. Both the employee and employer make monthly contributions to the plan, which is administrated by the government authorities, each equal to the specific percentage of employee's basic salary. The Group has no further obligation under the plan beyond its monthly contributions. Obligation for contributions to the plan is recognised as an employee benefit expense in the Consolidated Statement of Comprehensive Income when incurred.

### **ii) Defined benefit plans (Gratuity)**

In accordance with applicable Indian Law, the Group provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering eligible employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, and amount based on respective last drawn salary and the years of employment with the Group. The Group's net obligation in respect of the Gratuity Plan is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of plan assets are deducted. The discount rate is a yield at reporting date on risk free government bonds that have maturity dates approximating the term of the Group's obligation. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service cost and the present value of the economic benefits available in the form of any future refunds from the plan or reduction in future contribution to the plan.

The Group recognises all re-measurements of net defined benefit liability/asset directly in other comprehensive income and presents them within equity.

### **iii) Short term benefits**

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as a related service provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(h) LEASES**

As lessee, the Group assesses whether a contract contains a lease at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability in the statement of financial position for all lease arrangements where it is the lessee, except for short-term leases with a term of twelve months or less and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the future lease payments from the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, the asset and company specific incremental borrowing rates. Lease liabilities are recognised within borrowings on the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group re-measures the lease liability, with a corresponding adjustment to the related right-of-use assets, whenever:

- The lease term changes or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to the changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate;
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The right-of-use assets are initially recognised on the SOFP at cost, which comprises the amount of the initial measurement of the corresponding lease liability, adjusted for any lease payments made at or prior to the commencement date of the lease, any lease incentive received and any initial direct costs incurred, and expected costs for obligations to dismantle and remove right-of use assets when they are no longer used. Right-of-use assets are recognised within property, plant and equipment on the statement of financial position. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the useful life of the right-of-use asset or the end of the lease term.

The Group enters into lease arrangements as a lessor with respect to some of its time charter vessels. Leases for which the Group is an intermediate lessor are classified as finance or operating leases by reference to the right-of-use asset arising from the head lease. Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Amounts due from lessee under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of these leases.

**(i) 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 substantively enacted by the end of the reporting period.

**Deferred tax**

The accounting for income tax are accounted under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets are recognized to the extent that Management believes that these assets are more probable than not to be realized. In making such a determination, it considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If it is determined that it would be able to realize the deferred tax assets in the future in excess of the net recorded amount, the necessary adjustment would be made to the deferred tax asset valuation allowance, which would reduce the provision for income tax.

## **(j) FINANCIAL ASSETS**

The Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### **Classification and Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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.

### **Subsequent measurement of financial assets**

#### **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. 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 as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

### **Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade

receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

## **(k) FINANCIAL LIABILITIES**

### **Classification and measurement of financial liabilities**

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

## **(l) 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 expenditures directly attributable in respect of the port and logistics facility under development are carried at historical cost under Capital Work in Progress as the Board believes that these expenses will generate probable future economic benefits. These costs include borrowing cost, professional fees, construction costs and other direct expenditure. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Cost includes expenditures that are directly attributable to the acquisition of the asset and income directly related to testing the facility is offset against the corresponding expenditure. The cost of constructed asset includes the cost of materials, sub-contractors and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Parts of the property, plant and equipment are accounted for as separate items (major components) on the basis of nature of the assets.

Depreciation is recognised in the Consolidated Statement of Comprehensive Income over the estimated useful lives of each part of an item of property, plant and equipment. For items of property, plant and equipment under construction, depreciation begins when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Thus, as long as an item of property, plant and equipment is under construction, it is not depreciated. Leasehold improvements are amortised over the shorter of the lease term or their useful lives.

Depreciation is calculated on a straight-line basis.

The estimated useful lives for the current year are as

Assets	Estimated Life of assets
Lease hold Land Development	Over the period of Concession Agreement by Maharashtra Maritime board (MMB).

Marine Structure, Dredged Channel	Over the period of Concession Agreement by Maharashtra Maritime board (MMB).
Non Carpeted road other than RCC	3 Years
Office equipment	3-5 Years
Computers	2-3 Years
Computer software	5 Years
Plant & machinery	15 Years
Furniture	5-10 Years
Vehicles	5-8 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 are recognised in profit or loss within other income or other expenses.

#### **Impairment of 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. When impairment indicators exist the management compares the carrying value of the property, plant and equipment with the fair value determined as the higher of fair value less cost of disposal or value in use, also refer note 3.

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or impairment losses, if any. There is currently no impairment of property, plant and equipment.

#### **(m) Trade receivables and payables**

Trade receivables are financial assets at amortised costs, initially measured at the transaction price, which reflects fair value, and subsequently at amortised cost less impairment. In measuring the impairment, the Group has applied the simplified approach to expected credit losses as permitted by IFRS9. Expected credit losses are assessed by considering the Group's historical credit loss experience, factors specific for each receivable, the current economic climate and expected changes in forecasts of future events. Changes if any in expected credit losses are recognised in the Group income statement.

Trade payables are financial liabilities at amortised cost, measured initially at fair value and subsequently at amortised cost using an effective interest rate method.

#### **(n) Advances**

Advances paid to the EPC contractor and suppliers for construction of the facility are categorised as advances and will be offset against future work performed by the contractor.

#### **(o) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and bank deposits that can easily be liquidated into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **(p) Stated capital and reserves**

Shares have 'no par value'. Stated capital includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from stated capital, 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.



**(q) New standard and interpretation**

There are no accounting pronouncements, which have become effective from 1 January 2021 that have a significant impact on the Group's consolidated financial statements.

**(r) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group**

Following new standards or amendments that are not yet effective and have been issued by the IASB which are not applicable or have material impact on the Group.

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Deferred Tax related to Assets and Liabilities from a Single Transaction

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

**Recognition of income tax liabilities**

The group continues to retain the provision of tax liability for the assessment year 2011-12 & 2012-13 in as the matter is sub judice with the court in India. This includes interest on the provision up through December 2021.

In light of a recent ITAT judgement pronounced in favour of the Group for AY 2013-14, 2014-15 & 2015-16, the Group has accordingly estimated that the tax liability for those years is not likely to be paid to income tax department. The pronouncement applies to identical matters for all subsequent years. Hence the Group has reversed Income tax provision for AY 2013-14 onwards in December 2019. The Income tax department has preferred an appeal in higher court. In light of uncertainty of the outcome, the Group has disclosed this under the heading of contingent liability in note 25.

**Impairment Review**

At the end of each reporting period, the board is required to assess whether there is any indication that an asset may be impaired (i.e., its carrying amount may be higher than its recoverable amount). As at 31 December, 2021, the carrying value of the port under construction is £131.35 million. The Value in use has been calculated using the present value of the future cash flows expected to be derived from the port. As the port is, still under construction this has included the costs to completion plus the anticipated revenues and expenses once the port becomes operational.

The key assumptions as at 31 December 2021 behind the discounted cash flow are:

- Construction outflow of £2.96 Million, shall be utilized if requirement arises for additional reclamation basis demand for the same.
- Cash-flow projections have been run until 2059, the length of the lease of the land.

- The revenue capacity comprises of lease rentals, bulk and project cargo, which depends on the volume in Metric Ton.
- The company expect to commence its CFS container business with initial 16,000 container in year 1 which gradually increase 27,500 and 35,000 in year 2 & 3 and peaks out at year 7 to 74,000.
- Inflation 5%.
- Utilization rate at 10% in 2022, 20% in 2023, 30% in 2024.
- Revenue for each activity/service provided by Karanja Port (to its customers) is calculated by multiplying Throughput per annum with Tariff rates for each activity/service.
- Assumptions on costs are what we will incur to provide each activity/service. These Direct costs have been apportioned on the basis total costs expected to be incurred divided by Cargo throughput for that Commodity.
- The costs are set based on margins of 50-55%, based on margin of similar ports.
- Pre-tax rate derived from weighted average cost of capital (WACC) 17%

The group has carried out sensitivity analysis on our discounted cash flow analysis. If revenues in our model were to decrease by 20 %, there would be an impairment of £4.3 million. If the discount rate used in the model were 3% higher, than there would also be an impairment of £2.4 million.

While the company has obtained the approval to build out a further 200 Acres of Land and develop a further 1,000 meters of waterfront, the costs and future income flow associated with this second phase of construction project have not been considered in the current review. The impairment review is based on the current project, being the completion and operation of the multi-purpose site being developed over 100 acres of land with a sea frontage of 1,000 meters.

#### 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 presented.

#### 5. REVENUE FROM OPERATION

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Cargo handling income	710	322
Lease income	1,091	423
	<b>1,801</b>	<b>745</b>

The Company has given certain land portions on operating lease. These lease arrangement is for a period 40 months. Lease is renewable for further period on mutually agreeable terms.

The total future minimum lease rentals receivable at the SOFP date is as under:

Payments falling due	As on 31 Dec 21 INR in million	As on 31 Dec 21 £ million
2022	148.95	1.49
2023	102.81	1.02
2024	26.66	0.27
2025	9.6	0.10
Fifth year and above	57.60	0.58
<b>Total</b>	<b>345.62</b>	<b>3.46</b>

**6. COST OF SALES**

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Wharf-age expense	72	11
Other operation expense	235	37
	<b>307</b>	<b>48</b>

**7. ADMINISTRATIVE EXPENSES**

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Employee costs	577	571
Directors' remuneration and fees	423	489
Operating lease rentals	13	10
Foreign exchange gains/loss	84	464
Depreciation	3,132	1,777
Other administration costs	4,144	1,633
	<b>8,373</b>	<b>4,944</b>

**8. (a) FINANCE INCOME**

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Interest on bank deposits	<b>40</b>	<b>104</b>
Gain from extinguishment of debt*	<b>5,408</b>	<b>--</b>

\* During the financial year, group has received sanction from lenders for one-time restructuring (OTR) of loan. The Management has OTR has been tested for debt Modification under IFRS 9. The revised cash out flow discounted at original EIR 13.45% resulted in net gain of £ 5.41 million.

**8. (b) FINANCE EXPENSES**

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Interest on term loan*	1,977	1,636
Interest others	2,599	340
	<b>4,576</b>	<b>1,976</b>

\*Interest on the term loan is capitalized against assets under construction up to March 2021. As major construction work is completed and assets under construction transferred into service, the capitalization of interest ceased on that part and interest expensed out to the profit and loss account from April 2021 onwards.

The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 13.45% up to 10 June 2021 and 9.5% effective from 11 June 2021 (2020 – 13.54%).

## 9. INCOME TAX

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Loss Before Tax	(6,007)	(6,119)
Applicable tax rate in India*	26.00%	22.88%
Expected tax credit	<b>(1,562)</b>	<b>(1,400)</b>
Adjustment for non-deductible losses of MPL & Cyprus entity against income from India	994	402
Adjustment for non-deductible expenses	568	998
Interest provision on outstanding tax liability	(14)	(456)
	<b>(14)</b>	<b>(456)</b>

\*Considering that the Group's operations are presently based in India, the effective tax rate of the Group of 26.00% (prior year 22.88%) has been computed based on the current tax rates prevailing in India. In India, income 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.

Based on the recent judgement from the Income Tax tribunal in favour of the company the provision for the period from 2013 to 2017 have been reversed and interest provision for outstanding tax liability for year 2011 & 2012 are made.

The Company is incorporated in Guernsey under The Companies (Guernsey) Law 2008, as amended. The Guernsey tax rate for companies is 0%. The rate of withholding tax on dividend payments to non-residents by companies within the 0% corporate income tax regime is also 0%. Accordingly, the Company will have no liability to Guernsey income tax on its income and there will be no requirement to deduct withholding tax from payments of dividends to non-resident shareholders.

In Cyprus, the tax rate for companies is 12.5% with effect from 1 January 2014. There is no tax expense in Cyprus.

Due to uncertainty, that Indian entity will generate sufficient future taxable income to offset business losses incurred to realise deferred tax assets, the management has therefore not recognised the Deferred Tax Asset amounting to INR: 47.88 crore (£4.77 million)

## 10. 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 21 £000	Year ended 31 Dec 20 £000
<b>Audit Fees</b>		
Fees payable to the auditor for the audit of the Group's financial statements	130	107
Non-audit service:		
Interim Financial Statement Review	9	9
Non -audit services	80	-
	<b>219</b>	<b>116</b>

Audit fees related to prior year overruns during the year amount to £ 7,210 (2020: £23,278).

**11. EARNINGS PER SHARE**

Both basic and diluted earnings per share for the year ended 31 December 2021 have been calculated using the loss attributable to equity holders of the Group of £6.02 million (prior year loss of £6.56 million).

	Year ended 31 Dec 21	Year ended 31 Dec 20
Loss attributable to equity holders of the parent	£(6,016,000)	£(6,564,000)
Weighted average number of shares used in basic and diluted earnings per share	26,000,334	19,050,221
<b>EARNINGS PER SHARE</b>		
Basic and Diluted earnings per share	(0. 231p)	(0.345p)

On 9th September 2021 The group has successfully completed fund raise by placing 2,244,947,810 new Ordinary Shares at a price of 0.45 pence per share. Also on 13 September 2021 group has consolidated its share capital by way of issuing 1 share for every 100 shares held hence earning per share of comparative period is adjusted accordingly.

**12 (a). 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	Plant & Machinery	Port Asset	Right of use Asset	Capital Work in Progress	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross carrying amount</b>									
Balance 1 Jan 2021	41	136	262	577	25	50,214	1,733	80,801	133,789
Net Exchange Difference	(1)	(1)	(2)	(3)	(1)	(352)	(12)	(566)	(938)
Additions	2	13	19	12	--	--	--	4,051	4,097
Transfers from CWIP ^	--	387	66	--	23	59,661	--	(60,137)	--
Disposals	--	--	--	--	--	--	--	--	--
<b>Balance 31 Dec 2021</b>	<b>42</b>	<b>535</b>	<b>345</b>	<b>586</b>	<b>47</b>	<b>109,523</b>	<b>1,721</b>	<b>24,149</b>	<b>136,948</b>
<b>Depreciation</b>									
Balance 1 Jan 2021	(30)	(69)	(64)	(320)	(3)	(1,725)	(235)	--	(2,446)
Net Exchange Difference	(2)	(1)	--	2	1	(29)	2	--	(27)
Charge for the year	(4)	(45)	(27)	(44)	(2)	(2,914)	(95)	--	(3,131)
Disposals	--	--	--	--	--	--	--	--	--
<b>Balance 31 Dec 2021</b>	<b>(36)</b>	<b>(115)</b>	<b>(91)</b>	<b>(362)</b>	<b>(4)</b>	<b>(4,668)</b>	<b>(328)</b>	<b>--</b>	<b>(5,604)</b>
<b>Carrying amount 31 Dec 2021</b>	<b>6</b>	<b>420</b>	<b>254</b>	<b>224</b>	<b>43</b>	<b>104,855</b>	<b>1,393</b>	<b>24,149</b>	<b>131,344</b>

^ During the year company has capitalized an additional 22 acres of land, 340 meter of jetty and various support infrastructure cost and accordingly £ 60,137 thousand has been transferred from CWIP to under various head i.e. Port Asset £ 59,661 thousand, plant and machinery £ 23 thousand, Furniture £ 66 thousand and office equipment £ 387 thousand.

The Group has leased various assets including land and buildings. As at 31 December 2021, the net book value of recognised right-of use assets relating to land and buildings was £ 1.39 million (2020: £ 1.49 million). The depreciation charge for the period relating to those assets was £ 0.09 million (2020: £ 0.15 million).



Amounts recognised in the statement of income are detailed below:

Particular	£000 31 Dec 2021	£000 31 Dec 2020
Depreciation on right-of-use assets	95	152
Interest expense on lease liabilities	175	188
Expense relating to short-term leases	13	9
Expense relating to low-value leases	1	1
	<b>284</b>	<b>350</b>

	Computers £000	Office Equipment £000	Furniture £000	Vehicles £000	Plant & Machinery £000	Port Asset £000	Right of use asset £000	Capital Work in Progress £000	Total £000
<b>Gross carrying amount</b>									
Balance 1 Jan 2020	52	136	244	492	27	39,404	2,771	90,909	134,035
Net Exchange Difference	(3)	(8)	(15)	(30)	(2)	(2,419)	(170)	(5,582)	(8,229)
Additions	--	8	5	124	-	-	--	8,731	8,868
Disposals	--	--	--	(9)	--	--	(868)	--	(877)
Transfers from CWIP ^	--	--	28	--	--	13,229	--	(13,257)	--
Transfer from computer to software	(8)	--	--	--	--	--	--	--	(8)
<b>Balance 31 Dec 2020</b>	<b>41</b>	<b>136</b>	<b>262</b>	<b>577</b>	<b>25</b>	<b>50,214</b>	<b>1,733</b>	<b>80,801</b>	<b>133,789</b>
<b>Depreciation</b>									
Balance 1 Jan 2020	(38)	(42)	(26)	(290)	(1)	(329)	(201)	--	(927)
Net Exchange Difference	5	4	3	20	--	91	19	--	142
Charge for the year	(5)	(31)	(41)	(51)	(2)	(1,487)	(159)	--	(1,776)
Disposals	--	--	--	1	--	--	106	--	107
Transfer from computer to software	8	--	--	--	--	--	--	--	8
<b>Balance 31 Dec 2020</b>	<b>(30)</b>	<b>(69)</b>	<b>(64)</b>	<b>(320)</b>	<b>(3)</b>	<b>(1,725)</b>	<b>(235)</b>	<b>--</b>	<b>(2,446)</b>
<b>Carrying amount 31 Dec 2020</b>	<b>11</b>	<b>67</b>	<b>198</b>	<b>257</b>	<b>22</b>	<b>48,489</b>	<b>1,498</b>	<b>80,801</b>	<b>131,343</b>

^ During the previous year company has capitalized additional 23 acres of land and capitalization of port is done on above line.

\* During the previous year company has capitalized CWIP to amounting to 13,257 thousand under various head i.e. Port Asset 13,229 thousand, Furniture 28 thousand.

### Assets provided as security

- The following asset are provided as security for lease liability payable as described in Note 20:

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Vehicles	224	257
	<b>224</b>	<b>257</b>

The vehicles, which are free from incumbrancer, will also form a part of hypothecation towards securitisation of debt

All other immovable and movable property with a carrying value of £ 131,124,000 (2020: £132,097,000) is under hypothecation in favour of the “Term lenders”.

The Port facility being developed in India has been hypothecated by the Indian subsidiary as security for the bank borrowings (revised borrowing limit sanctioned as per OTR is INR 475.57 crore (£47.41 million) (2020 INR 480 crore (£48.19 million)) for part financing the build out of the facility.

The borrowing costs in respect of the bank borrowing for financing the build out of facility are capitalised for portion of port, which are still under construction under Capital Work in Progress until March 2021. During the year the Group has, capitalised borrowing cost of £0.86 million (2020: £4.18 million) and borrowing cost expensed out of £4.08 million (2020: £ 1.33 million).

The Indian subsidiary has estimated the total project cost of INR 1,404 crore (£138.10 million) towards construction of the port facility. Out of the aforesaid project cost, the contract signed with the major contractor is INR1,048 crores (£103.08 million). As of 31 December 2021, the contractual amount (net of advances) of INR 1.26 crores (£0.13 million) is still payable. There were no other material contractual commitments.

Karanja Terminal & Logistics Private Limited (KTPL), the Indian subsidiary has received revised sanction in the month of June 2021 as per OTR scheme of a Rupee term loan of INR 475.57 crore (£47.41 million) for part financing the port facility. The Rupee term loan has been sanctioned by three Indian public sector banks and the revised loan agreement was executed on 10 June 2021. As at 10 June 2021, the original term loan agreement was amended extending the tenure of the loan with repayment commencing from October2022 –December 2022 quarter, post implementation of one-time restructuring.

**12 (b). Intangible Asset**

	<b>Intangible Asset - Software</b>
	<b>£000</b>
<b>Gross carrying amount</b>	
Balance 1 Jan 2021	<b>13</b>
Exchange Difference	<b>(1)</b>
Additions	<b>2</b>
Disposals	<b>--</b>
<b>Balance 31 Dec 2021</b>	<b>14</b>
<b>Depreciation</b>	
Balance 1 Jan 2021	<b>(9)</b>
Exchange Difference	<b>--</b>
Charge for the year	<b>(1)</b>
Disposals	<b>--</b>
<b>Balance 31 Dec 2021</b>	<b>(10)</b>
<b>Carrying amount 31 Dec 2021</b>	<b>4</b>

	<b>Intangible Asset - Software</b>
	<b>£000</b>
<b>Gross carrying amount</b>	
Balance 1 Jan 2020	<b>6</b>
Exchange Difference	<b>(1)</b>
Transfer from computer to software group (regrouping)	<b>8</b>
Additions	<b>--</b>
Disposals	<b>--</b>
<b>Balance 31 Dec 2020</b>	<b>13</b>
<b>Depreciation</b>	
Balance 1 Jan 2020	<b>(1)</b>
Exchange Difference	<b>1</b>
Transfer from computer to software group (regrouping)	<b>(8)</b>
Charge for the year	<b>(1)</b>
Disposals	<b>--</b>
<b>Balance 31 Dec 2020</b>	<b>(9)</b>
<b>Carrying amount 31 Dec 2020</b>	<b>4</b>

**13. TRADE AND OTHER RECEIVABLES**

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Deposits	2,493	2,177
Advances		
- Related Party	3,612	--
- Others	12,077	16,338
Accrued Interest of fixed deposits	2	5
Accrued Income	16	--
Debtors		
- Related Party	107	107
- Prepayment	134	91
- Others	43	53
	<b>18,484</b>	<b>18,771</b>

Advances include payment to EPC contractor of £7.09 million (2020: £10.16 million) towards mobilisation advances and quarry development. These advances will be recovered as a deduction from the invoices being raised by the contractor over the contract period. The debtors – other include trade receivable other £ Nil million (2020: £0.05million) which is past due for 30 days' management estimate that amount is fully realisable hence no provision for expected credit loss is made for the same amount.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade and other receivable. To measure expected credit losses on a collective basis, trade and other receivables are grouped based on similar credit risk and aging. The assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced. The historical loss rates are then adjusted to reflect current and forward-looking information, any known legal and specific economic factors, including the credit worthiness and ability of the customer to settle the receivables.

The group renegotiations or modifications of contractual cash flows of a financial asset, which results in de-recognition, the revised instruments are treated as a new or else the group recalculates the gross carrying amount of the financial asset.

**14. CASH AND CASH EQUIVALENTS**

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Cash at bank and in hand	4,571	2,299
Deposits*	212	1,596
	<b>4,783</b>	<b>3,895</b>

Cash at bank earns interest at floating rates based on bank deposit rates. The fair value of cash and short-term deposits is £4.78 million (2020: £3.89 million).

Included in cash and cash equivalents is £0.74 million (2020: £2.43 million) that is within a bank account in the name of Hunch Ventures (Karanja), as a result of the 2018 and 2021 share sale. The Company is the beneficiary of the account. During the year, we have been able to draw money out of this account to cover working capital throughout the year.

\*Deposit are placed under lien against Bank Guarantees issued by bank on behalf of the group to various Government Authorities and the Debt Service Reserve (DSR) as per the loan agreement with lenders.

The Management policy is to invest available cash on hand in short-term or deposit account of, Government banks and private banks with credit ratings of AAA and above.

## 15. 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. The Board of Directors carries out risk management.

#### (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 functional and presentation currency is the UK Sterling (£). The functional currency of its subsidiary Karanja Terminal & Logistics Private Limited (KTLPL) is INR and functional currency of Karanja Terminal & Logistics (Cyprus) Ltd.

The exchange difference arising due to variances on translating a foreign operation into the presentation currency results in a translation risk. These exchange differences are recognised in other comprehensive income. As a result, the profit, assets and liabilities of this entity must be converted to GBP in order to bring the results into the consolidated financial statements. The exchange differences resulting from converting the profit and loss account at average rate and the assets and liabilities at closing rate are transferred to the translation reserve.

While consolidating the Indian subsidiary accounts the group has taken closing rate of GBP 1: INR 100.3014 for SOFP items and for profit and loss item GBP 1: INR101.6676

This balance is cumulatively a £27.31m loss to equity (2020: £26.12m loss). This is primarily due to a movement from approximately 1:70 to 1:100 between 2010 to 2013 and the translation reserve reaching a loss of £21.6m at 31 December 2013 and further increase in translation reserve from £21.6m to £27.31m due to appreciation of GBP against INR during the period 2018 to 2021. The closing rate at 31 December 2021 was GBP1: INR 100.30, hence as compared to the translation loss reported between 2018-19, the same is insignificant in 2021. With the majority of funding now in India this risk is further mitigated. During 2021, the average and year-end spot rate used for INR to GBP were 100.30 and 101.67 respectively (2020: 99.60 and 95.14).

#### Translation risk sensitivity

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the cash and cash equivalents available with the Indian entity and INR denominated balance of MPL in India amounting to INR 106.12 million (£1.06 million) as on reporting date (prior year INR 97.88 million (£0.983 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 (£)	31 Dec 2021	31 Dec 2020
INR	+ - 10%	+ - 10%

The following table details the Group's sensitivity to appreciation or depreciation in functional currency vis-à-vis the currency in which the foreign currency cash and cash equivalents and borrowing are denominated:

Functional currency	£ (depreciation by 10%) £000	£ (appreciation by 10%) £000
<b>Cash and cash equivalent</b>		
31 December 2021	117.56	(96.19)
31 December 2020	379.18	(310.24)
<b>Borrowing</b>		
31 December 2021	(5,144.55)	4,209.18
31 December 2020	(4,311.47)	3,527.57

If the functional currency GBP had weakened with respect to foreign currency (INR) by the percentages mentioned above, for year ended 31 December 2021 then the effect will be change in profit and equity for the year by £4.11 million (2020: £3.93 million). If the functional currency had strengthened with respect to the various currencies, there would be an equal and opposite impact on profit and equity for each year. This exchange difference arising due to foreign currency exchange rate variances on translating a foreign operation into the presentation currency results in a translation risk.

## (ii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

During the year KTPL has successfully done One Time Restructuring (OTR) of a rupee term loan of INR 475.57 crore (£47.41 million) for part financing the build out of its facility. The Group has commenced the drawdown of its sanctioned bank borrowing as of the reporting date. The present composite rate of interest from all lender and type of borrowing varies from 7.95% to 10.50% based on respective banks MCLR (2021: 7.35%) and remains effective as on the SOFP date

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 may lower its base rate in the coming quarters.

## Interest rate sensitivity

At 31 December 2021, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 1% (2020: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Year	Profit for the Year £000		Equity, net of tax £000	
	+1%	-1%	+1%	-1%
31 December 2022	(461)	461	(314)	314
31 December 2023	(447)	447	(331)	331
31 December 2024	(412)	412	(305)	305
31 December 2025	(368)	368	(272)	272
31 December 2026	(299)	299	(221)	221
31 December 2027	(218)	218	(161)	161
31 December 2028	(130)	130	(96)	96
31 December 2029	(38)	38	(28)	28
31 December 2030	-	-	-	-
31 December 2031	-	-	-	-

## (b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group's maximum exposure (£15.63 million (2020: £15.38 million)) to credit risk is limited to the carrying amount of financial assets recognised at the reporting date.



The group determines credit risk by checking a company's creditworthiness and financial strength both before commencing trade and during the business relationship at initial recognition and subsequently. Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive evaluation and individual credit limits are defined in accordance with this assessment.

The Group's policy is to deal only with creditworthy counterparties. The Group has no significant concentrations of credit risk.

The Group considers default to be when there is a breach of any of the terms of agreement.

The Group writes off a financial asset when there is no realistic prospect of recovery and all attempts to recover the balance have been exhausted. An indication that all credit control activities have been exhausted and where the asset due is greater than 365 days old or where there are insolvency issues relating to the Trade and other receivables.

The Group does not concentrate any of its deposits in one bank. This is seen as being prudent and credit risk is managed by the management having conducted its own due diligence. The balances held with banks are on a short-term basis. Management reviews quarterly bank counter-party risk on an on-going basis.

### (c) Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its financial obligations. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities KTLPL has tied-up rupee term loan of INR 480 crore (47.86 million) which was revised vide OTR sanctioned by consortium bank on 11 June 2021 to INR 475.57 crore (£47.41 million) out of which INR 464.41 crore (£46.30 million) are disbursed and £4.78 million as at December 2021 of cash reserves which can be used for financing the build out of its facility.

The Group's objective is to maintain cash and demand deposits to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for build out of the port facility is secured by sufficient equity, sanctioned credit facilities from lenders and the ability to raise additional funds due to headroom in the capital structure.

As at 29 September 2017 the agreement was amended extending the tenure of the loan for 13 years and 6 months with repayment beginning at the end of June 2020 to ensure additional headroom. However, due to the Covid 19 pandemic impact on business, the Reserve Bank of India had instructed all financial institutions to provide relief by way of reduction in the Rate of interest, as well as considering One Time Restructuring (OTR) of the term loan along with interest due and defer the same for a further period of two years.

The Group manages its liquidity needs by monitoring scheduled contractual payments for build out of the port facility as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored and reviewed by the management on a regular basis. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

As at 31 December 2021, the Group's non-derivative financial liabilities have contractual maturities (and interest payments) as summarized below:

Payment falling due	Principal payments		Interest payments	
	INR in Crore	£000	INR in Crore	£000
Within 1 year	10.40	1.04	44.36	4.42
1 to 5 year's	202.04	20.14	145.95	14.55
After 5 year's	251.97	25.12	36.94	3.68
<b>Total</b>	<b>464.41</b>	<b>46.30</b>	<b>227.25</b>	<b>22.65</b>

The present composite rate of interest ranges from 7.95% to 10.50% and closing exchange rate has been considered for the above analysis. Principal and interest payments are after considering future drawdowns of term loans.

In addition, the Group's liquidity management policy involves considering the level of liquid assets necessary to meet the funding requirement; monitoring SOFP liquidity ratio against internal requirements and maintaining debt financing plans. As a part of monitoring SOFP liquidity ratio, management monitors the debt to equity ratio and has specified optimal level for debt to equity ratio of 1:1.

## Financial Instruments

### Fair Values

Set out below is a comparison by category of carrying amounts and fair values of the entire Group's financial instruments that are carried in the financial statements.

		(Carried at amortised cost)	
	Note	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Financial Assets			
Cash and Cash Equivalents	14	4,783	3,895
Loan and receivables	13	4,263	584
		9,046	4,479
Financial Liability			
Borrowings	18	40,969	38,803
Trade and other payables	20	12,529	16,922
Employee benefit obligations	17	492	231
		53,990	55,956

The fair value of the Group's financial assets and financial liabilities significantly approximate their carrying amount as at the reporting date.

The carrying amount of financial assets and financial liabilities are measured at amortised cost in the financial statements are a reasonable approximation of their fair values since the group does not anticipate that the carrying amounts would be significantly different from the values that would eventually be received or settled.

## 16. EQUITY

### 16.1 Issued Capital

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

Particulars	Year ended 31 December 21		Year ended 31 December 20	
	No of shares	£000	No of shares	£000
Shares issues and fully paid:				
Beginning of the year	1,905,022,123	134,627	1,905,022,123	134,627
Addition in the year#	2,244,947,810	10,102	--	--
Share issue cost	--	(878)	--	--
Reduction of old shares due to consolidation of shares#	(4,149,969,933)	--	--	--
1 New shares issued for every 100 shares #	41,499,699	--	--	--
<b>Closing number of shares</b>	<b>41,499,699</b>	<b>143,851</b>	<b>1,905,022,123</b>	<b>134,627</b>

The stated capital amounts to £143.85 million (2020: £134.63 million) after reduction of share issue costs. Holders of the ordinary shares are entitled to receive dividends and other distributions and to attend and vote at any general

meeting. During the year the Company has allotted 2,244.95 million (prior year Nil) equity shares to various institutional and private investors, by way of a rights issue.

# During the year the company has raised £10.1 million (£9 million after costs) in August 2021 via subscription, share placing and Primary Bid. Proceeds of the fund raise are expected to be utilized for business development, servicing new and existing contracts, and debt servicing and general working capital requirements. During the year the company has consolidated its share capital by way of issuing 1 share for every 100 shared held.

## 16.2 Other Components of Equity

### Retained Earnings

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Opening Balance	(10,394)	(3,826)
Addition during the year	(6,016)	(6,564)
Re-measurement of net defined benefit liability	8	(4)
Closing balance	<b>(16,402)</b>	<b>(10,394)</b>

Accumulated losses of £ 16.40 million (2020: £10.40 million) include all current year retained profits.

### Translation Reserve

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Opening Balance	(26,564)	(20,403)
Addition during the year	(673)	(6,161)
Closing balance	<b>(27,237)</b>	<b>(26,564)</b>

The translation reserve of £ 27.24 million (2020: £26.56 million) is on account of exchange differences relating to the translation of the net assets of the Group's foreign operations which relate to subsidiaries, from their functional currency into the Group's presentational currency being Sterling.

## 17. EMPLOYEE BENEFIT OBLIGATIONS

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
<b>Non- Current</b>		
Pensions – defined benefit plans	43	33
	<b>43</b>	<b>33</b>
<b>Current</b>		
Wages, salaries	446	191
Pensions – defined benefit plans	3	7
	<b>449</b>	<b>198</b>

## 18. BORROWINGS

Borrowings consist of the following:

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
<b>Non-Current</b>		
Bank loan (refer note 26)	39,932	34,729
	<b>39,932</b>	<b>34,729</b>
<b>Current</b>		
Bank loan (refer note 26)	1,037	4,074
	<b>1,037</b>	<b>4,074</b>

## Borrowing

Karanja Terminal & Logistics Private Limited (KTPL), the Indian subsidiary, has obtained a term loan facility of INR 480 crore (£48.19 million). The Rupee term loan has been sanctioned by four Indian public sector banks and the loan agreement was executed on 28 February 2014. Due to the merger of Syndicate bank with Canara bank and the takeover of Vijaya bank by Bank of Baroda, three lenders sanctioned the current lending. On 29 September 2017 the terms of sanction were amended, extending original tenure of the loan to 13 years and 6 months with repayment commencing from the end of June 2020.

In view of the extension of lockdown and continuing disruption on account of COVID -19, the group has applied for one time restructuring plan as approved by RBI with the lender. The lender principally approved invoking the Resolution Plan and subsequently signed the Inter Creditor Agreement (ICA). On 10 June 2021, the Group has received final approval from lender for restructuring of term loan. The Salient features of OTR scheme are as follow:

- Interest on term loan for the March 2020 to August 2022. has been converted to term loan
- Reduction in the rate of interest of principal term loan, from 13.45% to 9.5%;
- Moratorium on Interest repayment for the period January 2021 to February 2022 and same will be converted to FITL;
- Deferment of principal term loan repayment for a period of 24 months. Principal Repayment commencing from 31 October 2022 quarter.
- Interest on FITL to is 10.50%.

Due to above change in terms and condition of original loan, resulted in substantial debt modification. The group has calculated present value of outstanding principal and interest as on the modification date and derecognised old loan resulting in gain of INR: 53.61 crore (£5.27million) on extinguishment of old loan. For a new loan, the grouped has calculated effective interest rate of 12.41%.

KTPLPL has utilised the Rupee term loan facility of INR 464.41 crore (£46.30 million) (2020: INR 386.47 crore (£38.80 million)) as at the reporting date.

The Port facility is hypothecated as security with lenders for the bank loan availed by the group for construction of the port facility.

## 19. CURRENT TAX LIABILITIES

Current tax liabilities consist of the following:

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Duties & taxes	59	8
Provision for Income Tax	356	376
<b>Current tax liabilities</b>	<b>415</b>	<b>384</b>

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

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Carrying amount 1 January	2,344	2,034
Interest provision on outstanding tax liability	14	456
Exchange difference	(16)	(146)
<b>Carrying amount 31 December</b>	<b>2,342</b>	<b>2,344</b>
Taxes paid	(1,986)	(1,968)
	<b>356</b>	<b>376</b>

The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the 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 Group discharges the tax liability based on income tax assessment.

Based on recent judgement from the Income Tax tribunal in favour of the company the provision for the period from 2013 to 2017 has been reversed in earlier year statement of comprehensive income and has made interest provision in current year for outstanding tax liability of 2011 & 2012.

Due to uncertainty, that Indian entity will generate sufficient future taxable income to offset business losses incurred to realise deferred tax assets, the management has therefore not recognised the Deferred Tax Asset amounting to INR: 47.88 crore (£4.77 million)

## 20. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
<b>Non-Current</b>		
Lease liability (refer note 26)	<b>1,562</b>	<b>1,716</b>
<b>Current</b>		
Lease Liability – (refer note 26)	<b>795</b>	<b>694</b>
Sundry creditors	10,174	11,311
Interest (prepaid)/payable	(3)	3,201
	<b>10,171</b>	<b>14,512</b>

Future minimum lease payments at 31 December 2021 were as follows

Minimum lease payments due							
	Within 1 year	1 – 2 Year	2 - 3 Year	3 - 4 Year	4 – 5 Year	After 5 Year	Total
Lease payments	980	219	210	211	170	5,578	7,368
Finance charges	(185)	(176)	(173)	(168)	(167)	(4,142)	(5,011)
Net present values	795	43	37	43	3	1,436	2,357

## 21. RELATED PARTY TRANSACTIONS

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

Name	Country of Incorporation	Field Activity	Ownership Interest	Type of share Held
<b><u>HELD BY The Company (MPL):</u></b>				
Karanja Terminal & Logistics (Cyprus) Ltd	Cyprus	Holding Company	100%	Ordinary
Karanja Terminal & Logistics Private Ltd	India	Operating company - Terminal Project	5.53%	Ordinary
<b><u>HELD BY Karanja Terminal &amp; Logistics (Cyprus) Ltd:</u></b>				
Karanja Terminal & Logistics Private. Ltd	India	Operating company - Terminal Project	94.25%	Ordinary

The Group has the following related parties with whom it has entered into transactions with during the year.

**a) Shareholders having significant influence**

The following shareholders of the Group have had a significant influence during the year under review:

- ☐ SKIL Global Ports & Logistics Limited, which is 100% owned by Mr. Nikhil Gandhi, holds 2.37% of issued share capital as at 31 December 2021 (as at 31 December 2020 – 5.16%) of Mercantile Ports & Logistics Limited.
- ☐ Lord Howard Flight holds 0.56% of issued share capital as on 31 December 2021 (as on 31 December 2020 – 0.74%) of Mercantile Ports & Logistics Limited at the year end. Lord Howard Flight had acquired additional shares of £0.04 million, (£0.03 million in December 2020).
- ☐ Jay Mehta holds 0.50% of issued share capital as on 31 December 2021 (as on 31 December 2020 – 0.50%) of Mercantile Ports & Logistics Limited at the year end. Jay Mehta had acquired additional shares of £0.05 million, (£0.001 million in December 2020)
- ☐ John Fitzgerald holds 0.14% of issued share capital as on 31 December 2021 (as on 31 December 2020 – 0.30%) of Mercantile Ports & Logistics Limited at the year end. John Fitzgerald had acquired additional shares of Nil, (£0.001 million in December 2020)
- ☐ Jeremy Warner Allen holds 1.25% of issued share capital as on 31 December 2021 (as on 31 December 2020 – 0.83 %) of Mercantile Ports & Logistics Limited at the year end. Jeremy Warner had acquired additional shares of £0.05 million, (£0.074 million in December 2020)
- ☐ Karanpal Singh via Hunch Ventures and Investment Limited holds 28.48% of issued share capital as on 31 December 2021 (as on 31 December 2020 – 21.75%) of Mercantile Ports & Logistics Limited at the year end. Karanpal Singh had acquired additional shares of £3.45 million (£Nil in December 2020)

**b) Key Managerial Personnel of the parent****Non-executive Directors**

- Lord Howard Flight
- Mr. John Fitzgerald
- Jeremy Warner Allen
- Karanpal Singh

**Executive Directors**

- Mr. Nikhil Gandhi
- Mr. Jay Mehta (Managing Director)

**c) Key Managerial Personnel of the subsidiaries****Directors of KTLPL (India)**

- Mr. Nikhil Gandhi – Resigned on 16 April 2021
- Mr. Jay Mehta
- Mr. Mr. Rakesh Bajaj
- Mr. Alexander John Joseph

**Directors of Karanja Terminal & Logistics (Cyprus) Ltd - KTLCL (Cyprus)**

- Ms. Andria Andreou
- Ms. Olga Georgiades

**d) Other related party disclosure**

Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual or close family member of such individual referred above.

- SKIL Infrastructure Limited
- JPT Securities Limited
- KLG Capital Services Limited
- Grevek Investment & Finance Private Limited
- Carey Commercial (Cyprus) Limited



- Henley Trust (Cyprus) Limited
- Athos Hq Group Bus. Ser. Cy Ltd
- John Fitzgerald Limited
- KJS Concrete Private Limited
- Himangini Singh

#### e) Transaction with related parties

The following transactions took place between the Group and related parties during the year ended 31 December 2020:

	Nature of transaction	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Athos Hq Group Bus. Ser. Cy Ltd	Administrative fees	14	14
		<b>14</b>	<b>14</b>

The following table provides the total amount outstanding with related parties as at year ended 31 December 2021:

#### Transactions with shareholder having significant influence

	Nature of transaction	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
SKIL Global Ports & Logistics Limited			
Debtors	Advances	107	107
Hunch Ventures and Investment Limited*			
Advances recoverable in cash or in kind	Advances	3,562	--
Jay Mehta			
Advances recoverable in cash or in kind	Share Subscription	50	--
		<b>3,719</b>	<b>107</b>

\*At the time of the Placing and Subscription in August 2021, the Company intended for the proceeds of the fundraising to be held in the Company's bank account in Guernsey. The Subscription monies from Hunch Ventures required Reserve Bank of India ("RBI") approval in order to be remitted to Guernsey. However, at the time of the Company's General Meeting on 9th September 2021, the Company confirmed that it had directed Hunch Ventures to transfer the Subscription monies to one of the Company's Indian bank accounts and that was done.

Subsequently, the Board resolved that it did wish the funds to be transferred to Guernsey and, as a result, requested that Hunch Ventures pursue the "RBI approval" route once more. In pursuing this, Hunch Venture's bank required the Subscription monies to be transferred to Hunch Venture's account so that application could be made for the funds to be moved to Guernsey.

The Company is able to rely on the support documentation to the RBI process, put in place at the time of Hunch Ventures' original investment in 2018. It should be noted that the Company continues to have access to the Subscription monies and, since the period end, has accessed these funds.

Given the time being taken to receive RBI approval, the Company and Hunch Ventures have received advice on an alternative structure to achieve the Company's desired treasury requirements, without the requirement to receive RBI approval.

#### 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 Key Managerial Personnel of the Group include:

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
<b>Non-Executive Directors fees</b>		
- Jeremy Warner Allen	40	40
- Lord Flight	40	40
- John Fitzgerald	45	45
- Peter Mill	29	-
- Karanpal Singh	-	-
	<b>154</b>	<b>125</b>
<b>Executive Directors Fees</b>		
- Jay Mehta	89	95
- Andrew Henderson	-	77
- Nikhil Gandhi	180	192
	<b>269</b>	<b>364</b>
<b>Total compensation paid to Key Managerial Personnel</b>	<b>423</b>	<b>489</b>

#### Compensation to Key Managerial Personnel of the subsidiaries

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
<b>Directors' fees</b>		
KTLPL – India	-	6
KTLCL – Cyprus	3	3
	<b>3</b>	<b>9</b>

#### Sundry Creditors

As at 31 December 2021, the Group had £3.25 million (2020: £3.29 million) as sundry creditors with related parties.

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Grevek Investment & Finance Pvt Ltd	3,254	3,292
	<b>3,254</b>	<b>3,292</b>

#### Ultimate controlling party

The Directors do not consider there to be an ultimate controlling party.

## 22. 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 21 £000	Year ended 31 Dec 20 £000
<b>Non-cash flow adjustments</b>		
Depreciation	3,132	1,777
Finance Income	(40)	(74)
Unrealised exchange (gain)/loss	--	13
Finance cost	4,459	321
Gain on modification of lease	--	(34)
Re-measurement of net defined benefit liability	(8)	(4)
Advance written off*	3,000	--
Gain from extinguishment of debt (refer note 8(a))	(5,408)	--
Provision for Gratuity	14	16
Loss on sale of car	--	5
	<b>5,149</b>	<b>2,020</b>

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Increase/(Decrease) in trade payables	(668)	994
Increase/Decrease in trade & other receivables	(4,001)	667
	<b>(4,669)</b>	<b>1,661</b>

\*Amount paid to contractor by way of shares, which was valued £3 million were written off due to non-acceptance/confirmation by contractor due substantial fall in price of shares.

### 23. CAPITAL MANAGEMENT POLICIES AND PROCEDURE

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern
- To provide an adequate return to shareholders

#### Capital

The Company's capital includes share premium (reduced by share issue costs), retained earnings and translation reserve which are reflected on the face of the Statement of Financial Position and in Note 16.

### 24. EMPLOYEE BENEFIT OBLIGATIONS

#### a. Defined Contribution Plan:

The following amount recognized as an expense in statement of profit and loss on account of provident fund and other funds. There are no other obligations other than the contribution payable to the respective authorities.

	Year ended 31 Dec 21 £000	Year ended 31 Dec 20 £000
Contribution to Provident Fund	8	8
Contribution to ESIC	1	1
	<b>9</b>	<b>9</b>

#### b. Defined Benefit Plan:

The Company has an unfunded defined benefit gratuity plan. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Act, employee who has completed five years of service is entitled to specific benefit. The level of benefits provided depends on the member's tenure of service and salary at retirement age. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days' salary (last drawn salary) for each completed year of service as per the provision of the Payment of Gratuity Act, 1972 with total ceiling on gratuity of INR 2 Million w.e.f from 20 Feb 2020 (2020: INR 2 million).

The following tables summaries the components of net benefit expense recognised in the Consolidated Statement of Comprehensive Income and the funded status and amounts recognised in the Consolidated Statement of Financial Position for the gratuity plan:

Particulars	As at 31 Dec 21 £000	As at 31 Dec 20 £000
<b>Statement of Comprehensive Income</b>		
<b>Net employee benefit expense recognised in the employee cost</b>		
Current service cost	12	9
Past service cost	-	-
Interest cost on defined benefit obligation	2	2
<b>Total expense charged to loss for the period</b>	<b>14</b>	<b>11</b>
<b>Amount recorded in Other Comprehensive Income (OCI)</b>		

Particulars	As at 31 Dec 21 £000	As at 31 Dec 20 £000
<b>Opening amount recognised in OCI</b>		
<b>Re-measurement during the period due to :</b>		
Actuarial loss / (gain) arising from change in financial assumptions	(3)	-
Actuarial (gain) / loss arising on account of experience changes	(5)	4
<b>Amount recognised in OCI</b>	(8)	4
<b>Closing amount recognised in OCI</b>	(8)	4
<b>Reconciliation of net liability / asset</b>		
Opening defined benefit liability	40	29
Translation diff in opening balance	-	(2)
Expense charged to profit or loss account	14	11
Amount recognised in Other Comprehensive (Income)/expense	(8)	4
Benefit Paid	-	(2)
<b>Closing net defined benefit liability</b>	<b>46</b>	<b>40</b>

#### Movement in benefit obligation and Consolidated Statement of Financial Position

##### A reconciliation of the benefit obligation during the inter-valuation period:

Particulars	As at 31 Dec 21 £000	As at 31 Dec 20 £000
Opening defined benefit obligation	40	29
Translation diff in opening balance	-	(2)
Current service cost	11	9
Past service cost	-	-
Interest on defined benefit obligation	3	2
<b>Re-measurement during the period due to :</b>		
Actuarial (gain) / loss arising on account of experience changes	(5)	4
Actuarial loss / (gain) arising from change in financial assumptions	(3)	-
Benefits paid	-	(2)
<b>Closing defined benefit obligation liability recognised in Consolidated Statement of Financial Position</b>	<b>46</b>	<b>40</b>

Particulars	As at 31 Dec 21 £000	As at 31 Dec 20 £000
<b>Net liability is bifurcated as follows :</b>		
Current	3	7
Non-current	43	33
<b>Net liability</b>	<b>46</b>	<b>40</b>

**25. CONTINGENT LIABILITIES AND COMMITMENTS**

Particulars	As at 31 Dec 21 £000	As at 31 Dec 20 £000
Bank guarantee issued to Maharashtra Pollution Control Board	30	30
The Commissioner Of Customs - Jawaharlal Nehru Custom House	100	100
Capital Commitment not provided for (Net of advances)	126	Nil
The Income Tax Liability to the tune of INR 44.29 crores (amount is exclusive of any interest or penalties) has been reversed in 2019 based on the ITAT judgement. However, the Income Tax department has filed an appeal and hence the group considers this as Contingent in nature.	4,416	4,444

**26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The changes in the Group's liabilities arising from financing activities can be classified as follows:

Particulars	Long-term borrowing £000	Current maturity of long term borrowing £000	Interest on long term borrowing £000	Leased liabilities £000	Total £000
<b>1 January 2021</b>	<b>34,729</b>	<b>4,074</b>	<b>3,201</b>	<b>2,410</b>	<b>44,414</b>
<b>Cash-flows:</b>					
- Repayment	(641)	--	(810)	(203)	(1,654)
- Proceeds	984	--	--	--	984
- Accrued during period	--	--	4,980	168	5,148
<b>Non-cash:</b>					
- Exchange difference	(226)	--	(51)	(18)	(295)
- Interest on term loan converted in to term loan	4,441	--	(4,441)	--	--
- Interest on term loan converted to FITL	2,882	--	(2,882)	--	--
- Gain on debt modification#	(5,408)	--	--	--	(5,408)
- Interest on term loan EIR adjustment#	134	--	--	--	134
- Reclassification*	3,037	(3,037)	-	--	--
<b>31 December 2021</b>	<b>39,932</b>	<b>1,037</b>	<b>(3)</b>	<b>2,357</b>	<b>43,323</b>

\*refer note 18 (borrowings)

#refer note 8(a) (finance income)

Particulars	Long-term borrowing £000	Current maturity of long term borrowing £000	Interest on long term borrowing £000	Leased liabilities £000	Total £000
<b>1 January 2020</b>	<b>36,096</b>	<b>2,646</b>	<b>387</b>	<b>3,390</b>	<b>42,519</b>
<b>Cash-flows:</b>					
- Repayment	--	--	(2,766)	(930)	(3,696)
- Proceeds	2,678	--	--	123	2,801
- Accrued during period	--	--	5,839	--	5,839
<b>Non-cash:</b>					
- Exchange difference	(2,416)	(201)	(259)	(173)	(3,049)
- Reclassification*	(1,629)	1,629	--	--	--
<b>31 December 2020</b>	<b>34,729</b>	<b>4,074</b>	<b>3,201</b>	<b>2,410</b>	<b>44,414</b>

**27. EVENTS SUBSEQUENT TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATE**

The group has received additional line of unsecured credit from Hunch Ventures amounting to £4.7 million (INR 45 crore) to mitigate funding risk as well as ensuring continuity in business

**28. AUTHORISATION OF FINANCIAL STATEMENTS**

The consolidated financial statements for the year ended 31 December 2021 were approved and authorised for issue by the Board of Directors on 29 June 2022.