for the year ended
31 December 2018

ANNUAL REPORT & ACCOUNTS

Mercantile Ports & Logistics Limited

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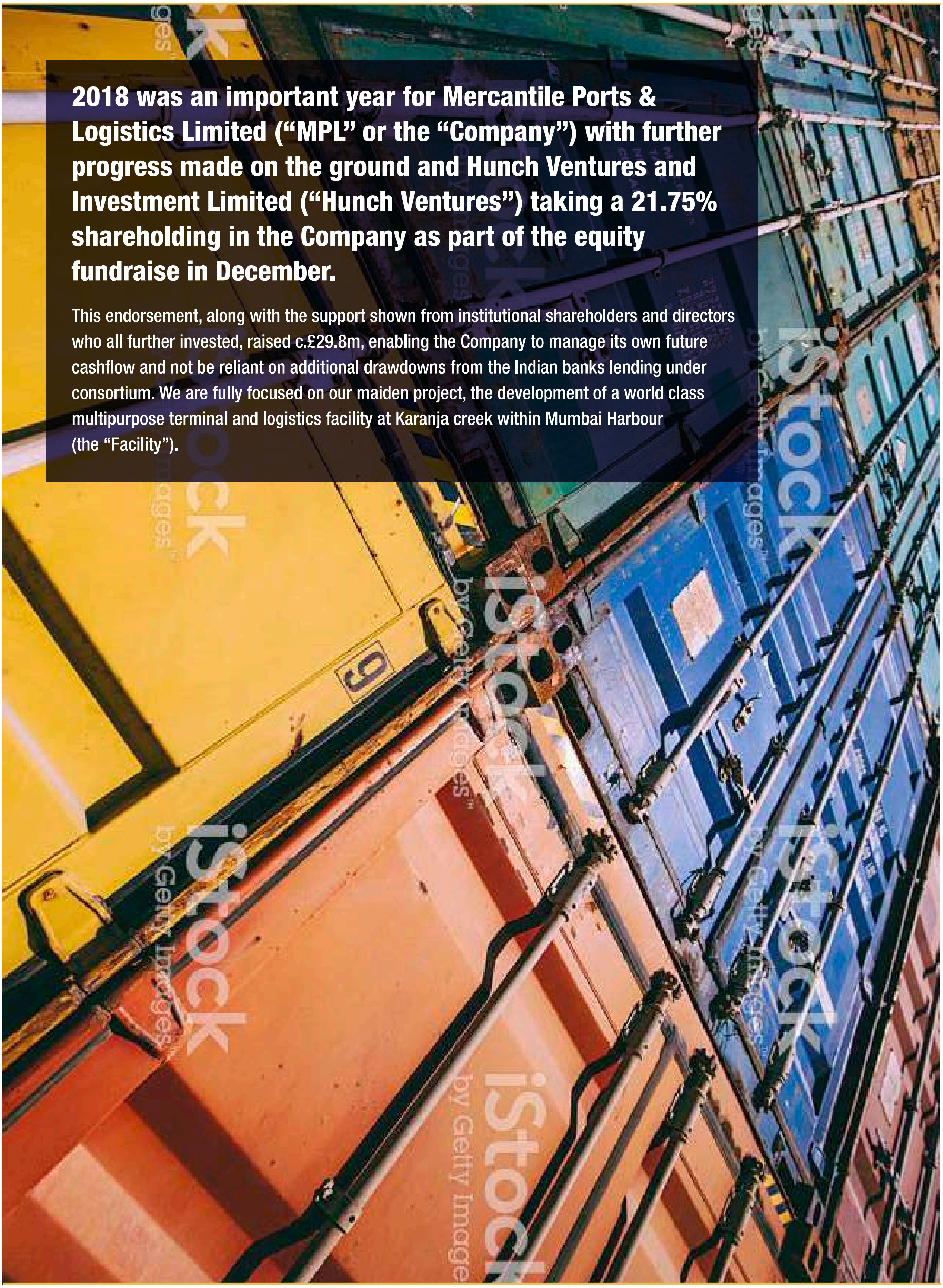
CHAIRMAN'S STATEMENT



2018 was an important year for Mercantile Ports & Logistics Limited ("MPL" or the "Company") with further progress made on the ground and Hunch Ventures and Investment Limited ("Hunch Ventures") taking a 21.75% shareholding in the Company as part of the equity fundraise in December.

This endorsement, along with the support shown from institutional shareholders and directors who all further invested, raised c.£29.8m, enabling the Company to manage its own future cashflow and not be reliant on additional drawdowns from the Indian banks lending under consortium. We are fully focused on our maiden project, the development of a world class multipurpose terminal and logistics facility at Karanja creek within Mumbai Harbour (the "Facility").

2018 was a year when milestones were achieved. Since our first test vessel docked in November, management has been focused on preparing for commercial operations commencing in H1 2019. Following the funding, the official inauguration ceremony took place on 8 March. This event was presided over by the Honourable Chief Minister of Maharashtra and attendees included the Honourable Minister of Fisheries Development, Mr. Mahadev Jankar, the Honourable Minister of State for Ports, Mr. Ravindra Chavan, the Principal Secretary (Ports) and the Vice Chairman of the Maharashtra Maritime Board, along with other state government officials, dignitaries and existing contracted and potential customers of the Facility.

During the Ceremony, the Chief Minister emphasised his support for Karanja as a key part of the port and logistics led development in Maharashtra, India's most industrialised state. The Company also welcomed Mr Jankar's comments in his address, which identified the Facility as being considered for investment by his ministry as an international marine hub, given its proximity to one of the largest fishing centres in the State.

The ceremony followed assurances that the full customs' approval process would be concluded shortly, and that process is now concluded. This coincided with the Company's first revenue generated from customer cargo operations, discharging steel products for one of India's leading steel producers. Whilst initially small, this operation took place after a successful trial and is another proud milestone for the Company, demonstrating the increasing interest major industrial businesses have in the Facility.

During the course of 2018, we were pleased to welcome Karanpal Singh to the Board. Mr. Singh is the promoter of Hunch Ventures and has a wealth of experience across a range of sectors including Steel, Iron Ore, Gold Mining, Power Production and Cement manufacturing. Hunch Ventures, focuses on growth opportunities and has followed the development of the Karanja. At the same time Mr. Warner Allen also joined the Board following a successful career in the city of London as an adviser to growth companies across multiple sectors.

Management is evaluating which types of business it should prioritise, as potential customers have varying merits such as speed of implementation, price, infrastructure required and length of contract. The Facility has been designed to be flexible in the type of cargo that it can handle and store and the Board is delighted that this strategy has given the Company multiple options in order to maximise value for shareholders as the Facility matures.

During 2018, the Company was pleased to announce that its wholly owned subsidiary, Karanja Terminal and Logistics Private Limited ("KTPL") had received notification from the Maharashtra Maritime Board that KTPL's lease over the land had been extended from 30 to 50 years. In addition, the MMB has also granted KTPL the approval to develop an additional 200 acres of land and 1000 meters of waterfront.

The future looks positive for MPL in the context of a positive macro-economic backdrop and a strong partnership with Maharashtra Maritime Board ("MMB"). We have a re-energized board and a successful strategic investor that shares our vision. These are exciting times for MPL.

Nikhil Gandhi
Executive Chairman
Mercantile Ports & Logistics Limited
10 June, 2019

OPERATIONAL REVIEW

Status of the Project

The Group has made significant progress in completing its goal of constructing and operating the port and logistics Facility at Karanja Creek near Navi Mumbai, India.

One side of the 400 metre general cargo jetty is capable of receiving vessels and the separate 200 meter bulk berth is nearly complete. Approximately 100 acres of land have been reclaimed, with approximately another 15 acres of reclamation material on site, meaning that there is significantly more than the 50 acres of back up land reclaimed as is required to enable the Facility to carry out commercial operations. Covered storage facilities, currently being planned, will be completed in consultation with contracted customers and their requirements.

The Facility now has a fenced custom bond area, a brand new operational office block, a six lane gated complex and furnished operating work spaces for Custom officers and other port users.

As previously reported, the customs approval process took longer than originally envisaged and there were some IT integration issues with the customs' systems. Whilst this was frustrating and delayed the start of commercial operations, the Company is pleased to report that all approvals had been received and that KTPL have received confirmation from the Ministry of Finance for the customs jurisdiction to be under Jawaharlal Nehru Customs House. This is extremely beneficial as it enables KTPL to have seamless container handling operations between the Facility and Jawaharlal Nehru Port Trust ("JNPT"), India's largest and busiest container handling port. Jawaharlal Nehru Customs House is the biggest Custom House in the country in terms of containers handled, documents filed, and revenue generated.

Operational trials had previously been carried out by the Group itself and, before the end of 2018, the Facility handled cargo for immediate onward transportation for one of India's most prominent steel manufacturers on a trial basis. This trial was successful and is shortly expected to result into a contract being agreed with this customer becoming our third contracted partner.

Whilst the customs delay was the principal factor in larger scale cargo movements not taking place when hoped, the Group is pleased with the level of visibility it has over its future revenues. As previously reported, the Group has signed contracts with two customers, which together envisage growing volume to 6 million tonnes of cargo in the third year of operations. In addition, the Group is in discussions to secure a number of contracts, including one of India's largest fertilizer companies, one of India's most prominent steel manufacturers (which has already conducted trials at the Facility) a cement company and with a large fly ash distributor. This is alongside the discussions that continue with other interested parties and the encouragement from MMB for agreements to be reached with JNPT, to help relieve congestion.

The Directors consider the Facility to be well-aligned with Indian government policy. In addition, the Directors believe that the Facility is ideally situated to benefit from some of the significant infrastructure projects that are taking place near the site. In particular, projects that have commenced or are proposed include the US$2.7bn Mumbai Trans Harbour Link, the US$2.5bn Navi Mumbai Airport, JNPT's US$1.3bn Fourth Terminal and the Navi Mumbai Digital City, which is expected to attract significant investment. Each of these projects will require enormous quantities of steel, cement and other materials, and the Directors expect the Facility to play a major part in the logistics for the construction of some or all of these projects.

The Group has been delighted with the support that it has received from MMB and in particular the extension of its lease of the Project Land to 2059. Whilst the Directors' immediate focus is on completing the build out of the Company's Facility to 200 acres, the Directors are proud to have received permission from MMB to extend the Facility to 400 acres, with 2,000 meters of sea frontage, which the Directors intend to pursue in the future. The Facility is now operational and the focus is on attracting, contracting and moving cargo in volume. Whilst a small volume of cargo has been handled already, the Directors expect larger volumes to be handled, post the monsoon, in September.

The reclamation of land will continue this year and next year in parallel with the pipeline of new business coming on stream. We believe that the lease extension is a significant endorsement from the key government organisation responsible for the maritime economy and illustrates the confidence that MMB has in MPL. The decision of the MMB comes on the back of significant interest in the Facility from a wide range of shipping and cargo businesses. The current Indian government's Sagarmala initiative supports port led development as a key driver of Indian economic development and MPL is proud to be an important contributor to the delivery of the Indian Prime Minister's flagship policy.

Marketing update

The Company's marketing efforts continued in the early part of 2019, with two large potential contracts in negotiation and diligence stage. The Company expects to make further announcements in relation to new contract wins throughout 2019. In preparation for the ramping-up of commercial operations and to maximise the Company profile and marketing ability, in 2019 we have added to our advisory panel. I am pleased to welcome Mr Rajeev Ranjan Sinha to our panel. Mr Sinha has served as Principal Secretary (Ports) to the Government of Maharashtra and also served as Deputy Chairman of Mumbai Port Trust and Chief Executive Officer of the Maharashtra Maritime Board. I am looking forward to working closely with him and benefitting from his significant experience and expertise in the port sector.

Conclusion

2018 was a year of progress and preparing for the future in terms of building the Facility, strengthening the board and management team, securing customers and developing a healthy pipeline to deliver on the promise of a professional and profitable port and logistics facility. Karanja lies at the heart of India's trading gateway and, with India's macro story still conducive to Karanja's growth, the Board sees enormous opportunities available to the Company. Everyone involved in this project recognises the strategic ambition of the Indian government and our customers. We are proud to be working with all our stakeholders to deliver on this vision.

Jay Mehta
Managing Director
Mercantile Ports & Logistics Limited
10 June, 2019

FINANCIAL REVIEW

In December the Company raised an additional £29.82 million from Investors, giving us the security to address the general banking constraints in India.

The successful fundraise has meant that any delay to the drawdown of the Company's banking facilities in the future does not have an impact on the Group.

As at 31 December, following the payment of outstanding liabilities, the Company had cash resources of £21.4 million including a £8.3m debtor in the form of a promissory note/bank guarantee from Hunch Ventures', as payment of the Subscription Price from India to the Company's bank account in Guernsey which requires the approval of the Reserve Bank of India ("RBI"), with the flow of funds happening following that approval. As announced on 29 March 2019, in order to ensure that there is no doubt about Hunch's commitment to the project, Hunch has transferred £8.3 million to an Escrow Account controlled by the Company's wholly owned subsidiary, pending approval from the Reserve Bank of India. This process is expected to conclude shortly and further announcements will be made in due course.

As at 31 December 2018, MPL and its subsidiaries (the "Group") had cash resources of £13.1 million (with a further £8.3 million held in Escrow) and £20.5 million of undrawn banking facilities. The Group continues to be in compliance with the terms of its banking facilities and the Company continues to review its future debt refinancing options.

The Company was pleased that the impairment review performed indicated that the Value in Use of the port, once completed, has been calculated as being higher than the final expected cost of the completed port.

Management are confident that they will be able to optimise MPL's capital structure in the next 12 months, including securing access to debt capital on better terms. The Company believes that it will achieve this based on the majority of construction risks having been eliminated and regulatory risks having been successfully dealt with. In addition, the Group has signed contracts with end users and a healthy pipeline of customers that have signalled to move from Memorandum of Understanding "MoU" to documentation stage.

Shareholder engagement

This year's AGM in Guernsey on Thursday, 11 July 2019.

Andrew Henderson
CFO
Mercantile Ports & Logistics Limited,
10 June, 2019

DIRECTORS' REPORT

for the year ended 31 December 2018

The Directors' ("Directors") of MPL present their reports and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

Status

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, Karanja Terminal & Logistics Private Limited and Mercantile Ports (Netherlands) BV incorporated in August 2010 in Cyprus, May 2010 in India and the Netherlands in April 2017 respectively.

Principal Activity

The principal activity of the Company is to act as a holding Company established to develop, own and operate ports and logistics facilities.

Directors

A list of directors' who served during the year is shown in note 18(b).

Statement of Directors' Responsibilities

In accordance with The Companies (Guernsey) Law, 2008, the Directors are responsible for preparing financial statements for each financial year, which give a true and fair view, in accordance with applicable law and regulations. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures noted in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Auditor

Grant Thornton UK LLP has expressed its willingness to continue in office as auditors, and a resolution to re-appoint Grant Thornton will be proposed at the forthcoming annual general meeting. Each of the directors at the date of approval of the financial statements confirms that:

- So far as they are aware, there is no relevant audit information of which the Group's auditors are unaware; and
- They have taken all steps, ought to have been taken as directors to make them self-aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Signed for and on behalf of the Board on 10 June 2019

Nikhil Gandhi
Chairman

STRATEGIC REPORT

EXECUTIVE SUMMARY

Port Inauguration

- Facility has received first commercial cargo
- Inaugurated by Chief Minister on 8 March 2019
- Material construction risk removed, material permissions received and the Company enjoys a strong balance sheet and is no longer reliant on Indian Financial Sector

Secured Business

- Contracts in place with two industrial customers – guaranteed minimum business cargo
- Healthy business pipeline with several additional agreements being negotiated and diligenced
- First revenue received in Q1 FY 19

Long Life Asset

- Lease extended from 30 to 50 years
- Additional 200 acres allotted (400 total)
- Strong support from local, state and national government
- Karanja Terminal facilitates region's economic growth strategy and will be part of one of the most economically vibrant areas in India

New Strategic Investor and Reinvigorated Board

- Indian strategic Investor Hunch Ventures who are represented on the board by Karan Singh who holds c.22%
- Board strengthened with Jeremy Warner-Allen who joined in December 2018

I. 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 being developed at Karanja in close proximity to the city of Mumbai and Jawaharlal Nehru Port Trust ("JNPT"), which is India's largest and busiest container handling port.

Our Vision

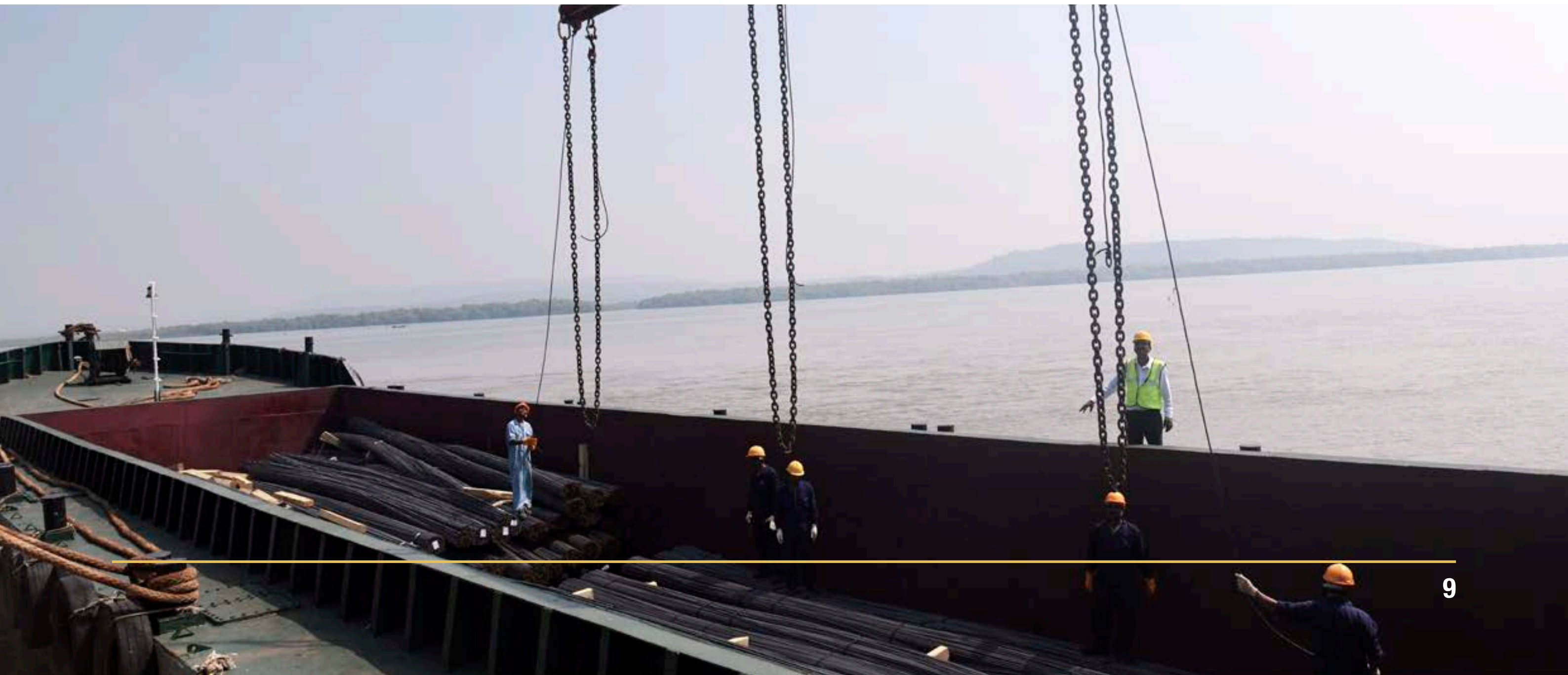
Our Vision is to be a key link in the global logistics chain by creating world class, state-of-the-art maritime and logistics infrastructure to support India's and other emerging countries' burgeoning trade demands and to create value for all our stakeholders. To achieve these aims we have to identify sustainable growth opportunities and drive innovation in our sector.

We aim to achieve this by building three key principal values:

1. Being known as a trusted brand that can be relied on by our customers and shareholders.
2. Help in the growth of India by providing a much needed infrastructure service – current Indian government's Sagarmala initiative supports port led development as a key driver of Indian economic development and MPL is proud to be an important contributor to the delivery of the Indian Prime Minister's flagship policy.
3. Drive productivity, efficiency and safety improvements in the infrastructure sector through continuous innovation.

Our Mission

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. With Hunch Ventures taking a strategic stake and role in the Company, we together see the goal of being a truly scaled and integrated logistics platform for the sub-continent. Together we are determined to finish the build out of the Facility and have a steady state of profitability. After that we want to build significant scale in the logistics sector by acquiring buildings and operating complementing assets.



Our Strategy

As we work to complete our first Facility at Karanja we are driven by our strategic objectives which have been refined in the year with the strategic investment from Hunch Ventures. We now have a dual focus.

The first part is to concentrate on the completion of Karanja port and ensure it becomes self-funded.

This further includes:

- Establish efficient port operating practices.
- Keep abreast of all policy developments relating to trade, environment, labour laws etc. that may have any impact on the business potential of the ports and allied sectors.
- Maintain strong relationships with key government departments including inter alia, shipping, ports, finance and environment.
- Maintain a strong in-house project management team to ensure timely completion of projects within budget.
- Engage in intense and continuous marketing of the facilities to optimise capacity utilisation and maximise revenues and profits.

The second part is to explore opportunities for future infrastructure projects in India, to build on the experience and knowledge the Board and Management have accrued over the past 9 years on our maiden project.

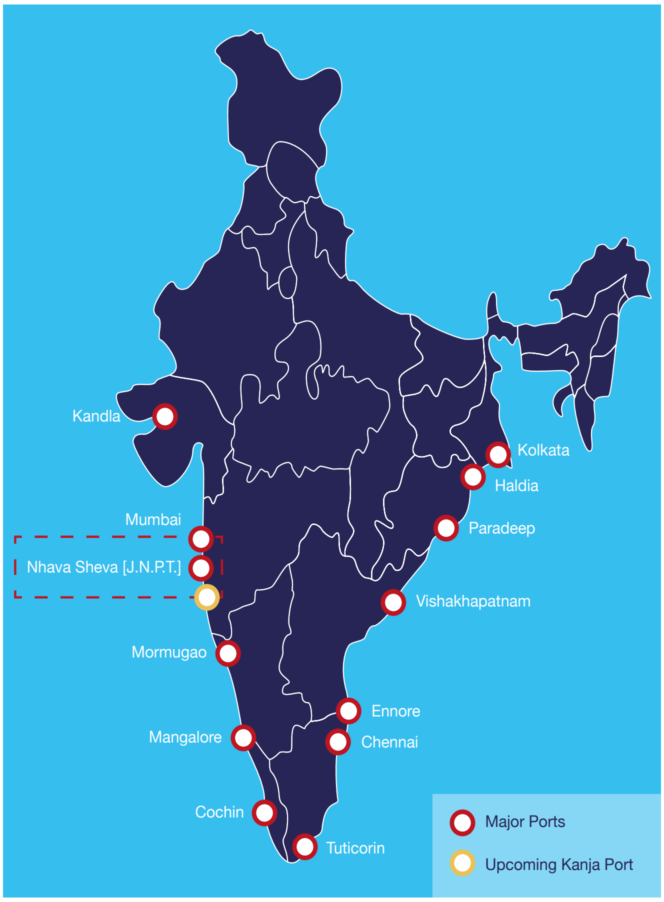
Our first infrastructure project involves developing one of India's largest private port and logistics operations sites in Karanja Creek, near Navi Mumbai.

The multi-purpose site is being developed over 200 acres of land with a sea frontage of 1,000 meters.

The port is expected to encompass:

- 1,000 meters of quay serviced by adequate cranage.
- 200 acres of back up area for cargo storage.
- Capable of handling vessels up to 5,000 DWT.
- First mile – last mile connectivity.
- Ability to handle containers and break bulk cargoes including pulses, fertilisers, steel, gypsum and cement amongst others.
- 5 meter draft.

In addition the port will be able to handle specialised defence cargoes, offshore vessels and roll on/roll off cargoes.



Location

Our port is strategically positioned in what will become one of the most economically and socially vibrant area in all of India to take advantage of the growing marine infrastructure. Karanja is a high growth industrial zone in the heart of Navi Mumbai, approximately 7 nautical miles from JNPT, India's largest and busiest container port.

Karanja port enjoys excellent first and last mile connectivity, to state and national highways, NH4B, SH54, SH104 and NH17 and is located approximately 3 km from the upcoming Uran railway terminal, opening up to one of the world's largest growing domestic markets.

With these projects, the Board believes the demand for a dynamic facility like Karanja will become more compelling than ever before.

The port also provides access to the primary hinterland including cargo clusters around Mumbai, Nashik, Pune, Aurangabad, South Gujarat and North Karnataka.

Local Government Support

We have the full support and approval from MMB for the development and running of the Facility.

II. IMPLEMENTING OUR STRATEGY

2018 has been a constructive year with a number of important developments and significant changes:

- **Construction** – The major construction milestone in 2018 was the successful completion of the first 100 Acres of land. Construction was slowed down whilst managing the Indian banking crisis. The work stream of land-reclamation was managed to ensure that the work was aligned with the Group's forecast revenue generation and land requirements. We have kept the market and investors regularly updated with progress by publishing drone photographs and videos tracking progress on our website.
- **Customers** – With the Facility taking shape earlier adopters have seen the competitive and strategic advantage that using Karanja will offer over its competitors. We are delighted to have retained our first two signed customer's despite the delays caused by the banking crisis and obtaining final custom notification. We have ongoing discussions with 2 potential domestic and international partners.
- **Marketing** – With our first customers signed and funding secured we have been able to dedicate time to a focused marketing campaign, a highlight of which was attendance at the CII Maritime, Ports, Logistics and Warehousing Expo in Mumbai. We have built a strong business development team, which is now able to push on with winning new customers.
- **People** – We constantly invest in our greatest asset, our people – enabling them to grow and flourish is crucial to our future success, we have strengthened the operating team.

Measuring our Progress Financial Performance in 2018

As at 31 December the carrying value of the port which is still under construction was £131 million versus £123.65 million as at 31 December 2017, this was represented by capital additions of £11m and year end exchange rate translation of minus £3.6m. The measurement of other KPI's is outlined in note VII.

III. PRINCIPAL RISKS 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. The admission document published by the Company in connection with admission to trading on AIM (a copy of which is available on the Company's website at **www.mercpl.com**) sets out a number of the principal risks that the Directors considered, at the time of admission, that the Company and its business were potentially exposed to. 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. Read more in our Corporate Governance Statement of Compliance with the QCA Corporate Governance Code on the Company website **www.mercpl.com**.

Potential financial risks have also been disclosed in the Company's accounts and specific notes 3 and 13 thereto.

IV. BUSINESS MODEL

The Company aims to develop and efficiently operate profit making ports and logistics facilities.

In Karanja specifically, the business model for the port is four pronged:

- Coastal movement of cargoes such as containers, cement and other break-bulk cargo that can be transported in smaller vessels;
- Feeder movement of cargo to larger ports in the vicinity; 'Sagarmala' policy initiative which seeks to promote coastal and in-land waterways movement of cargo;
- Mid-stream discharge and loading of cargo, such as steel coils and plates at anchorage; and
- To benefit from having an integrated Container Freight Station (CFS) (logistics facility) which would help in easing congestion issues on the regional road network – a problem that currently plagues JNPT.

Secured clients & revenue

Agreements signed with 2 Customers to handle 5m tonnes of cargo by Year 3 of operations.

**CUSTOMER 1:
as announced on
25 August 2017**

- One of the largest coal traders in India.
- Contract to handle Coal: 750,000 MT, 1m MT, 2m MT and 3m MT in 2019, 2020, 2021 of operations.
- Minimum Guaranteed Revenues of £3.2m, £4.4m and £9m in 2019, 2020, 2021 of operations.

**CUSTOMER 2:
as announced on
22 December 2017**

- One of largest stevedoring companies and commodity traders.
- Handling 5m to 7m MT of multiple cargoes including Steel, Pulses, Fertilizer, Sand etc., via Mumbai Port.
- Contract to handle 1m MT, 2m MT and 3m MT in Years 2019, 2020, 2021 of operations.
- Revenues of £2.2m, £4.4m and £6.6m Years 2019, 2020, 2021 of operations.

V. KEY BUSINESS DRIVERS

India is the fastest growing major economy

The World Bank has forecasted real GDP growth (Rupees) of 7.3% in CY18E and 7.5% in CY19E and CY20E. Whilst Indian GDP ($) is expected to be $3.2tn in CY20E and is forecasted to eclipse UK GDP in CY18E with GDP of $2.8tn. Predicted economic strength will support maritime trade which currently accounts for 95% of India's trading by volume and 70% by value (Ministry of Shipping).

Key drivers of Karanja Port's future financial performance.

1. Karanja is not only the gateway to eight landlocked states with a catchment of 500m people but also stands to exploit the c$12-13bn of construction projects taking place or proposed within a 25-mile radius of the port. This strategic location combined with the lack of alternative ports in the area, offers Karanja significant opportunities.

2. Additionally, government backing in the form of the National Perspective Plan for Sagarmala, a strategic and customer-oriented initiative to modernise India's ports and develop coastal shipping to combat road congestion, means Karanja is ideally placed. Karanja is optimally set up to berth barges used in coastal and inland cargo transportation.

3. Now that the regulatory risk and most of the construction risk has dissipated, we believe that, once operational, Karanja will increase revenue with contracted capacity, utilisations and escalation of rates. With the additional benefit of incrementally increasing visibility of revenues as pipeline contracts are realised. We expect revenues to grow at a Compounded Annual Growth Rate "CAGR" of 45% from FY19-21E.

   India's economic strength has firmly placed it as one of the fastest growing major economies worldwide. We believe India is on track to maintain this level of growth in the medium to long term due to a variety of reforms such as: liberalisation of Foreign Direct Investments "FDI", tax reform, bankruptcy code, etc.

India Trade Activity

Trade in India remains a fundamental part of GDP, accounting for c40%. The Indian economy is better placed than its regional peers considering it is less export-oriented. This should provide some protection against any adverse impacts to GDP growth stemming from global trade wars.

Indian Ports (12 government owned major ports and 187 non-major ports)

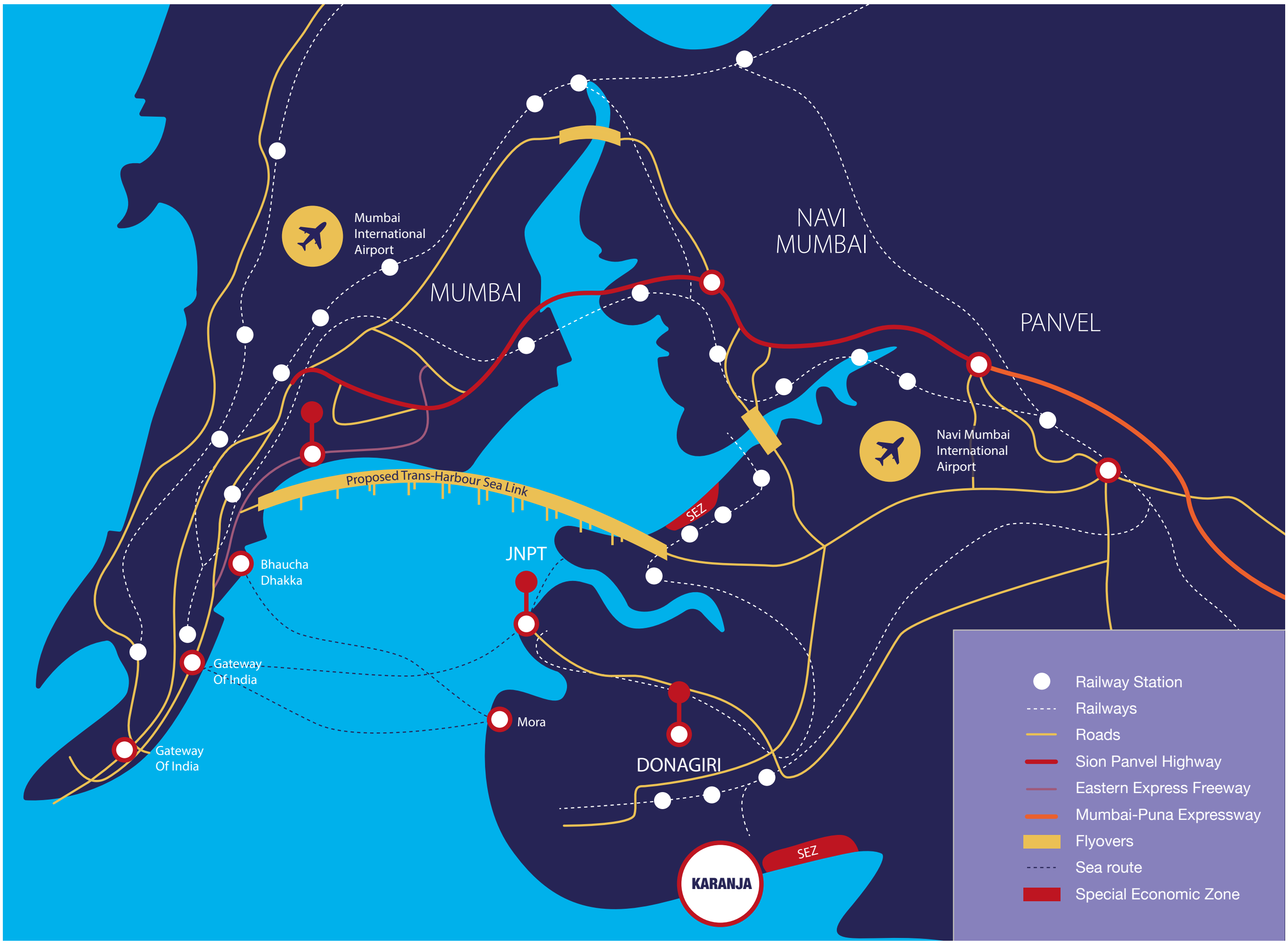
India's economic strength is placing substantial stress on its port and logistics infrastructure, an aspect in which India lags its counterparts (ranked 44th globally in World Bank 'International Logistics Ranking' 2018). This is evident with the average turnaround time for vessels standing at 4.5 days at India's major ports whilst it stands at 1 and 1.2 days respectively for China and the US. Under the National Perspective Plan for Sagarmala, six new mega ports will be developed in the country. The project is a strategic and customer-oriented initiative to modernise India's ports and develop coastal shipping, an area of opportunity for Karanja.

India's vast coast line (c7,500km) and inland water ways (c14,500km) offers substantial opportunity for domestic cargo transportation. In 2018 only 7% of India's domestic cargo went by boat compared to 30% in China. Karanja is well positioned both in location and berth size to accommodate ships used for domestic cargo transportation.

The proportion of traffic handled by non-major ports has increased over the past ten years as traffic volumes increased at a faster rate than major ports capacity. This bodes well for Karanja, as it is situated seven nautical miles from JNPT, India's largest container port (c50% of all container traffic in India).

In-line with market trends container traffic has increased in recent years, only adding to JNPT's evacuation congestion. The lack of evacuation infrastructure leads to substantial delays, causing costly backlogs. Karanja is ideally positioned to take on any excess volumes.

Despite Karanja's high dependence on inland transport links during construction we tested the capacity with the c1,200 construction trucks entering the site daily with no congestion issues, mitigates any worries surrounding transport infrastructure. Whilst Karanja is expected to handle c12-14m Million Tonnes ("MT") a year, JNPT handles upward of c5m Twenty-foot equivalent unit ("TEUs") (70-80m MT) per annum and, as a result, the evacuation infrastructure demands differ substantially. We believe current infrastructure is adequate for Karanja and, with additional local transport infrastructure projects of up to $12bn being developed over the next 3-5 year period, we feel comfortable that costly congestion delays which have plagued JNPT should not affect Karanja.



Announced/under construction projects

- **Mumbai Trans Harbour Link (MTHL) – $3bn (15km from Karanja):** – Karanja port is strategically located for pre-fabrication, storage and shipment of materials for these projects and has in fact been approached by the infrastructure developers for its use.
- **Navi Mumbai International Airport – $2.5bn (16km from Karanja):** – The second international airport is under construction just 16 kilometres from Karanja terminal. The construction work at the site will require significant volumes of construction material, namely steel and cement and Karanja is ideally suited and located to get these materials transported from nearby coastal areas.
- **JNPT's 4th Terminal owned by Port of Singapore Authority – $1.5bn (8km from Karanja):** This will add significant volume to JNPT's throughput and will double it to approx. 10 million TEUS by 2022. Additional and growing volume at JNPT will boost Karanja's strategic location and evacuation of containers through water mode will become more of a need.
- **The creation of a coastal berth at JNPT:** This berth expected by 2019 will provide a direct link between Karanja terminal and JNPT coastal berth for cargo storage and evacuation.
- **Navi Mumbai Digital City – $3.5bn (1.1km from Karanja):** Maharashtra will have its first digital city spread across 120 sq km in Navi Mumbai to commence development by 2019. The city is being developed by The Reliance Group and is expected to attract investment of over US$ 75bn over the next 10 years.
- **The deepening of Karanja creek:** Karanja port is currently constrained by its draft due to the Gas Authority of India Limited ("GAIL") and Indian Petrochemicals Corporation Limited ("IPCL") pipeline passing through the entrance of the creek at 5 Mts depth. There is a proposal by the government body Inland Waterways Authority of India (IWAI) and MMB to re-route the pipe at a depth of 10 Mts. This will allow the approach to Karanja to be dredged to 10 Mts and at tidal heights, Karanja will be able to handle vessels of up to 11 Mts draft. This will be a significant development and will transform Karanja from a shallow draft barge port to deep water ocean going vessel. This is expected to take at least 3-4 years.

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.

VI. 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, sabotage 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.
- **Construction & Completion Risk:** Mr. Nikhil Gandhi and the rest of the 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. KTPL has appointed ITD Cementation, a leading EPC contractor with extensive experience in maritime construction, and also has access to a strong in-house project management team. The Group has worked closely

with ITD in having weekly updates and responding in real time as issues arise.

- **Funding Risk:** The Company is fully funded from both a debt and equity perspective, cash flows are being monitored closely by the Board and alternative funding options are being explored.
- **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 Mr. Umesh Grover and Capt. Ashok Shrivastava as Head and Co-Head of Business Development and Sales & Marketing respectively. During 2017 two binding contracts were signed. The Group continues to support Mr. Grover and Capt. Ashok Shrivastava who have extremely well-regarded track records of around 35-45 years each. Mr. Grover led the Container Business and Marketing at the Shipping Corporation of India ("SCI") for several years, and retired as a Director on the Board of the SCI, while Capt. Shrivastava, a Master Mariner by profession has enviable experience in Container Freight Station ("CFS") and the shipping industry. The Group benefits immensely from their experience and relationships in the fields of shipping and logistics.

VII. FINANCIAL AND NON-FINANCIAL KEY PERFORMANCE INDICATORS (KPIS)

Given that the port is not yet operational, the Directors are monitoring the cashflows and revising the construction schedule and achievements of milestones thereof. Management submits to the Board an updated note on a monthly basis which includes an update on construction and cashflows.

Currently, the only relevant financial measure to be monitored is the Actual vs. Budgeted expenditure on the project, capital expenditure and Groups overheads. These items are closely monitored by management and reported to the Board for regular review on a growth basis.

Financial:

The financial parameters that will be monitored once the Facility becomes operational are:

- Return on Equity
- Internal Rate of Return
- Net Present Value ("NPV")
- Debt Service Coverage Ratio ("DSCR")
- Current Ratio
- Quick Ratio
- Debt/Equity
- Gross Margins/EBITDA Margins/Operating Margins
- Net Asset Value ("NAV") per share

Non-Financial:

The non-financial parameters that will be monitored once the Facility becomes operational are:

- Turnaround time for cargo
- Capacity utilisation
- Cargo evacuation time
- Compliance with environmental regulations and other legal matters

VIII. CORPORATE SOCIAL RESPONSIBILITY (CSR)

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 in local CSR activities to the tune of GBP £0.05 million (4,631 INR Crores) till Dec 2018 which consist of constructing village walls, public toilets, providing computers for municipal school and providing drinking water tankers, Donation for Sawan Mahotsav and Empowerment of women, Donation for Ganpati Festival, Sponsorship fees paid to Vanrai Fondation

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

The Group presents its Corporate Governance and Director Remuneration Report. The Board is at the centre of our Corporate Governance Framework. 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.

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**. The Group Company Secretary provides support as the secretary for the principal Board Committees.

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

Nikhil Gandhi – Chairman

Appointed to the board as Chairman 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 Chairman 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 and chairman.

Jay Mehta – Managing Director

Appointed as Managing Director 13 December 2018 before he served as Group COO since 24 August 2010 and appointed to the Board as Director 12 September 2016.

Skills and expertise

Jay has over 16 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 Chief Operating Officer 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.

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.

John Fitzgerald – Independent Non-Executive Director

Appointed to the Board as Independent Non-Executive Director 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

Director of John Fitzgerald Limited.

Committee membership

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

Jeremy Warner-Allen – Non-Executive Director

Appointed to the Board as Independent Non-Executive Director 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 Beeson Gregory Limited and responsible for the UK sales desk, a role he retained when Beeson Gregory merged with Evolution Securities in 2002.

Key External Appointments

Non-Executive Director TP Group and Non-Executive Deputy Chairman of OPG Power Ventures PLC

Committee membership

Member of the Remuneration and Nomination Committee.

Karanpal Singh – Non-Executive Director

Appointed to the Board as 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

Andrew Henderson – Group Chief Finance Officer

Served as Group Financial Controller since 15 July 2016 and appointed to the Board as Group CFO 20 September 2018.

Skills and expertise

Andrew is a fellow of the ICAEW and has over 16 years' experience acting as an accountant and financial advisor to private and public companies, both in the UK and internationally. Previously, Andrew worked at Deloitte and Grant Thornton before setting up his own consultancy practice.

Since taking up the board position, he has been tasked with building the financial systems and controls to ensure the entity is ready for when it becomes operational. He has worked closely building the team and relationships in India. He has focused on reducing costs and improving efficiency, whilst also building on the reporting and governance to provide shareholders and other stakeholders greater visibility and assurance.

Key External Appointments

Director of Henderson Accounting Consultants Limited.

Committee membership

Member of the Board and present at 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 four 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, Jonathan Keeling, Alex Spiro & Pavan Bakhshi are or have been advisors to the board during 2018. 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 SmallMid Cap market with international experience provides the board with capital market support. Alex Spiro is a US Attorney and Partner at Quinn Emauel in the US and provided the Board US legal advise. Pavan Bakhshi following his stepping down from the Board has been employed as a consultant to the Company to assist in avoiding any disruption in managing key relationships.

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 nine 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.

Director	Board	AGM/EGM	Audit	Remuneration	Nomination
Nikhil Gandhi	5	1	NA	NA	NA
Pavan Bakhshi*	8	1	NA	NA	2
Lord Howard Flight	7	1	3	3	2
Jay Mehta	7	1	NA	NA	NA
John Fitzgerald	8	1	3	3	2
Andrew Henderson	9	1	3	3	NA
Jeremy Warner Allen**	1	1	NA	NA	NA
Karanpal Sing**	2	1	NA	NA	NA

* Stepped down from the Board on 13 December 2018
** Appointed to the Board on 7 December 2018

2018 Board Activities

Significant matters considered during the year.

	2018
Leadership	Reviewed and approved changes to the structure, size and composition of the Board and its Committees. Approved the appointment of two new Independent Non-Executive Director and Shareholder Representative to the board.
Financial Reporting and Controls	Considered results, after challenging them and the strategic decisions. Approved Group Budget, Going Concern and Impairment Review Memorandum.
Strategy and Management	Setting the strategy and regularly monitoring it by receiving detailed presentations on performance against strategic objectives and key performance indicators.
Risk Management	Received updates on insurance matters and approved the renewal of the Directors' and Officers' Insurance. Reviewed and monitored the key risks as outlined on page 17 of the strategic report.
Corporate Governance	Published our Corporate Governance Statement of Compliance with the QCA Corporate Governance Code.
Shareholders	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.
Equity Fundraise	Considered and approved the successful equity market fundraise , enabling us to raise c.£28m enabling the Company to manage its own future cashflow and not be reliant on additional drawdowns from the Indian banks' lending under consortium.

CORPORATE GOVERNANCE
continued

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. Certain elements of this responsibility are overseen on behalf of the Board by the Audit Committee.

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.

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.

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 two Independent Non-Executives and Andrew Henderson in his role as CFO. It is proposed that the Company will look at appointing an Independent Non- Executive Director to replace Andrew Henderson who will stand 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 25.

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. Our Group Auditors Grant Thornton UK LLP were hosted by Senior management and the finance team, visiting the site in April and spending team with the team in Mumbai.

Significant Issues

The Audit Committee identified the issues below as significant in the context of the 2018 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 capitalisation. The review did not result in any impairment during the year.
Going Concern (see note 1 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 has considered the different scenarios based on the onboarding of new customers and associated costs. The Committee is confident that the Group is able to manage its expenditure until it has scaled up to be self funding. In the models we have considered the significant judgements, assumptions and estimates made by management in preparing the going concern review to ensure that they were appropriate. 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.

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 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 are the Company's external auditors. 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 auditors 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. In 2019 we hosted one of our largest investors who visited the site and spent time with Hunch Ventures, non executive board members, senior management and the engineering team

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 2018, the Group maintained corporate broking relationships with Cenkos Securities plc.

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

Visit our dedicated Investors page on our corporate website
www.mercpl.com – Investors Reporting

Contact our Investor Relations team: Investor Relations
Email: **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 2018

The Executive Directors' remuneration structure follows the market practice. Each of the Executive Directors is employed pursuant to a service agreement or employment contract.

Pavan Bakhshi – Managing Director until 13 December 2018

Pavan Bakhshi was entitled to receive a base salary and currently no other benefits under his service agreement.

His total remuneration for the year ended 31 December 2018 was £175,000 (2017: £175,000).

Jay Mehta – Managing Director from 13 December 2018

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

His total remuneration for the year ended 31 December 2018 was £98,936 (2017: £107,436).

Andrew Henderson – CFO

Andrew Henderson's service agreement is with MPL and is entitled to receive a base payment and currently no other benefits under his service agreement.

His total remuneration for the year ended 31 December 2018 was £90,000 (2017: £75,000).

Post-Retirement Benefits

None of the directors are members of a Company pension scheme.

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.

For the year ended 31 December 2018, the fees and other remuneration payable to each of the Non-Executive Directors, which includes remuneration for their services in being a member of, or chairing, a Board Committee, are set out below:

- Lord Flight received a Non-Executive Director fee of £40,000 (2017: £40,000).
- John Fitzgerald received a Non-Executive Director fee of £45,000 (2017: £16,625).
- Jeremy Warner Allen received a Non-Executive Director fee of £2,796 (2017: nil).

Performance Evaluation

The board as a whole regularly review 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.

Over the summer 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**

Evolution of the evaluation process from previous years, the results of the evaluation process and action taken or planned as a result

This is the first year in which such a structured approach to performance review will have been undertaken.

Frequency of evaluations

The evaluation process is expected to be performed annually.

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:

	Ordinary Shares held as at 1 January 2018	Ordinary Shares held as at 31 December 2018	Change
Nikhil Gandhi (Executive Chairman)*	42,720,000	98,351,262	55,631,262
Pavan Bakhshi (Managing Director)	1,626,153	11,626,153	10,000,000
Lord Flight (Non-Executive Director)	750,000	3,750,000	3,000,000
John Fitzgerald (Non-Executive Director)	Nil	625,800	625,800
Jeremy Warner Allen (Non-Executive Director)	Nil	7,550,000	7,550,000
Karanpal Singh (Non-Executive Director)**	Nil	414,349,000	414,349,000
Jay Mehta (Chief Operating Officer)	306,375	5,306,375	5,000,000
Andrew Henderson (Chief Financial Officer)	61,275	576,593	515,318

*Shares held through SKIL Global Port and logistic Limited
**Shares held through Hunch Ventures and Investments Limited

AGM

Notice convening the AGM and an explanation of the resolutions being proposed are set out on pages 65 to 68.

INDEPENDENT AUDITOR'S REPORT
to the members of Mercantile Ports & Logistics Limited

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 2018, which comprise Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of cashflows, 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Grant Thornton	**Overview of our audit approach** • Overall materiality: £1,700,000, which represents 1% of the company's gross assets; • A key audit matter was identified as the impairment review of the port; and • We performed full-scope procedures for the Guernsey-registered parent company and the Indian subsidiary as well as analytical procedures on the Cypriot subsidiary.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Key Audit Matters	How the matter was addressed in the audit
Impairment review of the port The port and logistics facility being constructed in Mumbai had a carrying value at 31 December 2018 of £131 million, which made up the bulk of the group's £171 million gross assets. The review of the port asset for impairment requires management to make a number of significant judgements. We, therefore, identified Impairment of the port as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Obtaining management's impairment model which included an assessment of the value in use of the port, and performing a recalculation to ensure the mathematical accuracy of the calculation; • Benchmarking the key assumptions utilised in the model, including revenue growth, tariffs charged and profit margins against comparable facilities. • Comparing the discount rate to the current interest rate being charged on the group's bank facility, whilst also factoring 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 for capital expenditure to actual results during the financial year; • Physically verifying the existence of the port during a site visit which took place in April 2019; • Confirming the remaining construction contract costs directly with the contractors and comparing this to the costs to completion per the management's calculation; and • Applying sensitivities to key inputs in the value in use calculations of the port to determine the headroom and robustness of the calculation. The group's accounting policy on the impairment review is shown in note 2(l) to the financial statements and related disclosures are included in notes 3 and 10.
	Key observations Our testing did not identify any material misstatements in the carrying value of the port. The assumptions detailed in the notes are consistent with the impairment review.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

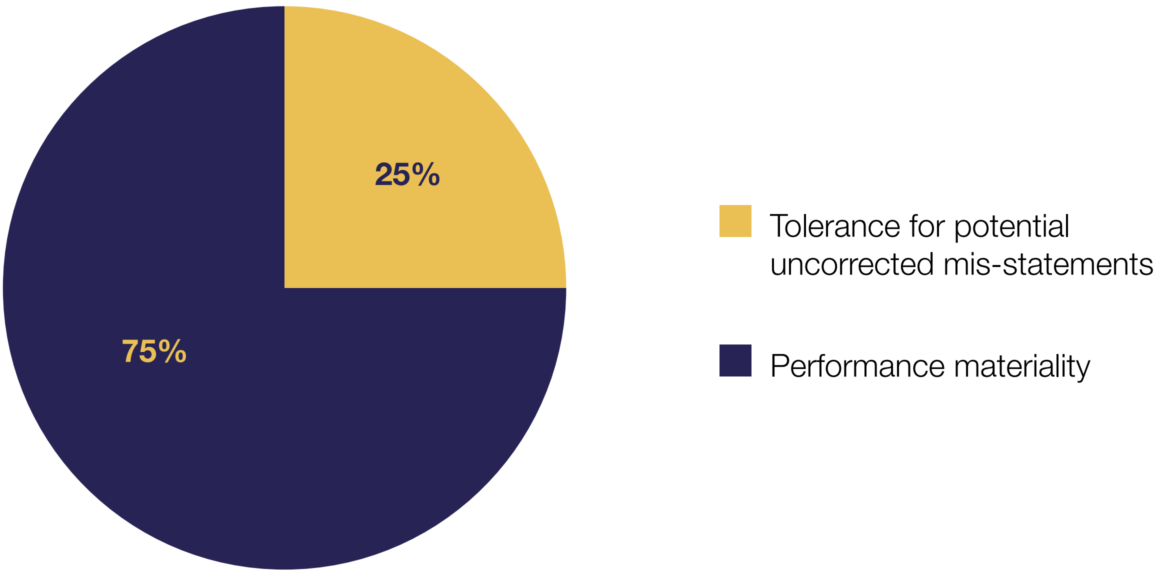
We determined materiality for the audit of the group financial statements as a whole to be £1,700,000, which is 1% of gross assets. This benchmark is considered the most appropriate because the group is still only in the development stage of its port, as such we expect the users of the financial statements to rely primarily on the value of the group's assets.

Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017 to reflect the increase in total assets due to the further development of the port.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the group financial statements.

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

Overall materiality



We also determined a lower level of specific materiality for related parties and directors' remuneration due to the sensitive nature of these disclosures.

We will communicate misstatements below the above materiality that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. The significance of the component was assessed based on its value of gross assets as part of the group;
- a full scope approach was taken for the operating subsidiary in India, Karanja Ports and Logistics Pvt Ltd, based on the relative materiality to the group and assessment of audit risk. Targeted procedures were performed for the holding company in Guernsey, Mercantile Ports and Logistics Ltd, based on the relative materiality to the group and assessment of audit risk;
- full-scope procedures covered 87% and targeted procedures covered the remaining 13% of total assets;
- we visited the offices in Mumbai, India, during April 2019 for a week as part of our field work performed. While we were there, we visited the port.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 company; or
- The company 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 financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, 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**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 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.

Philip Crooks, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
10 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
CONTINUING OPERATIONS			
Revenue		–	–
		–	–
Administrative Expenses	5	(3,296)	(3,416)
OPERATING LOSS		**(3,296)**	**(3,416)**
Finance Income	6	13	11
Finance Cost		–	–
NET FINANCING INCOME		**13**	**11**
LOSS BEFORE TAX		**(3,283)**	**(3,405)**
Tax expense for the year	7	–	–
LOSS FOR THE YEAR		**(3,283)**	**(3,405)**
Loss for the year attributable to:			
Non-controlling interest		(5)	(1)
Owners of the parent		(3,278)	(3,404)
LOSS FOR THE YEAR		**(3,283)**	**(3,405)**
Other Comprehensive Income/(expense):			
Items that will not be reclassified subsequently to profit or (loss)			
Re-measurement of net defined benefit liability	24	4	–
Items that will be reclassified subsequently to profit or (loss)			
Exchange differences on translating foreign operations		(2,218)	(2,785)
Other comprehensive expense for the year		**(2,214)**	**(2,785)**
Total comprehensive expense for the year		**(5,497)**	**(6,190)**
Total comprehensive expense for the year attributable to:			
Non-controlling interest		(5)	(1)
Owners of the parent		(5,492)	(6,189)
		(5,497)	**(6,190)**
Earnings per share (consolidated):			
Basic & Diluted, for the year attributable to ordinary equity holders	9	(0.006p)	(0.008p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Assets			
Property, plant and equipment	10	131,257	123,985
Total non-current assets		**131,257**	**123,985**
Trade and other receivables	11	26,169	15,315
Cash and cash equivalents	12	13,113	5,423
Total current assets		**39,282**	**20,738**
Total assets		**170,539**	**144,723**
Equity			
Stated Capital	14	134,627	106,763
Retained earnings	14	(3,772)	(498)
Translation Reserve	14	(14,958)	(12,740)
Equity attributable to owners of parent		**115,897**	**93,525**
Non-controlling Interest		11	16
Total equity		**115,908**	**93,541**
Liabilities			
Non-current			
Employee benefit obligations	15	3	–
Borrowings	16	33,831	34,934
Non-current liabilities		33,834	34,934
Current			
Employee benefit obligations	15	58	36
Borrowings	16	59	23
Current tax liabilities	17	7,341	7,417
Trade and other payables	18	13,339	8,773
Current liabilities		**20,797**	**16,249**
Total liabilities		**54,631**	**51,183**
Total equity and liabilities		**170,539**	**144,723**

The consolidated financial statements have been approved and authorized for issue by the Board on 10 June 2019.

Nikhil Gandhi
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	Notes	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(3,283)	(3,405)
Non cash flow adjustments	20	59	(1,559)
Operating (loss)/profit before working capital changes		**(3,224)**	**(4,964)**
Net changes in working capital	20	(13)	770
Net cash from operating activities		**(3,237)**	**(4,194)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(8,420)	(31,752)
Proceeds from sale of fixed asset		5	–
Finance income	6	13	11
Net cash used in investing activities		**(8,402)**	**(31,741)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of Share Capital	14	19,552	3,000
Reversal of share issue cost		–	49
Proceeds from new borrowing		(44)	2,630
Net cash from financing activities		**19,508**	**5,679**
Net change in cash and cash equivalents		**7,869**	**(30,256)**
Cash and cash equivalents, beginning of the year		5,423	35,697
Exchange differences on cash and cash equivalents		(179)	(18)
Cash and cash equivalents, end of the year		**13,113**	**5,423**

The notes pages 42 to 65 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Stated Capital £000	Translation Reserve £000	Retained Earnings £000	Other Components of equity £000	Non-controlling Interest £000	Total Equity £000
Balance at 1 January 2018	**106,763**	**(12,740)**	**(498)**	**–**	**16**	**93,541**
Issue of share capital	29,820	–	–	–	–	29,820
Share issue cost	(1,956)	–	–	–	–	(1,956)
Transactions with owners	134,627	(12,740)	(498)	–	16	121,405
Loss for the year	–	–	(3,278)	–	(5)	(3,283)
Foreign currency translation differences for foreign operations	–	(2,218)	–	–	–	(2,218)
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	–	(2,128)	(3,274)	–	(5)	(5,497)
Balance at 31 December 2018	**134,627**	**(14,958)**	**(3,772)**	**–**	**11**	**115,908**
Balance at 1 January 2017	**103,714**	**(9,955)**	**2,905**	**–**	**17**	**96,681**
Issue of share capital	3,049	–	–	–	–	3,049
Transactions with owners	106,763	(9,955)	2,905	–	17	99,730
Loss for the year	–	–	(3,404)	–	(1)	(3,424)
Foreign currency translation differences for foreign operations	–	(2,785)	–	–	–	(2,785)
Total comprehensive income for the year	–	(2,785)	(3,404)	–	(1)	(6,209)
Balance at 31 December 2017	**106,763**	**(12,740)**	**(498)**	**–**	**16**	**93,541**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Mercantile Ports & Logistics Limited formerly known as SKIL 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 Martello Court, Admiral Park, St. Peter Port, Guernsey GY1 3HB. 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 comprises 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 2018, and are 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 2018, the Group had 57 (Fifty seven) (2017: 51 (Fifty one) 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") 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 foreseeable future. The Group has continued 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 the construction of the Facility. The assumptions are based on the port becoming operational within the conceivable future and using revenue generated to help fund the future costs.

As part of the review the Directors have performed sensitivity analysis flexing a number of key variables, including the exact date and speed of on boarding new customers, one off associated costs as the port gears up and becomes operational and the effects of final Capex spending. The Directors have also considered covenant compliance for the bank loan to identify any forecast breaches of the financial ratio covenants under various scenarios.

The review has been greatly assisted by the £29.8m equity fundraise in November 2018. This gives the Group the financial flexibility to deliver the completed port and build up operational income to part finance working capital requirements.

The Group closely monitors and manages 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 utilisation of available bank facilities, its capital investment plans and forecast of gross operating margins as and when the operations commence, stress testing as explained above. 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.

(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 2018. Subsidiaries are all 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 the 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 interests

Non-controlling interests, 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 interests.

(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	Karanja Terminal & Logistics (Cyprus) Ltd	India	99.75	99.75
*Mercantile Ports (Netherlands) BV	Mercantile Ports & Logistics Limited	Netherlands	100.00	100.00

* Mercantile Ports (Netherlands) BV was incorporated on 19th April 2017, in Netherlands jurisdiction.

(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

Mercantile Ports (Netherlands) BV – Euro

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates 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 is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

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

The Group is in the process of constructing its initial project, the creation of a modern and efficient port and logistics Facility in India. The Group currently does not have any material revenue from operations of its core business activity.

(f) Borrowing costs

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 in finance costs.

(g) Employee benefits

i) Defined contribution plans (Provident Fund)

In accordance with Indian Law, eligible employees receive benefits 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 of 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 terms 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 remeasurements 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

Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A corresponding amount is recognised as a finance lease liability. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All leases other than finance leases explained above are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(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 enacted or substantively enacted by the end of the reporting period.

Deferred tax

Income taxes are accounted for 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 recognised to the extent that management believe that these assets are more probable than not to be realized. In making such a determination, we consider 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 management determine that the company would be able to realize its deferred tax assets in the future in excess of its net recorded amount, management would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

(j) Financial assets

The Group has adopted IFRS 9 from 1st January 2018 and 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
Office equipment	3-5 Years
Computers	2-3 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 and 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.

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 categorised as loans and receivables, measured initially at fair value and subsequently at amortised cost using an effective interest rate method, less an allowance for impairment. An allowance for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

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 demand deposits that are readily convertible 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 adopted during the year

During the calendar year the Company has adopted IFRS 9 "Financial Instrument "and IFRS 15 "Revenue recognition". There is no material impact on the group financial as a result of the above standards.

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

A number of new standards, amendments to standards and interpretations are not effective for annual periods beginning 1 January 2018, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt this standard early.

IFRS 16 Leases (effective from 1 January 2019)

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating lease incentives and SIC-27 Evaluating the substance of transaction involving the legal form of lease.

The new standard requires the lessee to recognise the operating lease commitment on the balance sheet. The Group, as a lessee, has substantial operating leases and commitments as disclosed in note 22. The standard would require future lease commitments to be recognised as a liability, with a corresponding right of use asset. This will impact the EBITDA and debt to equity ratios of the Group. In addition, depending on the stage of lease, there would be a different pattern of expense recognition on leases. Currently, lease expenses are recognised in cost of sales, however, in future the lease expense would be an amortisation charge and finance expense.

The Group is in the process of collating its leases and computing the impact.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Recognition of income tax liabilities

In light of a recent court judgement, there is a possibility that the Group will not be expected to pay income tax in India on interest income due to the availability of pre-operating losses nevertheless, full liability has been provided for income tax based on the assumption that the interest income will be taxed in full. However, no accrual has been made for tax related interest or penalties on the non-payment of Indian income tax until we have certainty on the tax position.

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 the carrying value of the port which is still under construction is £130.99 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 behind the discounted cash flow as at 31 December 2018 are:

- Construction outflow to get the asset in a state to start generating income.
- Cash flow projections have been run until 2059. This is the length of the lease of the land.
- The revenue capacity is a product of the area available to store and stack containers and jetty capacity.
- Inflation 4%.
- Utilisation rate at 12% in 2019, 30% in 2020, 39% in 2021 & 45% by 2022.
- Revenue based on current comparable market rates.
- The costs are set based on margins of 40-45%, based on margin of similar ports & CFS facilities.
- Discount Rate 13.25%

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 200 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 has been presented.

5. ADMINISTRATIVE EXPENSES

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Employee costs	265	302
Directors' fees	452	488
Operating lease rentals	327	302
Foreign exchange gains/loss	–	4
Depreciation	71	113
Other administration costs	2,181	2,207
	3,296	**3,416**

6. FINANCE INCOME

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Interest on bank deposits	13	11
	13	**11**

7. INCOME TAX

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Loss Before Tax	(3,263)	(3,405)
Applicable tax rate in India*	30.90%	30.90%
Expected tax credit	**(1,008)**	**(1,052)**
Adjustment for non-deductible losses of MPL & Cyprus entity against income from India	412	311
Adjustment for non-deductible expenses	596	741
Actual tax expense	**–**	**–**

*Considering that the Group's operations are presently based in India, the effective tax rate of the Group of 30.90% (prior year 30.90%) 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.

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.

In Netherland, the tax rate for companies is 20% with effect from 1 January 2018. There is no tax expense in Netherland.

8. 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 18 £000	Year ended 31 Dec 17 £000
Audit Fees		
Interim	9	15
Annual	78	78
Site Visit Fees	9	9
	95	**102**

A fee of £56,650 was debited to Statement of Comprehensive Income for financial advisory services performed by Grant Thornton UK LLP during the year (2017: £Nil). The statutory audits of Karanja Terminal & Logistics Private Limited and Karanja Terminal & Logistics (Cyprus) Limited are conducted by other auditors, fees paid for these audits is £6,875 (2017: £3,000). Audit fees related to prior year overruns during the year amount to £58,436 (2017: £29,000).

9. EARNINGS PER SHARE

Both basic and diluted earnings per share for the year ended 31 December 2018 have been calculated using the loss attributable to equity holders of the Group of £3.3 million (prior year loss of £3.4 million).

	Year ended 31 Dec 18	Year ended 31 Dec 17
Loss attributable to equity holders of the parent	£(3,278,000)	£(3,404,000)
Weighted average number of shares used in basic and diluted earnings per share	516,141,290	412,620,439
EARNINGS PER SHARE		
Basic and Diluted earnings per share	(0.006p)	(0.008p)

10. PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

	Computers £000	Office Equipment £000	Furniture £000	Vehicles £000	Capital Work In Progress £000	Total £000
Gross carrying amount						
Balance 1 Jan 2018	**40**	**58**	**35**	**510**	**123,647**	**124,290**
Net Exchange Difference	(1)	(2)	(1)	(15)	(3,616)	(3,635)
Additions	1	2	–	11	10,958	10,972
Disposals	–	–	–	(32)	–	(32)
Balance 31 Dec 2018	**40**	**58**	**34**	**474**	**130,989**	**131,595**
Depreciation						
Balance 1 Jan 2018	(30)	(24)	(16)	(235)	–	(305)
Net Exchange Difference	1	1	–	7	–	9
Charge for the year	(6)	(9)	(3)	(53)	–	(71)
Disposals	–	–	–	29	–	29
Balance 31 Dec 2018	**(35)**	**(32)**	**(19)**	**(252)**	**–**	**(338)**
Carrying amount 31 Dec 2018	**5**	**26**	**15**	**222**	**130,989**	**131,257**

	Computers £000	Office Equipment £000	Furniture £000	Vehicles £000	Capital Work In Progress £000	Total £000
Gross carrying amount						
Balance 1 Jan 2017	**33**	**36**	**25**	**279**	**94,936**	**95,309**
Net Exchange Difference	(1)	(1)	(1)	(6)	(2,762)	(2,771)
Additions	8	23	11	237	31,473	31,752
Balance 31 Dec 2017	**40**	**58**	**35**	**510**	**123,647**	**124,290**
Depreciation						
Balance 1 Jan 2017	(23)	(18)	(12)	(145)	–	(198)
Net Exchange Difference	1	1	1	3	–	6
Charge for the year	(8)	(7)	(5)	(93)	–	(113)
Balance 31 Dec 2017	**(30)**	**(24)**	**(16)**	**(235)**	**–**	**(305)**
Carrying amount 31 Dec 2017	**10**	**34**	**19**	**275**	**123,647**	**123,985**

The net exchange difference on the Group's property, plant and equipment's carrying amount is a loss of £3.64 million (prior year gain of £2.77 million). The net exchange difference on the Group's property, plant and equipment carrying amount is on the account of the foreign exchange movement.

a) Net Book Value of assets held under Finance Lease

KTLP's vehicles are held under finance lease arrangements. The Net Book Value of assets held under finance lease arrangements are as follows:

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Vehicles	222	275
	222	**275**

The Port Facility being developed in India has been hypothecated by the Indian subsidiary as security for the bank borrowings (borrowing limit sanctioned INR 480 crore (£54.21 million) (2017 INR 480 crore (£55.84 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 under Capital Work in Progress. During the year the Group has capitalised borrowing cost of £4.58 million (prior year £4.58 million).

The Indian subsidiary has estimated the total project cost of INR1,404 crore (£158.56 million) towards construction of the port Facility. Out of the aforesaid project cost, the contract signed with the major contractor is INR1,048 crores (£118.35 million). As of 31 December 2018, the contractual amount (net of advances) of INR 104.13 crores (£11.76 million) is still payable. There were no other material contractual commitments.

Karanja Terminal & Logistics Private Limited (KTPL), the Indian subsidiary has received sanction of a Rupee term loan of INR 480 crore (£54.21 million) for part financing the port Facility. The Rupee term loan has been sanctioned by four Indian public sector banks and the loan agreement was executed on 28 February 2014. 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.

11. TRADE AND OTHER RECEIVABLES

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Deposits	3,699	2,227
Advances	14,082	12,999
Debtors		
– Related Party	72	72
– Prepayment	26	17
– Others	8,290	–
	26,169	**15,315**

Advances include payment to EPC contractor of £11.70 million (prior year £12.5 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.

12. CASH AND CASH EQUIVALENTS

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Cash at bank and in hand	13,101	5,081
Deposits	12	342
	13,113	**5,423**

Cash at bank earns interest at floating rates based on bank deposit rates. The fair value of cash and short-term deposits is £13.11million (prior year £5.42 million).

13. 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. Risk management is carried out by the Board of Directors.

(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 and Mercantile Ports (Netherlands) BV is Euro.

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 88.5488 for balance sheet items and for profit and loss item GBP 1: INR 90.9678

This balance is cumulatively a £14.96m loss to equity (2017: £12.74m loss). This is mainly 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. This resulted in a significant loss to the GBP value of the Indian entity net assets. The closing rate at 31 December 2018 was 1:88, hence the loss in the reserve is not as significant as in 2013-15. With the majority of funding now in India this risk is further mitigated. During 2018 the average and year end spot rate used for INR to GBP were 90.97 and 88.55 respectively (2017: 90.91 and 83.46).

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 of INR 8.43 million (£0.095 million) as on reporting date (prior year INR 94.87 million (£1.10 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 2018	31 Dec 2017
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 are denominated:

Functional Currency (£)	£ (depreciation by 10%) £000	£ (appreciation by 10%) £000
31 December 2018	10.58	(8.66)
31 December 2017	122.63	(100.33)

If the functional currency GBP had weakened with respect to foreign currency (INR) by the percentages mentioned above, for year ended 31 December 2018 then the effect will be change in profit and equity for the year by £0.0106 million (prior period £0.124 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.

KTPL has successfully tied-up a rupee term loan of INR 480 crore (£54.21 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 rate of interest on the bank borrowing is a floating rate linked to the bank base rate with an additional spread of 375 basis points (2017: 375 bp). The present composite rate of interest is 13.20% (2017: 13.20%).

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 to lower its base rate in the coming quarters.

Interest rate sensitivity
At 31 December 2018, 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% (2017: +/- 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.

	Profit for the Year £000		Equity, net of tax £000	
Year	+1%	-1%	+1%	-1%
31 December 2028	–	–	–	–
31 December 2027	(2)	2	1	1
31 December 2026	(48)	48	(31)	31
31 December 2025	(116)	116	(75)	75
31 December 2024	(185)	185	(120)	120
31 December 2023	(256)	256	(166)	166
31 December 2022	(323)	323	(210)	210
31 December 2021	(377)	377	(245)	245
31 December 2020	(418)	418	(272)	272
31 December 2019	(215)	215	(140)	140

(b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group's maximum exposure (£22.47 million) to credit risk is limited to the carrying amount of financial assets recognised at the reporting date. The Group's policy is to deal only with creditworthy counterparties. The Group has no significant concentrations of credit risk.

The Group does not concentrate any of its deposits in one bank or a non-banking finance company (NBFC). This is seen as being prudent. Credit risk is managed by the management having conducted its own due diligence. The balances held with NBFC's and banks are on a short-term basis. Management reviews quarterly NAV information sent by NBFC's and monitors 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 (£54.21 million) and c.£20M as at December 2018 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.

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 2018, the Group's non-derivative financial liabilities have contractual maturities (and interest payments) as summarized below:

	Principal payments		Interest payments	
Payment falling due	**INR in Crore**	**£000**	**INR in Crore**	**£000**
Within 1 year	–	–	50.16	5,514
1 to 5 years	185.25	20,921	163.68	17,993
After 5 years	194.75	21,994	44.23	4,863
Total	**380.00**	**42,914**	**258.07**	**28,370**

The present composite rate of interest of 13.20% 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 balance sheet liquidity ratio against internal requirements and maintaining debt financing plans. As a part of monitoring balance sheet 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.

	Note	(Carried at amortised cost) Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Financial Assets			
Cash and Cash Equivalents	12	13,113	5,423
Loan and receivables	11	10,743	15,315
		23,856	**20,738**
Financial Liability			
Borrowings	16	33,890	34,957
Trade and other payables	18	13,340	8,773
Trade and other payables	15	61	8,36
		47,291	**43,766**

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.

14. EQUITY

14.1 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 18 No of shares	£000	Year ended 31 December 17 No of shares	£000
Shares issued and fully paid:				
Beginning of the year	**414,017,699**	**106,763**	384,017,699	103,714
Addition in the year (net of share issue cost)	**1,491,004,424**	**27,864**	30,000,000	3,049
Closing number of shares	**1,905,022,123**	**134,627**	414,017,699	106,763

The stated capital amounts to £134.63 million (prior year £106.76 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 1,491 million equity shares to various institutional and private investors, by way of a placing, open offer and subscription.

14.2 Other Components of Equity

Retained Earnings

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Opening Balance	**(518)**	2,905
Addition during the year	**(3,258)**	(3,423)
Re-measurement of net defined benefit liability	**4**	–
Closing balance	**(3,772)**	(518)

Retained earnings of £(3.77) million (prior year £0.50 million) include all current year retained profits.

Translation Reserve

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Opening Balance	**(12,740)**	**(9,955)**
Addition during the year	**(2,218)**	**(2,785)**
Closing balance	**(14,958)**	**(12,740)**

The translation reserve of £14.96 million (prior year £12.74 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.

15. EMPLOYEE BENEFIT OBLIGATIONS

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Non-Current		
Pensions – defined benefit plans	3	–
	3	**–**
Current		
Wages, salaries	36	36
Pensions – defined benefit plans	22	–
	58	**36**

16. BORROWINGS

Borrowings consist of the following:

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Current		
Vehicle loan	59	23
	59	**23**
Non-Current		
Bank loan	33,705	34,720
Vehicle loan	126	214
	33,831	**34,934**

Borrowing

Karanja Terminal & Logistics Private Limited (KTPL), the Indian subsidiary has tied-up a rupee term loan of INR 480 crore (£54.21 million). The Rupee term loan has been sanctioned by four Indian public sector banks and the loan agreement was executed on 28 February 2014. On 29 September 2017 the terms of sanction was amended, extending the tenure of the loan for 13 years and 6 months with repayment commencing from the end of June 2020.

The repayment schedule is as follows:

	Repayment amount	
Payment falling due	**INR in Crore**	**£000**
Within 1 year	–	–
1 to 5 years	185.25	20,920
After 5 years	194.75	21,994
Total	**380.00**	**42,914**

The rate of interest will be a floating rate linked to the Canara bank base rate (9.40%) (2017: 9:40%) with an additional spread of 375 basis points. The present composite rate of interest is 13.20%. The borrowings are secured by the hypothecation of the port Facility and pledge of its shares. The carrying amount of the bank borrowing is considered to be a reasonable approximation of the fair value.

KTLPL has utilised the Rupee term loan facility of INR 298.45 crore (£33.71 million) (prior year INR 298.45 crore (£34.72 million)) as of the reporting date.

17. CURRENT TAX LIABILITIES

Current tax liabilities consist of the following:

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Duties & taxes	192	52
Provision for Income Tax	7,149	7,365
Current tax liabilities	**7,341**	**7,417**

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

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Carrying amount 1 January	7,365	7,585
Exchange difference	(216)	(220)
Carrying amount 31 December	**7,149**	**7,365**

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

18. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Current		
Sundry creditors*	12,692	8,381
Interest payable	647	392
	13,339	**8,773**

*Sundry creditors are purely in nature of material and services availed for port construction.

19. 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
HELD BY The Company (MPL):				
Karanja Terminal & Logistics (Cyprus) Ltd	Cyprus	Holding Company	100%	Ordinary
Mercantile Port (Netherlands) BV	Netherland	Subsidiary Company of MPL	100%	Ordinary
HELD BY Karanja Terminal & Logistics (Cyprus) Ltd:				
Karanja Terminal & Logistics Pvt. Ltd	India	Operating Company – Terminal Project	99.75%	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 5.16% of issued share capital as at 31 December 2018 (as at 31 December 2017 – 10.32%) of Mercantile Ports & Logistics Limited. Nikhil Gandhi through SKIL Global Ports & Logistics Limited had acquired additional shares of £1.11 million, in December 2018.
- Pavan Bakhshi holds 0.61% of issued share capital as on 31 December 2018 (as on 31 December 2017 – 0.39%) of Mercantile Ports & Logistics Limited at the year end. Pavan Bakhshi had acquired additional shares of £0.20 million, in December 2018. Pavan Bakhshi resigned as a director during the year.
- Peter Jones holds 0.05% of issued share capital as on 31 December 2018 (as on 31 December 2017 – 0.05%) of Mercantile Ports & Logistics Limited at the year end. Peter Jones resigned as a director during the prior year.
- James Sutcliffe holds Nil % of issued share capital as on 31 December 2018 (as on 31 December 2017 – 0.002%) of Mercantile Ports & Logistics Limited at the year end. James Sutcliffe resigned as a director during the prior year.

- Lord Howard Flight holds 0.20% of issued share capital as on 31 December 2018 (as on 31 December 2017 – 0.30%) of Mercantile Ports & Logistics Limited at the year end. Lord Howard Flight had acquired additional shares of £0.06 million, in December 2018.
- Jay Mehta holds 0.28% of issued share capital as on 31 December 2018 (as on 31 December 2017 – 0.074%) of Mercantile Ports & Logistics Limited at the year end. Jay Mehta had acquired additional shares of £0.10 million, in December 2018.
- John Fitzgerald holds 0.03% of issued share capital as on 31 December 2018 (as on 31 December 2017 – 0.063%) of Mercantile Ports & Logistics Limited at the year end. John Fitzgerald had acquired additional shares of £0.04 million, in December 2018.
- Andrew Henderson holds 0.03% of issued share capital as on 31 December 2018 (as on 31 December 2017 – 0.015%) of Mercantile Ports & Logistics Limited at the year end. Andrew Henderson had acquired additional shares of £0.01 million, in December 2018.
- Jeremy Warner Allen holds 0.40% of issued share capital as on 31 December 2018 (as on 31 December 2017 – Nil %) of Mercantile Ports & Logistics Limited at the year end. Jeremy Warner Allen had acquired additional shares of £0.15 million, in December 2018.
- Karanpal Singh via Hunch Ventures and Investment Limited holds 21.75% of issued share capital as on 31 December 2018 (as on 31 December 2017 – Nil %) of Mercantile Ports & Logistics Limited at the year end. Karanpal Singh via Hunch Ventures and Investment Limited had acquired additional shares of £8.29 million, in December 2018. Cash amount outstanding as at December 2018 £ 8.31 million.

b) Key Managerial Personnel of the parent

Non-executive Directors
– Lord Howard Flight
– Mr. John Fitzgerald
– Jeremy Warner Allen (appointed on 7 December 2018)
– Karanpal Singh (appointed on 7 December 2018)

Executive Directors
– Mr. Nikhil Gandhi (Chairman)
– Mr. Pavan Bakhshi (Managing Director – resigned on 13 December 2018)
– Mr. Jay Mehta (Director and from 13 December 2018 appointed as Managing Director)
– Mr. Andrew Henderson

c) Key Managerial Personnel of the subsidiaries

Directors of KTLPL (India)
– Mr. Pavan Bakhshi (Resigned on 16 December 2018)
– Mr. Jay Mehta
– Mr. Jigar Shah (Resigned on 1 February 2019)
– Mr. Nikhil Gandhi (Chairman)
– Mr. M L Meena (Appointed on 20 December 2018)

Directors of Karanja Terminal & Logistics (Cyprus) Ltd – KTLCL (Cyprus)
– Mr. Pavan Bakhshi (Resigned on 16 December 2018)
– Ms. Andria Andreou
– Ms. Olga Georgiades
– Mr. Andrew Henderson (alternate director to Pavan Bakhshi)

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
– Henderson Accounting Consultants Limited
– John Fitzgerald Limited
– KJS Concrete Private Limited

e) Transaction with related parties

The following transactions took place between the Group and related parties during the year ended 31 December 2018:

	Nature of transaction	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Athos Hq Group Bus. Ser. Cy Ltd	Administrative fees	22	18
		22	**18**

The following table provides the total amount outstanding with related parties as at year ended 31 December 2018:

Transactions with shareholder having significant influence

	Nature of transaction	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
SKIL Global Ports & Logistics Limited			
Debtors	Advances	72	72
Hunch Ventures and Investment Limited			
Debtors	Share subscription	8,287	–
KJS Concrete Pvt Ltd			
Debtor	Repayment of Advance	770	–
		9,129	**72**

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 to be Key Managerial Personnel of the Group include:

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Non Executive Directors' fees		
– Peter Jones	–	45
– James Sutcliffe	–	40
– Jeremy Warner Allen	3	–
– Lord Flight	40	40
– John Fitzgerald	45	17
	88	**142**
Executive Directors' fees		
– Pavan Bakhshi	175	175
– Jay Mehta	99	107
– Andrew Henderson	90	64
	364	**346**
Total compensation paid to Key Managerial Personnel	**452**	**488**

Compensation to Key Managerial Personnel of the subsidiaries

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Directors' fees		
KTLPL – India	99	107
KTLCL – Cyprus	3	3
	102	**110**

Sundry Creditors

As at 31 December 2018, the Group had £2.65 million (prior year £0.11 million) as sundry creditors with related parties.

	Year ended 31 Dec 18 £000	Year ended 31 Dec 17 £000
Grevek Investment & Finance Pvt Ltd	2,645	114
	2,645	**114**

Ultimate controlling party

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

20. 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 18 £000	Year ended 31 Dec 17 £000
Non-cash flow adjustments		
Depreciation	71	113
Finance Income	(13)	(11)
Unrealised exchange loss	1	–
Decrease in Non-Controlling Interest	–	(1)
Decrease in Current Tax Liabilities	–	(1,660)
	59	**(1,559)**
Increase/(Decrease in trade payables	3,714	(3,094)
Increase in other payables	–	100
Increase/Decrease in trade & other receivables	(3,727)	3,764
	(13)	**770**

21. 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 on Financial Position and in Note 15.

22. FINANCE LEASE

KTLPLs vehicles are held under finance lease arrangements. As of 31 December 2018, the net carrying amount of the vehicles is £0.22 million (2016: £0.28 million).

Finance lease liabilities are secured by the related assets held under finance leases. Future minimum finance lease payments at 31 December were as follows:

	Minimum lease payments due			
	within 1 year £000	1 to 5 years £000	after 5 years £000	Total £000
31 December 2018				
Lease payments	76	147	–	223
Finance charges	(17)	(21)	–	(38)
Net present values	**59**	**126**	**–**	**185**
31 December 2017				
Lease payments	221	76	–	297
Finance charges	(38)	(23)	–	(61)
Net present values	**183**	**53**	**–**	**236**

23. OPERATING LEASE

The Group has entered into a 50 years lease agreement with the Maharashtra Maritime Board for the development of a port and logistics Facility in India.

Payments falling due	Future minimum lease payments outstanding on 31 Dec 18 £000	Future minimum lease payments outstanding on 31 Dec 17 £000
Within 1 year	352	273
1 to 5 years	1,154	989
After 5 years	6,869	3,299
Total	**8,375**	**4,561**

The future minimum lease payments are as follows:

Payments falling due	Future minimum lease payments outstanding on 31 Dec 18 INR in Million	Future minimum lease payments outstanding on 31 Dec 17 INR in Million
Within 1 year	31	23
1 to 5 years	102	85
After 5 years	608	284
Total	**741**	**392**

The annual lease rent is payable by KTLPL in INR. The exchange rate on the reporting date has been considered for deriving the GBP amount for future minimum lease payment.

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 18 £000	Year ended 31 Dec 17 £000
Contribution to Provident Fund	6	2
Contribution to ESIC	1	–
	7	**2**

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 INR1 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 18 £000	As at 31 Dec 17 £000
Statement of Comprehensive Income		
Net employee benefit expense recognised in the employee cost		
Current service cost	6	19
Past service cost	3	–
Interest cost on defined benefit obligation	1	–
Total expense charged to loss for the period	**10**	**19**
Amount recorded in Other Comprehensive Income (OCI)		
Opening amount recognised in OCI		
Remeasurement during the period due to:		
Actuarial (gain)/loss arising on account of experience changes	(4)	–
Amount recognised in OCI	**(4)**	**–**
Closing amount recognised in OCI	**(4)**	**–**
Reconciliation of net liability/asset		
Opening defined benefit liability	19	–
Expense charged to profit or loss account	10	19
Amount recognised in Other Comprehensive Income	(4)	–
Benefit Paid	–	–
Closing net defined benefit liability	**25**	**19**

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 18 £000	As at 31 Dec 17 £000
Opening defined benefit obligation	19	–
Current service cost	6	19
Past service cost	3	–
Interest on defined benefit obligation	1	–
Re-measurement during the period due to:		
Actuarial (gain)/loss arising on account of experience changes	(4)	–
Benefits Paid	–	–
Closing defined benefit obligation liability recognised in Consolidated Statement of Financial Position	**25**	**19**

Particulars	As at 31 Dec 18 £000	As at 31 Dec 17 £000
Net liability is bifurcated as follows:		
Current	3	–
Non-current	22	19
Net liability	**25**	**19**

25. CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	As at 31 Dec 18 £000	As at 31 Dec 17 £000
Bank guarantee issued to Maharashtra Pollution Control Board	11	12
Capital Commitment not provided for	8,544	15,195

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	Short-term borrowing £000	Leased liabilities £000	Total £000
1 January 2018	**34,934**	**23**	**236**	**35,193**
Cash-flows:				
– Repayment	(29)	(23)	(51)	(103)
– Proceeds	8	–	–	8
Non-cash:				
– Exchange difference	(1,015)	(1)	–	(1,016)
– Reclassification	(60)	60	–	–
31 December 2018	**33,830**	**59**	**185**	**34,074**
1 January 2017	**32,294**	**33**	**111**	**32,438**
Cash-flows:				
– Repayment	–	(43)	125	82
– Proceeds	3,706	–	–	3,706
Non-cash:				
– Exchange difference	(1,034)	–	–	(1,034)
– Reclassification	(33)	33	–	–
31 December 2017	**34,934**	**23**	**236**	**35,193**

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

As at the date of signing there were no significant events to report

28. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2018 were approved and authorised for issue by the Board of Directors on 10 June 2019.

MERCANTILE PORTS & LOGISTICS LIMITED
(the "Company")
Registered Number 52321

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the Company shall be held at the registered office of the Company at Martello Court, Admiral Park, St. Peter Port, Guernsey GY1 3HB on 11 July 2019 at 1.00pm BST for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 11 inclusive shall be proposed as ordinary resolutions and resolution 12 shall be proposed as a special resolution:

ORDINARY BUSINESS

ORDINARY RESOLUTIONS

1. THAT the audited consolidated financial statements for the year ended on 31 December 2018 for the Company and its subsidiaries, together with the directors' report and auditors' report thereon, be received.
2. THAT the board of directors of the Company (the "Board" or the "Directors" and each a "Director") be authorised to determine the Directors' remuneration, which for each executive Director shall be informed by the recommendations of the remuneration committee of the Board, provided that no Director shall vote in relation to his own remuneration.
3. THAT, upon the recommendation of the Directors, Grant Thornton UK LLP be re-appointed as auditors to the Company, and that the Board be authorised to determine the remuneration of the auditors.
4. THAT Mr. Andrew Henderson, being eligible and offering himself for re-election, following his retirement by rotation pursuant to article 18 of the articles of incorporation of the Company (the "Articles"), be re-elected as a Director.
5. THAT Mr John Fitzgerald, being eligible and offering himself for re-election, following his retirement by rotation pursuant to article 18 of the Articles, be re-elected as a Director.
6. THAT Mr Jay Mehta, being eligible and offering himself for re-election, following his retirement by rotation pursuant to article 18 of the Articles, be re-elected as a Director.
7. THAT Mr Nikhil Ghandi, being eligible and offering himself for re-election, following his retirement by rotation pursuant to article 18 of the Articles, be re-elected as a Director.
8. THAT Lord Howard Flight, being eligible and offering himself for re-election, following his retirement by rotation pursuant to article 18 of the Articles, be re-elected as a Director.
9. THAT Mr Karan Pal Singh, being eligible and offering himself for re-election, following his retirement by rotation pursuant to article 18 of the Articles, be re-elected as a Director.
10. THAT Mr Jeremy Warner Allen, being eligible and offering himself for re-election, following his retirement by rotation pursuant to article 18 of the Articles, be re-elected as a Director.
11. THAT, in accordance with article 4.13 of the Articles, the Directors be authorised to exercise all powers of the Company to issue up to 635,007,374 ordinary shares of no par value (or grant rights to subscribe for or to convert any security into such shares), being one third of the number of the 1,905,022,123 shares in issue at the date of this document (the "Issued Share Capital") such authority to replace and supersede an authority on the same terms granted to the Directors by resolutions passed at the Company's annual general meeting held in December 2018, such authority to expire on the date which is 15 months from the date of the passing of this resolution or, if earlier, at the end of the next annual general meeting of the Company (unless previously renewed, revoked or varied by the Company by ordinary resolution) save that the Company may before such expiry make an offer or agreement which would or might require shares to be issued (or require rights to subscribe for or to convert any security into shares to be granted) after such expiry and the Directors may issue shares (or grant such rights) in pursuance of such an offer or agreement as if the authority conferred by the above resolution had not expired.

SPECIAL RESOLUTION

12. THAT, subject to and conditional upon the passing of resolution 11 above and in accordance with article 4.5 of the Articles, the Directors be authorised to issue, sell from treasury or grant rights to subscribe for or to convert any security into, shares for cash as if the pre-emption rights contained in article 4.3 of the Articles did not apply to such issue or grant provided that this authority shall be limited to the issue of up to 95,251,106 shares, being 5 per cent of the number of shares in the capital of the Company in issue at the date of this document or such authority to expire on the date which is 15 months from the date of the passing of this resolution or, if earlier, at the end of the next annual general meeting of the Company (unless previously

renewed, revoked or varied by the Company by special resolution) save that the Company may before such expiry make an offer or agreement which would or might require shares to be issued (or require rights to subscribe for or to convert any security into shares to be granted) after such expiry and the Directors may issue shares (or grant such rights) in pursuance of such an offer or agreement as if the authority conferred by the above resolution had not expired.

BY ORDER OF THE BOARD

11th June 2019

BUSINESS AT THE ANNUAL GENERAL MEETING

Information regarding the resolutions proposed at the annual general meeting (the "Meeting") of the Company to be held at the registered office of the Company at Martello Court, Admiral Park, St. Peter Port, Guernsey GY1 3HB on 11 July 2019 at 1.00pm BST.

Resolution 1 – The Company is required by its Articles to lay before the Meeting its consolidated accounts for the accounting year ended 31 December 2018, together with the directors' and auditors' reports thereon. Consolidated group accounts have been prepared for the year in respect of the Company and its subsidiaries, Karanja Terminal & Logistics (Cyprus) Limited and Karanja Terminal & Logistics Private Limited.

Resolution 2 – This resolution concerns the authority of the Board, (subject to the recommendations of its remuneration committee in the case of executive directors), to fix the remuneration of the directors of the Company. The remuneration committee of the Board was established on 1 October 2010 and is made up of Mr Howard Flight, Mr Warner Allan and Mr John Fitzgerald.

Resolution 3 – This resolution concerns the re-appointment of Grant Thornton UK LLP ("GT"), recommended by the Directors for operational reasons, as auditors to the Company. Whilst resolving to re-appoint GT as auditors to the Company, the resolution also authorises the Board to determine the auditors' remuneration.

Resolutions 4,5,6,7,8,9 and 10 – A third (or the number nearest to and less than one-third) of the Directors are required to retire from office by the Articles and seek re-appointment at the Meeting, however, these resolutions shall, propose the re-election of the full board being Mr Andrew Henderson, Mr John Fitzgerald, Mr Jay Mehta, Mr Nikhil Ghandi, Lord Howard Flight, Mr Karan Pal Singh and Mr Jeremy Warner Allen. More information in relation to these Directors is available at the Company's website at www.mercpl.com.

Resolution 11 – The purpose of resolution 11 is to authorise the Directors to exercise all powers of the Company to issue, grant rights to subscribe for, or to convert any securities into, up to one third of the Company's Issued Share Capital. If granted, this authority will expire on the conclusion of the next annual general meeting of the Company or, if earlier, 15 months after the resolution is passed. The Directors have no present intention of exercising this authority.

Resolution 12 – In certain circumstances, it may be in the best interests of the Company to issue shares (or to grant rights over shares or sell shares from treasury) for cash without first offering them to existing shareholders in proportion to their holdings. The purpose of resolution 11 is to grant the power to the Directors to issue shares (or to grant rights over shares or sell shares from treasury) for cash without first offering such shares pro-rata to existing shareholders in accordance with the rights of pre-emption set out in the Articles. This would provide the Directors with a degree of flexibility to act in the best interests of the Company so that shares may be issued for cash to persons other than existing shareholders. This is a general disapplication of the rights of pre-emption in respect of 95,251,106 shares representing 5 per cent. of the Issued Share Capital. If granted, this authority will expire on the conclusion of the next annual general meeting of the Company or, if earlier, 15 months after the resolution is passed. The Directors have no present intention of exercising this authority.

Please also read the explanatory notes which provide further information in respect of the Meeting.

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING AND PROXY

Quorum

1. The quorum for the meeting shall be two shareholders present in person or by proxy. If, within fifteen minutes from the appointed time for the meeting, a quorum is not present, then the meeting will stand adjourned to the same day in the next week (or if that day is a public holiday in the Island of Guernsey to the next working day thereafter) at the same time and place or to such other day, time or place as the Directors may determine and no notice of such adjournment need be given. At an adjourned meeting, shareholders present in person or by proxy will form a quorum.

Website address

2. Information regarding the meeting is available from www.mercpl.com.

Entitlement to attend, vote and speak

3. Only those holders of ordinary shares of no par value in the capital of the Company ("Shares") registered on the Company's register of members at close of business on the 9th July 2019 shall be entitled to attend, vote and speak at the meeting.

4. We will not be providing a paper proxy. Those Members entitled to attend, speak and vote at the meeting are now able to vote online by logging on to www.signalshares.com and following the instructions to be effective, the proxy vote must be submitted at www.signalshares.com so as to have been received by the Company's registrars before the time appointed for the meeting or any adjournment of it. By registering on the Signal shares portal at www.signalshares.com, you can manage your shareholding, including:

- - cast your vote
- - change your dividend payment instruction
- - update your address
- - select your communication preference.

Any power of attorney or other authority under which the proxy is submitted must be returned to the Company's Registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF. If a paper form of proxy is requested from the registrar, it should be completed and returned to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF to be received not less than 48 hours before the time of the meeting.

In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below. Should you not have access to vote by these options a paper proxy may be obtained from the Registrar see Note 8.

Appointment of Proxies

5. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.

5.1 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

5.2 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of Proxy using Hard Copy Form

6. You may request a hard copy Form of Proxy directly from the registrars, Link Asset Services (previously called Capita), on Tel: 0371 664 0300 from overseas call +44 (0) 371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.

7. The Form of Proxy and any power of attorney or other authority under which the Form of Proxy is signed (or a notarially certified copy or other copy certified in some other way approved by the Directors) under which it is executed must be received by Link Asset Services at PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF, United Kingdom by 1pm on 9th July 2019 in respect of the meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time. In the case of an adjournment, the Form of Proxy must be received by Link Asset Registrars no later than 48 hours (excluding days which are not working days) before the rescheduled meeting.

Appointment of Proxy via CREST

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be

transmitted so as to be received by the issuer's agent (ID RA10) by 1pm on 9th July 2019. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 34(1) of the Uncertificated Securities (Guernsey) Regulations 2009.

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Registrars at PXS, 34 Beckenham Road, Beckenham, BR3 4TU, United Kingdom.
In the case of a shareholder which is an individual the revocation notice should be executed under the hand of the appointer or of his attorney duly appointed authorised in writing or in the case of a shareholder which is a company, the revocation should be executed under its common seal or under the hand of an officer or attorney duly authorised in that regard. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy or other copy certified in some other way approved by the Directors) must be included with the revocation notice.
If you attempt to revoke your proxy appointment but the revocation is received after the time of the meeting or the taking of the vote at which the proxy is used, then, subject to the paragraph directly below, your proxy will remain valid.
If you submit more than one valid proxy appointment in respect of the same Shares, the appointment received last before the latest time for receipt of proxies will take precedence.
If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.

Effective Constitution

12. To allow effective constitutional of the meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, the Chairman may appoint a substitute to act as proxy in his stead for any other shareholder, provided that such substitute proxy shall vote on the same basis as the Chairman.

Issued Shares and total voting rights

13. The total number of shares in issue in the capital of the Company at the date of this notice is 1,905,022,123 Shares.
On a vote by a show of hands, every holder of Shares who is present in person or by proxy shall have one vote. On a poll every holder of Shares who is present in person or by proxy shall have one vote for each Share held by him.

Communication

14. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):
    - calling Link Asset Registrars' shareholder helpline (lines are open from 8.30 a.m. to 5.30 p.m. Monday to Friday, excluding public holidays):
    (i) from the UK: 0871 664 0300 (calls cost 12p per minute plus network extras);
    (ii) from outside the UK: +44 (0) 371 664 0300 (calls from outside the UK are charged at applicable international rates); or
    - in writing to Link Asset Services at The Registry, 34 Beckenham Road, Beckenham, BR3 4TU, United Kingdom.

    You may not use any electronic address provided either:
    - in this notice of meeting; or
    - any related documents (including the Form of Proxy for this meeting),

    to communicate with the Company for any purposes other than those expressly stated.

INDIA

Address:
Karanja Terminal & Logistics Pvt. Ltd.
Unit no. 411, A wing, 4th floor, Plot no. 57,
Hermes Atrium,Sector 11,
Belapur CBD, 400614

Contact Number:
Tel: +91 (0) 22 619 29000

Email:
info@mercpl.com

UK

Address:
InterTrust
Martello Court, Admiral Park
St. Peter Port,
Guernsey GY1 3HB

Contact Number:
Tel: +44 (0) 20 3757 6880

Email:
mpl@newgatecomms.com

Registration No. 52321