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Mercantile Ports & Logistics Ltd
27 October 2021

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Mercantile Ports & Logistics Limited

("MPL", the "Group" or the "Company")

Interim Results

Mercantile Ports & Logistics (AIM: MPL), which is operating and continuing to develop a modern port and logistics facility in Navi Mumbai, Maharashtra, India, announces its interim results for the period ended 30 June 2021.

Summary of key points during and post period:

- The Group successfully restructured the term loan with following key highlights.

  Rate of interest reduced from 13.45% to 9.5%
  Principal repayment start date shifted from October 2020 to October 2022.
  Moratorium on interest payments until February 2022

- Strong balance sheet with total assets of £148 million (June 2020: £168 million), a debt to equity ratio of 0.47 (June 2020: 0.38) and cash of £1.68 million at 30 June 2021 (June 2020: £ 7.80 million).
- Group revenue of £0.85 million (June 2020: £0.16 million).
- Loss for the 30 June 2021 £3.40 million (June 2020: £2.6 million)
- Net asset value as at 30 June 2021 £91.25 million (June 2020: £108.63 million)
- New contract signed with Saurashtra Cements limited and with Esquire Shipping & Trading Private Limited.

Jeremy Warner Allen, Executive Chairman of MPL, stated 2020 saw the coronavirus COVID-19 pandemic as a defining global health crisis and perhaps the greatest challenge the world has faced since World War II. Despite this, progress at our Karanja facility continued as the management team strived to support the existing clients, including the Tata Projects and Daewoo Engineering Joint Venture (the "JV"). In the first half of 2021, the Company has signed new contracts with Saurashtra Cements Limited and with Esquire shipping & Trading Private Limited. We are also busy with negotiations with other prospective customers which are expected to boost the top line of the Group.

Jay Mehta, CEO of MPL stated, "These financial results show an all-round performance aligned to a clearer business strategy. The Group is expecting further strong operational and financial performance in H2 2021, which is extremely pleasing and does, I believe, show that our strategy is working.

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Chairman's Statement

Against the backdrop of a serious wave of Covid-19 in India, and in particular Maharashtra earlier this year, MPL has continued to navigate difficult issues well in these challenging times. In the First Half of 2021, the Company managed to restructure its corporate debt amongst the consortium of Indian Banks. The fact that the Company successfully negotiated down its interest payments by approximately 400 bps is a significant development and shows the growing confidence that our banking partners have with regards to the development and operation of our business on the ground. In addition to the interest rate reduction, the Company took advantage of Covid-19 related mitigation relief packages sanctioned by the Government of India to defer interest payments and defer principal payment of the loan till October 2022. The goal of the Company continues to be to further strengthen its capital structure by refinancing its entire debt at a lower interest rate.

Despite there being a mandatory lockdown in the first half of the year, MPL managed to build a strong pipeline with end users of its facility and signed two long term contracts to handle 6-7 million tons of bulk cargo over the next three years. Our contract with Daewoo Tata Joint Venture, which was signed in 2019, continues to progress well and we have also increased the personnel in the business development team with representatives from Hunch Venture playing an integral role in helping us attract new customers.

While there is always a threat of another potential Covid-19 wave to hit India, the fact that over a billion doses of vaccine have been administered, gives a hopeful sense that the worst may be behind us now. The current economic backdrop is of the economy growing strongly across all sectors especially in solving the logistics log jam across the country. We believe that our business on the ground will continue to play a role in decongesting and improving the logistical outcomes in the most important and vibrant trading center in the country. I, along with the rest of the board, am excited about the future opportunities for MPL India.

MPL's management team continues to work with existing and potential customers in order to fully utilize our available capacity at Karanja Port.

Since the period end, MPL was pleased to secure **£10.1 million** by way of a placing with new and existing shareholders which will aid the development of MPL's business.

On behalf of the Board, I should like to thank our employees and management for their continued support and commitment to the Company in very difficult circumstances caused by the pandemic.

Jeremy Warner Allan, Chairman

Mercantile Ports & Logistics Limited __ October 2021

	Note	6 months to 30 June 2021	6 months to 30 June 2020	Year to 31 Dec 2020
		£000	£000	£000
CONTINUING OPERATIONS				
Revenue		850	155	745
Operating costs		(84)	(58)	(48)
Administrative expenses		(2,171)	(2,046)	(4,944)
OPERATING LOSS		**(1,405)**	**(1,949)**	**(4,247)**
Finance income		**29**	44	104
Finance cost		**(2,031)**	(695)	(1,976)
NET FINANCING COST		**(2,002)**	**(651)**	**(1,872)**
LOSS BEFORE TAX		**(3,407)**	**(2,600)**	**(6,119)**
Tax expense for the period		-	-	(456)
LOSS FOR THE PERIOD		**(3,407)**	**(2,600)**	**(6,575)**
Loss for the period attributable to:				
Non-controlling interest		(7)	(5)	(11)
Owners of the parent		(3,400)	(2,595)	(6,564)
Loss for the period / year		**(3,407)**	**(2,600)**	**(6,575)**
Other comprehensive income/(expense)				
Items that will not be reclassified to profit or loss				
Re-measurement of net defined benefit liability		**-**	-	(4)
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations	5	**(3,018)**	774	(6,161)

Other comprehensive loss for the period / year	**(3,018)**	**774**	**(6,165)**
Total comprehensive loss for the period / year	**(6,425)**	**(1,826)**	**(12,740)**
Total comprehensive loss for the period / year attributable to:			
Non-controlling interest	**(7)**	(5)	(11)
Owners of the parent	**(6,418)**	(1,821)	(12,729)
	(6,425)	**(1,826)**	**(12,740)**
Loss per share (consolidated):			
Basic & Diluted, for the period attributable to ordinary equity holders	(£0.002p)	(£0.001p)	(£0.003p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	Period ended 30 June 2021	Period ended 30 June 2020 (restated*)	Year ended 31 Dec 2020
		£000	£000	£000
Assets				
Property, plant and equipment	8	129,145	139,022	131,343
Intangible asset		4	4	4
Total non-current assets		**129,149**	**139,026**	**131,347**
Trade and other receivables		17,605	20,694	18,771
Cash and cash equivalents		1,679	7,796	3,895
Total current assets		**19,284**	**28,490**	**22,666**
Total assets		**148,433**	**167,516**	**154,013**
Liabilities				
Non-current				
Employee benefit obligations		7	4	7
Borrowings	7	42,306	37,943	34,729
Lease liabilities payables		1,580	2,691	1,716
Non-current liabilities		**43,893**	**40,638**	**36,452**
Current				
Employee benefit obligations		330	159	224
Borrowings	7	447	3,753	4,074
Current tax liabilities		403	202	384
Leases Liabilities payable		767	739	694
Trade and other payables		11,345	13,397	14,512

Current liabilities	**13,292**	**18,250**	**19,888**
Total liabilities	**57,185**	**58,888**	**56,340**
Net assets	**91,248**	**108,628**	**97,673**
Equity			
Share capital and share premium	134,627	134,627	134,627
Retained earnings	(13,794)	(6,421)	(10,394)
Translation reserve	(29,582)	(19,588)	(26,564)
Equity attributable to owners of parent	**91,251**	**108,618**	**97,669**
Non-controlling interest	(3)	10	4
Total equity and liabilities	**91,248**	**108,628**	**97,673**

(*) Refer to note 9 for full details of the restatement of position at 30 June 2020

CONDENSED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2021

	Note	6 months to 30 June 2021	6 months to 30 June 2020	Year to 31 Dec 2020
		£000	**£000**	**£000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax for the period / year		(3,407)	(2,600)	(6,119)
Non cash flow adjustments	6	3,020	1,466	2,020
Net cash generated/used from operating activities		**(387)**	**(1,134)**	**(4,099)**
Net changes in working capital	6	(489)	445	1,661
Net cash from operating activities		**(876)**	**(689)**	**(2,438)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(1,082)	(7,717)	(8,390)
Finance income		11	39	73
Net cash used in investing activities		**(1,071)**	**(7,678)**	**(8,317)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowing (net)		992	1,464	2,678
Repayment of bank borrowing principal		(640)	-	-
Interest paid on borrowing		(522)	-	(1,520)
Repayment of leasing liabilities principal (net)		(53)	(3)	(845)
Interest payment on leasing liabilities		(24)	(107)	(188)
Net cash (used in) / generated from financing activities		**(247)**	**1,354**	**125**
Net change in cash and cash equivalents		**(2,194)**	**(7,013)**	**(10,630)**
Cash and cash equivalents, beginning of the period		3,895	14,823	14,823

Exchange differences on cash and cash equivalents	(22)	(14)	(298)
Cash and cash equivalents, end of the period	**1,679**	**7,796**	**3,895**

Note :

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2021

	Stated Capital	Translation Reserve	Retained Earnings	Other Components of equity	Non-controlling Interest	Total Equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2020 (restated)	**134,627**	**(20,403)**	**(3,826)**	--	**15**	**110,413**
Issue of share capital	--	--	--	--	--	--
Transactions with owners	**134,627**	**(20,403)**	**(3,826)**	--	**15**	**110,413**
Loss for the period/year	--	--	(6,564)	--	(11)	(6,575)
Foreign currency translation differences for foreign operations	--	(6,161)	--	--	--	(6,161)
Re-measurement of net defined benefit pension liability	--	--	--	(4)	--	(4)
Re-measurement of net defined benefit pension liability transfer to retained earning	--	--	(4)	4	--	--
Total comprehensive income for the year	--	(6,161)	(6,568)	--	(11)	(12,740)
Balance at 31 December 2020	**134,627**	**(26,564)**	**(10,394)**	--	**4**	**97,673**
Balance at 1 January 2021	**134,627**	**(26,564)**	**(10,394)**	--	**4**	**97,673**
Issue of share capital	--	--	--	--	--	--
Transactions with owners	**134,627**	**(26,564)**	**(10,394)**	--	**4**	**97,673**
Loss for the period	--	--	(3,400)	--	(7)	(3,407)
Foreign currency translation differences for foreign operations	--	(3,018)	--	--	--	(3,018)
Total comprehensive income for the period	--	(3,018)	(3,400)	--	(7)	(6,425)
Balance at 30 June 2021	**134,627**	**(29,582)**	**(13,794)**	--	**(3)**	**91,248**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Mercantile Ports & Logistics Limited (the "Company") was incorporated in Guernsey under the Companies (Guernsey) Law 2008 on 24 August 2010. The condensed interim consolidated financial statements of the Company for the period ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group"). The Company had 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 months' period ended 30 June 2021 and are not for full year accounts. The condensed interim consolidated financial statements are prepared under AIM 18 guidelines. 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 International Financial Reporting Standards ("IFRS") as issued by EU. The condensed interim consolidated financial statements are un-audited.

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

In preparing these, condensed interim consolidated financial statements, the significant judgments made by management applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied in the annual IFRS financial statements. "The Company is confident of its ability to raise further funds to meet cost overruns, project enhancements or working capital requirements. The Company's financing effort to date is considered sufficient to enable the Company to fund all aspects of its operations. As a result, the condensed interim consolidated financial statements have been prepared on a going concern basis."

The condensed interim consolidated financial statements have been approved for issue by the Board of Directors on 26th October, 2021.

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 2020. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

New standards, amendments and interpretations to existing standards effective from January 1, 2021

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

4. Going Concern

The Board 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 a financial model which was prepared as part of approving the 2021 budget.

The Directors considered the cash forecasts prepared for the 18 month period ending 31 December 2022 (which includes the potential impact of COVID-19), 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 had capital £3.89 million made up of a cash balance of £3.89m as at 30 June 2021 and fundraise proceed of £9.00 million (net of fundraise cost) in 1st week of September 2021. During the period the Company has successfully done One Time Restructuring (OTR) and as per revised OTR terms Company was to start repayment of the principal amount of term loan from October 2022 onwards. The directors believe that the debt providers will continue to support the Group thereafter which is evident from interim support received in first half of 2021 by way of INR 10 crores (£0.63 million) GECL facility.

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.

The uncertainty as to the future impact on the Group of the recent Covid-19 outbreak has subsequently been considered as part of the Group's adoption of the going concern basis. In the downside scenario analysis performed, the Directors have considered the impact of the Covid-19 outbreak on the Group's trading and cash flow forecasts. In preparing this analysis, the Directors assumed that the lockdown effects of the Covid-19 virus would peak in India around the end of June 2021 and trading will normalize over the subsequent few months, albeit attaining substantially lower levels of revenue than budgeted, for at least the rest of the current financial year.

A range of mitigating actions within the control of management were assumed, including reductions in the Directors and all staff salary by 35% until the end of the year, a reduction in all non-essential services.

5. Comprehensive income

The comprehensive loss for the period is calculated after debiting a loss of £ 3.02 million, which arises on the retranslation of foreign operations to Great British Pounds Sterling (£), which is the functional currency of the Company. (INR/GBP exchange rate at 30 June 2021 of 102.95, 31 December 2020: 99.60 and 30 June 2020: 92.69 were used).

6. Cash flow adjustments and changes in working capital

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

	Period ended 30 Jun 2021 £000	Period ended 30 Jun 2020 £000	Year ended 31 Dec 2020 £000
Adjustments and changes in working capital			
Depreciation	1,081	801	1,777
Finance income	(12)	(39)	(74)
Unrealized exchange (loss)/gain	(8)	13	13
Finance cost	1,956	691	321
Gain on cancellation of lease	-	-	(34)
Re-measurement of net defined benefit liability	-	-	(4)
Provision for Gratuity	3	-	16
Loss on sale of Car	-	-	5
	3,020	**1,466**	**2,020**
Change in trade and other payables	(23)	22	994
Change in trade and other receivables	(466)	423	667
	(489)	**445**	**1,661**

7. Loan facility

Karanja Terminal & Logistics Private Limited (KTLPL), the Indian subsidiary was sanctioned a term loan of INR.480 crores (£46.63 million) by 4 Indian public sector banks and the loan agreement was executed on 28th February, 2014.

There has been a One Time Restructuring (OTR) Proposal, which was initiated by the Group seeking relief under the Covid-19 Pandemic stress on the financial position of the company. The lenders sanctioned the proposal on 10 June 2021. The revision consists of the following:

Particular	**Amount in INR Crore**	**Amount in £ Million**
Principal term loan	386.49	37.54
Addition to term loan (Interest Mar - 2020 to Aug - 2020)	26.51	2.58
Revised term loan as per OTR sanction.	413.00	40.12
Less: principal repayment for Dec - 2020 quarter	6.52	0.63
Term loan as at 30 June, 2021	**406.48**	**39.49**
Add:		

Funded interest term loan as at 30 June, 2021	23.65	2.30
GECL - working capital loan	10.00	0.96
Total borrowing	**440.13**	**42.75**
Current	4.6	0.45
Non-current	435.53	42.30
Balance as at 30 June, 2021	**440.13**	**42.75**

In addition, the interest on principal term loan for the period from January 2021 to February, 2022 (14 months) has been converted to Funded Interest Term Loan (FITL) which sums up to INR.52.57 crore (£5.11 million).

During the year company has availed a GECL loan of INR 10 crore (£0.63 million) from a public sector bank which carries interest @7.95% p.a.

The OTR sanctioned by the term lenders extends principal repayment by 2 years (repayment to commence from December 2022) and interest payment to start from March 2022. The rate of interest on term loan is reduced from 13.45% to 9.5% and FITL carries interest @ 10.50%.

Due to above development term loan repayment is calculated accordingly as follow:

	Repayment amount	
Payment falling due	**INR in Crore**	**GBP in Million**
Within 1 year	4.6	0.45
1 to 5 year's	169.72	16.49
After 5 year's	292.65	28.43
Total	**466.97**	**45.37**

The rate of interest will be a floating rate linked to the Canara bank base rate (7.35%) with an additional spread of 215 basis points. The present composite rate of interest is 9.50%. The borrowings are secured by the hypothecation of the port facility and pledge of its shares as well as a personal guarantee by the chairman, Nikhil Gandhi. The carrying amount of the bank borrowing is considered a reasonable approximation of the fair value.

8. Property, plant and equipment

As at 30 June 2021, the carrying amount of facility yet to be capitalized was £ 81.14 million (30 June 2020: £ 97.13 million) and part port facility was capitalised on 01 October 2020 was £ 13.26 million. The amount of borrowing costs capitalised during the six months ended 30 June 2021 was £ 0.85 million (31 December 2020: £3.89 million). The weighted average rate used to determine the amount of borrowing costs during the period eligible for capitalisation was 13.39 %, which is the effective interest rate of the specific borrowing.

The group intends to optimize its operations on land parcel of 48 acres, proportionate cost for which has been capitalized till date. The balance additional reclaimed land of c. 50 acres is ready for being made available for use by future customers subject to customized modifications including ground strength requirement, surfacing etc.

The Group currently has excess surcharge material to the tune of c.13 acres in possession, in case further reclamation is required to be carried out to serve additional demand for space requirement by customers.

9. Prior year adjustment

In prior years, the Group had provided for an income tax liability on interest income accrued for the assessment years 2013-14 to 2017-18, which was treated as a non-taxable capital receipt in the Income Tax Return of the respective year that was filed with the Indian tax authorities. However, the tax department rejected the treatment applied by the company. The Group filed an appeal with the Income Tax Appellate Tribunal (ITAT), which pronounced the decision in favor of the Group by its order during 2019. The ruling becoming effective in June 2020 when the taxing authority recorded this in their systems followed this

When considering the effect of the ruling becoming effective in 2020, management has reassessed whether it was appropriate to recognize the uncertain tax liability at 31 December 2019. In doing so, management have concluded that the recording of the ITAT decision by the tax authorities in June 2020 provided evidence that confirmed that it was not probable that the income tax liability would become payable. In making this judgement, management concluded that until the tax authorities had updated the tax records, which occurred in June 2020, it remained probable that an income tax liability may have become payable. This was not previously been taken into account prior to approving the 2019 annual report and accounts. As such, the Directors have restated the statement of Financial Position, Statement of Comprehensive Income and all other elements of the financial statements so affected, to give effect to the reversal of the tax provision. This constitutes an error in accounting treatment adopted in the prior period financial statement and has accordingly been treated as prior year adjustment. In doing so, the impact to the financial statements for the prior period back to 30 December 2019 and consequently on half-yearly reporting done as 30 June 2020, summarized as below:

The effect on the Consolidated Statement of Financial Position as at 31 June 2020 was as follows

Particulars	**Previously reported 30 June 20 £000**	**Restated 30 June 20 £000**	**Impact of Restatement 30 June 20 £000**
Trade and other receivables	22,787	20,694	(2,093)
Retained earnings	(11,336)	(6,421)	4,951
Translation Reserve	(19,440)	(19,588)	(148)
Equity attributable to owners of parent	103,851	108,618	4,767
Non-controlling Interest	(2)	10	12
Total equity	103,849	108,628	4,779
Current tax liabilities	7,074	202	(6,872)

10. Event Subsequent to the reporting period.

a. The company further 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.

b. On 13 September 2021 group has consolidated its share capital by way of issuing 1 share for every 100 shares held.

c. Hunch Ventures has provided additional line of credit of £4.5 million through KJS Concrete Private Limited, to provide additional headroom for the Company's operations.

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