SKIL Ports & Logistics Limited - SPL
Interim Results
Released 07:00 22-Sep-2016

RNS Number : 5315K
SKIL Ports & Logistics Limited
22 September 2016

SKIL Ports & Logistics Limited

22nd September 2016

SKIL Ports & Logistics Limited ("SPL" or the "Company")

Interim results for the period ended 30 June 2016

SKIL Ports and Logistics, which is developing a modern port and logistics facility in Mumbai, India, is pleased to announce its interim results for the period ended 30 June 2016.

Highlights, including post period end

- Reclamation of 30 hectares be completed
- Piling for 100 meters of jetty completed
- Ground improvement progressing as scheduled
- Dredging to resume in the coming weeks, after the monsoon period
- Sales and Marketing effort on-going

As of June 30, 2016 SPL had of £24.8 million cash on hand and £24.8 million headroom in its existing credit facility (using the INR/GBP exchange rate as at 30 June). As of 31 August 2016, these sums were £24.6 million and £24.1 million respectively (using the INR/GBP exchange rate as at 31 August 2016) or £23.9 million and £23.3 million (using the INR/GBP exchange rate as at 30 June 2016).

Nikhil Gandhi, Executive Chairman of SPL said, "We continue to make significant progress in the construction of our port and logistics facility. Our sales and marketing effort is receiving positive feedback from potential end users and the Company will seek to reach agreements with potential end users in the coming months. The economic and business case for building our facility in India remains as strong as ever.

We retain significant cash on hand and have headroom in our debt facility but the discussions with our lead contractor have led the board to conclude that additional funds will be required to complete the port and fund the Company until it is generating cash. As can be seen from these results, the Company is not distressed financially and continues to explore options on how to fund the estimated GBP 36 million that will be required. In this regard, the Company has instructed advisers to consider a proposed placing and open offer, alongside the board pursuing other funding solutions, including increasing the Company's existing banking facilities and securing a strategic partner to invest in the Company's operating subsidiary. The Company looks forward to updating shareholders and to completing what we continue to believe will be a successful project and an integral part of the growth of this remarkable region.

This announcement contains inside information.

Enquiries:

SPL C/O Redleaf PR +44 (0) 20 382 4769	Nikhil Gandhi
Cenkos Securities plc +44 (0) 20 7397 8926	Stephen Keys/Camilla Hume (Nomad and Broker)
Redleaf Communications +44 (0) 20 382 4769	Charlie Geller/Sam Modlin (Financial PR) SKIL@redleafpr.com

Chairman's Statement

Operational progress

We are pleased to report that ground work continued on site without material interruption over the period, with optimised shift patterns enabling work to be accelerated. Piling continued and, as at today's date, piles have been driven to support the construction of an approximately 100m long stretch of the jetty.

To date, we have reclaimed 30 hectares of land and dredging will resume after the monsoon, which is forecast to conclude shortly. As expected, we were able to continue ground improvement works during the monsoon season, albeit at a slower rate, but work will intensify after the monsoon, allowing us to drive toward our goal of ensuring that the facility is completed at the end of Q3 next year. Whilst it is expected that the facility will be capable of receiving vessels by the end of this year, management are not forecasting revenues from operations until later in 2017. Further guidance on this will be given once the port is more advanced and there has been progress on selling capacity.

Appointments

We were delighted to welcome Lord Howard Flight and Jay Mehta to the board this month and we look forward to the Company benefitting from their experience.

Funding requirement

At the time of our Preliminary Results, we stated that discussions with the lead contractor were likely to conclude that additional funding would be required to complete the facility. These discussions continued after the period end when it also became apparent that the land most recently reclaimed had settled more than planned. As a result, additional quantity of infill material will be required. This issue has been exacerbated by price inflation of quarried fill materials since the project commenced.

Our discussions with the lead contractor are not yet finalised. However, the status of these discussions has led the board to estimate that some additional GBP 36 million will be required to fund the completion of the project and the Company until it is financially self-sufficient. In this regard, the Company has instructed advisers to consider a proposed placing and open offer, alongside the board pursuing other funding solutions for the Company's future needs.

We maintain a good relationship with our main contractor partners and will continue to update shareholders as our discussions and work with them progress.

Outlook

Work continues with a view to our project being fully operational by the end of Q3 2017. Many of the risks that hindered this project are now behind us and the coming year promises to be one of further strong progress for SPL.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2016

	Note	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
		£000	**£000**	**£000**
CONTINUING OPERATIONS				
Revenue		-	-	-
Administrative expenses		(966)	(1,272)	(2,214)
OPERATING LOSS		**(966)**	**(1,272)**	**(2,214)**
Finance income		972	1,173	2,352
Finance cost		-	-	-
NET FINANCING INCOME		**972**	**1,173**	2,352
PROFIT / (LOSS) BEFORE TAX		**6**	**(99)**	**138**
Tax expense for the period / year		(336)	(401)	(808)
LOSS FOR THE PERIOD / YEAR		**(330)**	**(500)**	**(670)**
Profit / (loss) for the period / year attributable to:				
Non-controlling interest		-	1	-
Owners of the parent		(330)	(501)	(670)
Loss for the period / year		**(330)**	**(500)**	**(670)**
Other comprehensive income/(expense)				
Exchange differences on translating foreign operations	4	4,589	(725)	348
Other comprehensive income / (expense) for the period / year		**4,589**	**(725)**	**348**
Total comprehensive income / (expense) for the period / year		**4,259**	**(1,225)**	**(322)**
Total comprehensive income / (expense) for the period / year attributable to:				
Non-controlling interest		-	1	-
Owners of the parent		4,259	(1,226)	(322)
		4,259	**(1,225)**	**(322)**
Loss per share (consolidated): Basic & Diluted, for the year/period attributable to ordinary equity holders (£)		(0.008)	(0.011)	(0.015)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Note	Period ended 30 June 2016	Period ended 30 June 2015	Year ended 31 Dec 2015
		£000	£000	£000
Assets				
Property, plant and equipment	7	66,011	19,718	28,780
Total non-current assets		**66,011**	**19,718**	**28,780**
Trade and other receivables		11,396	15,101	15,832
Cash and cash equivalents		24,830	40,061	38,569
Total current assets		**36,226**	**55,162**	**54,401**
Total assets		**102,237**	**74,880**	**83,181**
Equity				
Share capital and share premium		71,590	71,590	71,590
Retained earnings		4,134	4,634	4,464
Translation reserve		(15,063)	(20,725)	(19,652)
Equity attributable to owners of parent		**60,661**	**55,499**	**56,402**
Non-controlling interest		15	16	15
Total equity		**60,676**	**55,515**	**56,417**
Liabilities				
Non-current				
Borrowings		28,226	9,386	17,201
Non-current liabilities		**28,226**	**9,386**	**17,201**
Current				
Borrowings		30	29	27
Current tax liabilities		7,947	6,082	6,642
Trade and other payables		5,358	3,868	2,894
Current liabilities		**13,335**	**9,979**	**9,563**
Total liabilities		**41,561**	**19,365**	**26,764**
Total equity and liabilities		**102,237**	**74,880**	**83,181**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 30 June 2016

	Note	6 months to 30 June 2016	6 months to 30 June 2015	Year to 31 Dec 2015
		£000	**£000**	**£000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit / (loss) before tax		6	(99)	138
Adjustments	5	35	(1,205)	(2,192)
Operating profit/(loss) before working capital changes		**41**	**(1,304)**	**(2,054)**
Net changes in working capital	5	1,078	4,103	2,397
Net cash generated from operating activities		**1,119**	**2,799**	**343**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(29,048)	(4,424)	(13,222)
Finance income		972	1,173	2,352
Net cash used in investing activities		**(28,076)**	**(3,251)**	**(10,870)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowing		11,028	(6)	7,807
Net cash generated from / (used in) financing activities		**11,028**	**(6)**	**7,807**
Net change in cash and cash equivalents		**(15,929)**	**(458)**	**(2,720)**
Cash and cash equivalents, beginning of the period / year		38,569	41,041	41,041
Exchange differences on cash and cash equivalents		2,190	(522)	248
Cash and cash equivalents, end of the period / year		**24,830**	**40,061**	**38,569**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

SKIL Ports & Logistics Limited (the "Company") was incorporated in Guernsey under the Companies (Guernsey) Law 2008 on 24 August 2010. The condensed interim consolidated financial statements of the Company for the period ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The Company has been established to develop, own and operate port and logistics facilities.

2. General information and basis of preparation

The condensed interim consolidated financial statements are for the 6 month period ended 30 June 2016 and are not full year accounts. The condensed interim consolidated financial statements are prepared under AIM 18 guidance. They have been prepared on the historical cost basis. They do not include all of the information required in annual financial statements in accordance with IFRS. The condensed interim consolidated financial statements are not audited.

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

In preparing these condensed interim consolidated financial statements, the significant judgments made by management applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied in the annual IFRS financial statements.

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

The condensed interim consolidated financial statements have been approved for issue by the Board of Directors on September 14, 2016.

3. Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2015. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

4. Comprehensive income

The comprehensive income for the period is calculated after crediting a gain of £ 4.59 million on the retranslation of cash balances held in Indian rupees to Great British Pounds Sterling (£).

5. Cash flow adjustments and changes in working capital

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

	Period ended 30 Jun 2016 £000	Period ended 30 Jun 2015 £000	Year ended 31 Dec 2015 £000
Adjustments			
Depreciation	38	11	50
Finance income	(972)	(1,173)	(2,352)
Tax expense	(336)	(401)	(808)
Change in current tax liabilities	1,305	358	918
	35	**(1,205)**	**(2,192)**
Net changes in working capital			
Change in trade and other payables	2,295	2,887	1,890
Change in trade and other receivables	(1,386)	1,219	488
Change in borrowings	169	(3)	19
	1,078	**4,103**	**2,397**

6. Loan facility

Karanja Terminal & Logistics Private Limited (KTLPL), the Indian subsidiary has in place a rupee term loan of INR 480 crore (£ 52.99 million) for part financing the port facility. The rupee term loan was sanctioned by 4 Indian public sector banks and the loan agreement was executed on 28th February, 2014. The tenure of the loan is for 12 years with repayment beginning at the end of the fifth year. The repayment schedule is as follows:

	Repayment amount	
Payment falling due	**INR in Crore**	**GBP in Million**
Within 1 year	-	-
1 to 5 year's	144.00	15.90
After 5 year's	336.00	37.09
Total	**480.00**	**52.99**

The rate of interest is a floating rate linked to the Canara bank base rate with an additional spread of 355 basis points. The present composite rate of interest is 13.50%. The borrowings are secured by the hypothecation of the port facility and pledge of its shares. The carrying amount of the bank borrowing is considered to be a reasonable approximation of the fair value.

KTLPL has utilised the rupee term loan facility of INR 254.87 crore (£ 28.14 million) as at 30 June 2016.

7. Property, plant and equipment

During the six months ended 30 June 2016, the Group progressed construction of the facility and the carrying amount at 30 June 2016 was £ 65.82 million (31 December 2015: £ 28.57 million). The amount of borrowing costs capitalised during the six months ended 30 June 2016 was £ 1.65 million (31 December 2015: £ 1.70 million). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 13.50 %, which is the effective interest rate of the specific borrowing.

END