Mercantile Ports
& Logistics Limited

ANNUAL REPORT & ACCOUNTS

for the year ended 31 December 2019


Karanja Terminal
KARANJA TERMINAL & LOGISTICS PVT. LTD.
A Multipurpose Port Terminal & Logistics Infrastructure
At
Uran, Maharashtra
Fadnavis
Maharashtra
Karanja

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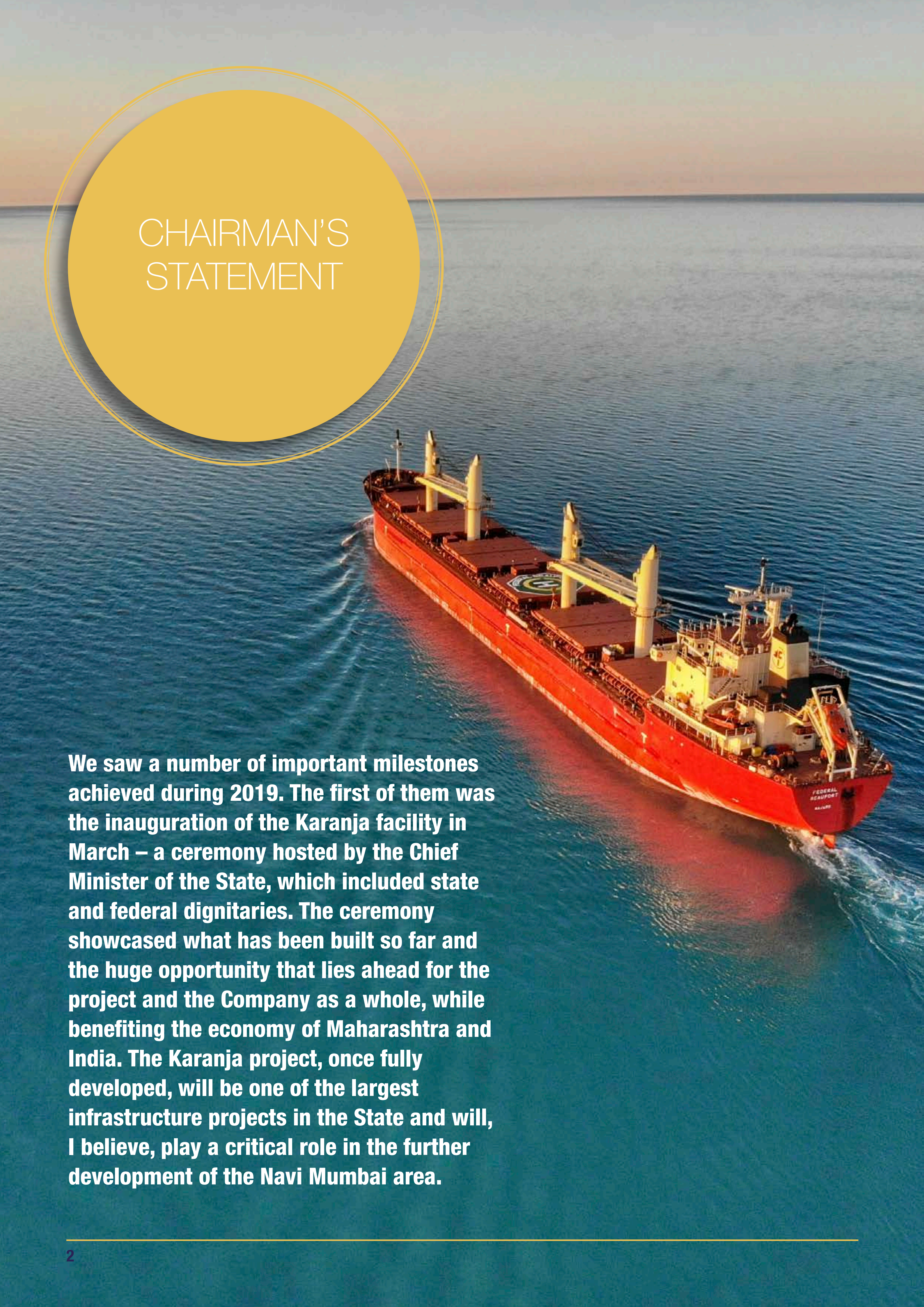
Signing of the Tata contract



CHAIRMAN'S STATEMENT

We saw a number of important milestones achieved during 2019. The first of them was the inauguration of the Karanja facility in March – a ceremony hosted by the Chief Minister of the State, which included state and federal dignitaries. The ceremony showcased what has been built so far and the huge opportunity that lies ahead for the project and the Company as a whole, while benefiting the economy of Maharashtra and India. The Karanja project, once fully developed, will be one of the largest infrastructure projects in the State and will, I believe, play a critical role in the further development of the Navi Mumbai area.

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In September 2019, we signed contracts with the Tata Group-Daewoo JV (the “JV”). Under this contract, the JV will use our facility as its port, logistics and engineering base to execute its work streams for the construction of India’s longest sea bridge – the Mumbai Trans Harbour Link, which is one of the largest and most complex engineering projects in India, with an estimated build cost of approximately USD 2.1 billion. We see this as a good example of Karanja already being a major link in the development of the region and the country. Post period end, in April of this year, as scheduled, we handed over the first parcel of land to the JV with revenue generated from that date. The Company remains confident of handing over the balance of the 25-acre plot and a dedicated berth in the coming weeks. As previously announced, this contract is expected to translate into revenue in excess of GBP 5.5 million over a 40-month period which started in April 2020.

During the period, the Company completed the office complex at the facility and continued with ground improvements. With the facility operational, as previously outlined, major land reclamation works will be undertaken as cargo volumes increase and the focus has been on attracting new business. During the period, we were in advanced negotiations with a number of large, well established industrial businesses based in our region to handle products such as steel coils and bars, cement, fly ash, fertiliser, bentonite, edible oils, base oils and bitumen amongst others. We are also discussing setting up various warehouse zones across our facility.

Previously, the Company has referred to analysing the optimum configuration for the facility and also the most favourable cargo mix, based on revenue and margin potential. We are pleased that we have been able to engineer the facility in a way which will enable us to handle clean cargo, as well as coal for energy generation at separate dedicated jetties. Post the current monsoon season, the Company will accelerate the handling of coal at its facility and MPL expects to handle approx. 1 million tonnes in the first twelve months, rising to 3 million tonnes in year 3, translating into revenue of GBP 4 million in year 1, increasing to GBP 12 million in year 3. This business is due to start in November / December of this year.

During the course of 2019 and the early part of 2020, MPL was actively engaged with its consortium bank partners to secure access to the remaining amount of debt under the original facility. We are pleased that, once again, we have full access to our banking facility. However, a key priority of the Company during the course of next year is to replace this facility with one carrying a lower interest rate to reflect the fact that the Company is now revenue generating and has better visibility of future revenue. More importantly, the lower interest rate should also reflect that all regulatory matters have been successfully dealt with and that the majority of the construction risk is behind us. Over the coming months we will continue to make efforts towards achieving an optimal debt facility.

Update on operations during the COVID-19 lockdown

As we announced previously, the Indian Central government enforced a nation-wide lockdown between 25 March 2020 until 30 June 2020 as part of its measures to contain the spread of COVID-19. Strict local restrictions still remain throughout the country, including in the state of Maharashtra, where our facility is situated and where we principally operate from. During the lockdown, severe restrictions were placed on the movement of individuals and most economic activities have come to a halt, barring those related to essential goods and services. As a result, logistics demand in the country has seen a significant decline during the first six months of FY 2020. However, the key to India’s future growth will, we believe, be centred around logistics infrastructure and logistical support and services to move goods efficiently across the state and the country. Our facility is well positioned to play a pivotal role in this and we are adapting to make sure that, when full trading starts, we can capture additional business.

Despite these circumstances, the Company is confident that it has sufficient resources to see it through the current COVID-19 crisis. The Company has benefited from the interest moratorium on its debt and will continue to work with its banks to ensure that it has access to liquidity. In addition, the Company has implemented various cost reduction and efficiency improvement measures to conserve cash and improve liquidity, including 35 per cent salary reductions for Senior Executives, Non-Executive Directors and Senior Management, cancellation of discretionary expenditure, and the re-negotiation and reduction of fees of contractors and other services providers.

As previously announced, the severe lockdown restrictions in India, which included office closures and travel bans, created challenges outside the Company's control when completing the audit process, including obtaining historic records from third parties. Whilst it had been hoped that all outstanding matters would be cleared by this time to enable a clean audit opinion, it was decided that the audit should be completed now, with a qualification, rather than wait longer. As stated in their audit opinion, our independent auditor was not able to verify a closing balance of GBP 4.8 million on December 31st 2019 from one of our bank accounts in India. The balance of monies that were in that account as at 14 September was GBP 3.6 million and the Board and management have verified that payments totalling approx. GBP 1.2 million have been made in servicing bank interest, payments to vendors and towards operational expenses since 31 December. As such, the Board is confident that the closing balance of GBP4.8million is true and accurate.

During the course of 2019, MPL spent GBP 14.52 million on developing out the facility including for interest payments, payments to contractors, vendors and various operational and administrative expenses. As at 14th September 2020, it had cash of approximately GBP 6.9 million, together with access to GBP 9.9 million in debt from it consortium banks.

Indian Economy

COVID-19 and the subsequent extended countrywide lockdown have caused severe disruption to the Indian economy. However, it is likely to be less severely affected than certain other countries that are largely dependent on exports and wider international demand. Amid projections of a sharp contraction in the global economy, the International Monetary Fund projects Indian GDP to contract by 4.5 per cent in FY2020 and projects the Indian economy to recover strongly, with GDP growth of 6 per cent in FY2021.

There is no doubt the global economy continues to face headwinds and India is no different to that. The Reserve Bank of India has taken several steps to counter the negative impact of the lockdown on the economy through various monetary policy measures, including reduction in repo-reverse repo rates, a moratorium on loan interest and repayment, and 90 days freeze on non-performing assets declaration. We trust that these measures, coupled with the easing of lockdown restrictions in a phased manner, will help economic activity to resume to its full extent in due course.

Outlook

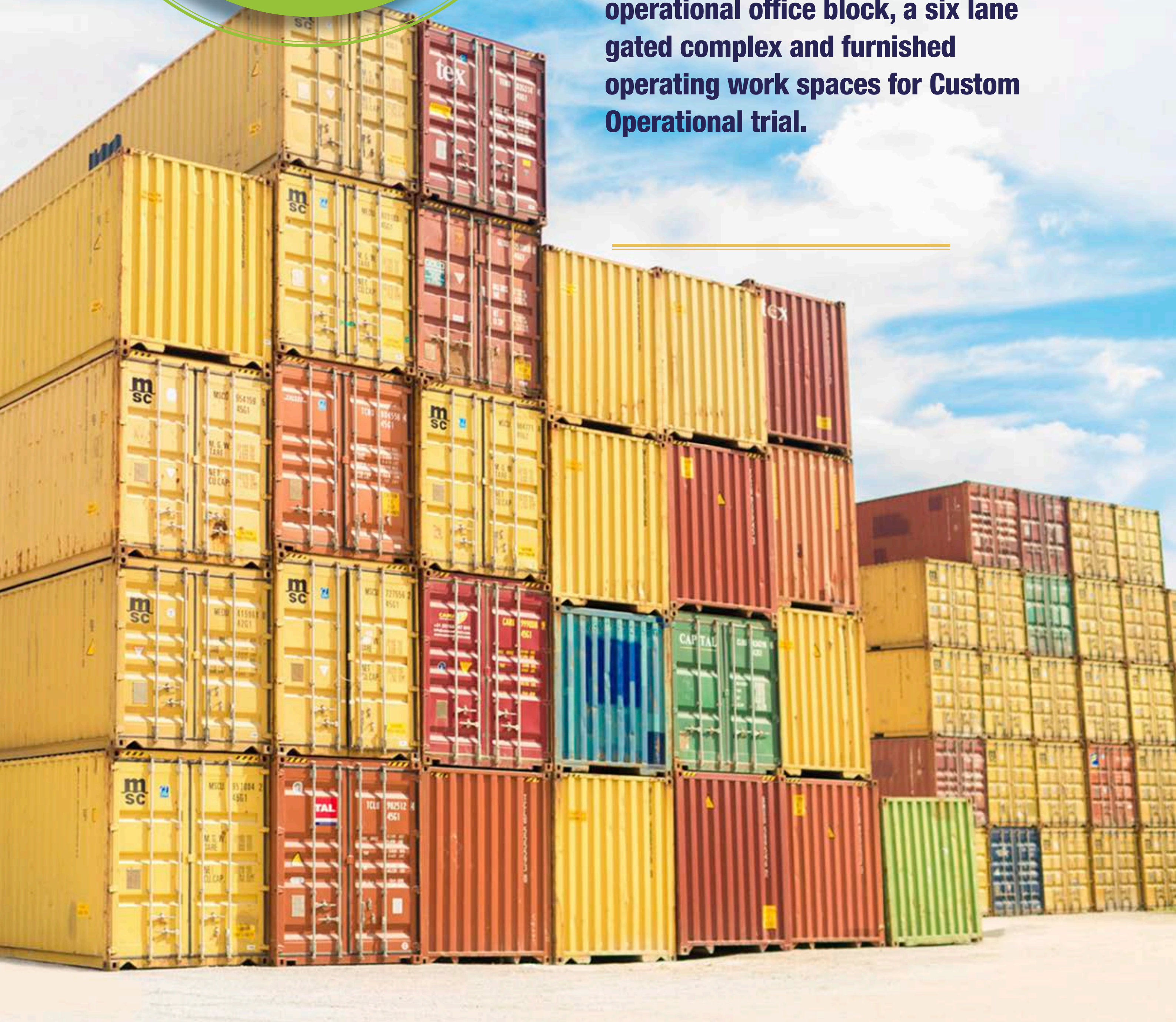
The long-term impact on the global economy of the Covid-19 outbreak is unclear and, whilst it is not possible to estimate the full financial impact of the outbreak, we have taken proactive measures to mitigate our operational risk and manage our business and cash flow.

India has been particularly adversely affected by the epidemic and, on behalf of the Board I should like to thank, all our employees, banks, shareholders, vendors and stakeholders for their commitment and support that we have received during these extraordinary times. Our team has continued to make progress with contract negotiations and other areas despite the lockdown and, given the current capability of the facility and its location, I believe that we are well positioned in every way to perform strongly as restrictions are lifted and trading conditions improve.

Jeremy Warner Allen
Chairman
Mercantile Ports & Logistics Limited
25 September 2020

OPERATIONAL REVIEWS

The Facility continues to be part operational with 25% of the 200 Acres site fully signed off as operational from 1 October 2019. The area which is fully operational includes a fenced custom bond area, a brand new operational office block, a six lane gated complex and furnished operating work spaces for Custom Operational trial.



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 continued in the first half of 2019 when we received our first test revenues.

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 Maharashtra Maritime Board (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 in the coming months.

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.

Marketing update

The Company's marketing efforts continued in 2019 and to help maximise the Company's profile and marketing ability, we welcomed Mr Rajeev Ranjan Sinha to our advisory 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.

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.

Going Concern

The Board initially, prior to the outbreak of Covid-19, assessed the Group's ability to operate as a going concern for the next 12 months from the date of signing the financial statements, based on a financial model which was prepared as part of approving the 2020 budget.

The Directors considered the cash forecasts prepared for the two-years ending 31 December 2021 (which includes the potential impact of COVID-19), together with certain assumptions for revenue and costs, to satisfy themselves of the appropriateness of the going concern basis used in preparing the financial statements.

Regarding financing, the Group had access to capital of £27.55 million, made up of a cash balance of £14.8m as at 31 December 2019 and £12.75 million still to drawdown on its the Rupee term loan facility of INR 480 Crore. Under the terms of the loan facility the Company was to start repayment of the principal amount from June 2020 with £15.1 million of payments to be repaid in the 2 years period from 1 January 2020 to 31 December 2021. In March 2020, a payment holiday for 3 months as per RBI guideline was agreed with the Banking consortium for March, April, May. As at 22 May the RBI in India has provided a further 3-month payment holiday to August 2020. The Directors also took account of the principal risks and uncertainties facing the business referred to above, a sensitivity analysis on the key revenue growth assumption and the effectiveness of available mitigating actions.

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

A range of mitigating actions within the control of management were assumed, including reductions in the Directors and all staff salary by 35% from May 2020 until the end of the year, a reduction in all non-essential services and delay in building out the facility which is not needed for the current three signed customer until significant revenue is again being generated. The Directors have also considered the financial support commitment made by the RBI in India. The Directors have also assumed, having had productive discussions with its lenders, that certain bank fees due to be paid in October 2020, can be deferred to the end of the current facility.

In this scenario, the Group would remain within its banking facilities, although some of the financial covenants would require a waiver from the lenders during the current financial year, in order to avoid being breached. Further adverse changes arising from Covid-19 would increase the challenge of complying with financial covenants and remaining within banking facilities. The Directors, as stated above, are in discussions with its lenders which, albeit at early stages, are considered as being productive.

The Group continues to closely monitor and manage its liquidity risk. In assessing the Group's going concern status, the Directors have taken account of the financial position of the Group, anticipated future utilisation of available bank facilities and other funding options, its capital investment plans and forecast of gross operating margins as and when the operations commence.

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

However, the downside scenario detailed above, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Shareholder engagement

This year's AGM is in Guernsey on Thursday, 15 October 2020.

On account of the Coronavirus pandemic and associated Government guidance, including the rules on physical distancing and limitations on public gatherings, Shareholders are strongly discouraged from attending the Annual General Meeting and indeed entry will be refused if the law and/or Government guidance so requires. Arrangements will be made by the Company to ensure that a minimum number of shareholders required to form a quorum will attend the General Meeting in order that the meeting may proceed.

Your vote is important to us and your Board of Directors wishes to ensure that your vote is counted at the AGM, therefore, all Shareholders are encouraged to submit their vote in advance. Details of how to do this are contained in AGM notice at the back of this document. All valid proxy votes will be included in the poll to be taken at the meeting.

Conclusion

2019 was a year of progress and preparation for the future. We have continued constructing the Facility, received our first paying client and secured new contracts. COVID-19 has brought unforeseen challenges to the Indian economy and MPL is not immune from this. However, Karanja lies at the heart of India's trading gateway and, with India's macro story still going strong, the Board sees enormous opportunities available to the Group. The Group is well placed to benefit from any economic recovery in the region and we remain committed to delivering a state of the art, modern port and logistics facility, of which all our stakeholders can be proud.

Jay Mehta
Managing Director
Mercantile Ports & Logistics Limited
25 September 2020

DIRECTORS' REPORT

The Directors' ("Directors") of MPL present their reports and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

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 incorporated in August 2010 in Cyprus, May 2010 in India 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

Non-executive Directors – Lord Howard Flight, Mr. John Fitzgerald, Jeremy Warner Allen (appointed Chairman from 16 January 2020), Karanpal Singh

Executive Directors – Mr. Nikhil Gandhi (Step down as Chairman from 16 January 2020), Mr. Jay Mehta (Managing Director), Mr. Andrew Henderson

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and also to comply with The Companies (Guernsey) Law, 2008. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

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

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

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

Signed for and on behalf of the Board on
25 September 2020

Jeremy Warner Allen
Chairman
Mercantile Ports & Logistics Limited
25 September 2020

Executive Summary

Port Operations

- Facility has commenced commercial operations
- Handled steel for steel major Arcelor Mittal
- Material construction risk removed, material permissions received and the Company enjoys a strong balance sheet
- Banks have continued lending to the company

Secured Business

- Contracts in place with 3 industrial customers – guaranteed minimum business cargo
- Healthy business pipeline with several additional agreements being negotiated
- Tata Projects-Daewoo Engineering consortium have commenced phased takeover of facility contracted to them

Long Life Asset

- Lease extended from 30 to 50 years
- Additional 200 acres allotted (i.e. 400 total)
- Strong support from local, regional and national government
- Karanja Terminal facilitates regions economic growth strategy

Reinvigorated Board

- Board strengthened with Jeremy Warner Allen appointment as Group Chairman on 16 January 2020 as the Company's operational activity increases

Financial Highlights

- Net Asset Value £167 Million
- Debt-to-equity ratio 0.58

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.

Our Dual Strategy

As we work on completing our first facility at Karanja we 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 and finance environment
- Maintain a strong in-house project management team to ensure timely completion of projects within budget
- Engage in intense & 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 10 years on our maiden project.

Our Maiden Project – Karanja Creek

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

The first phrase of the multi-purpose site is being developed over 200 acres of land with a sea frontage of 1,000 meters. The port is expected, when complete, to encompass:

- 1,000 meters of quay serviced by 8 cranes
- 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 handle specialised defence cargoes, offshore vessels and roll on/roll off cargoes.

MMB has also granted the Company the approval to develop an additional 200 acres of land on the site and build a further 1 kilometre of berthing capacity.

Location

Our port is strategically positioned 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.

KARANJA CREEK

II. Implementing our Strategy

2019 has been a constructive year with a number of important developments and significant changes:

Construction

The major construction milestone in 2019 was the successful completion of the first 115 Acres of land and specific onsite facilities required to be operational including the weighbridge, completion of the office block, access road, border fencing, installation of CCTV security systems and demarcation of Custom Bonded Areas and weighbridge. The infrastructure works on site for the Daewoo-Tata JV contract, signed in September, continued up to the enforced lock down in March 2020 at which time work was completed to enable partial handover, to this customer which in turn enabled the contract to commence and revenues to be generated from it from 1 April, as scheduled. The balance of the land will be handed over following completion of the groundworks, once Covid-19 restrictions are lifted. The expensive work stream of land-reclamation was reduced so as to ensure that the work was aligned with the Group's forecast revenue generation and land requirements. We have kept investors 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 announced the Daewoo-Tata contract. (The Tata Projects is part of Tata Group, one of India's oldest and largest companies generating revenues in excess of $110 billion. Tata Projects is one of the fastest growing and most admired infrastructure companies in India. It has expertise in executing large and complex urban and industrial infrastructure projects). We have ongoing discussions with potential domestic and international partners. The first commercial cargo tonnages took place during March 2019 this marked an important milestone for the project. Post Covid-19 the Company expects the facility to become a key link in the supply chain for businesses in Mumbai and the surrounding Maharashtra region.

Marketing

With our first customers signed up and funding secured, management continues 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. As the Company prepares to increase commercial operations and seeks to maximise its profile and marketing ability, it has added to its advisory panel and we were pleased to welcome Mr Rajeev Ranjan Sinha. 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. The Company looks forward to benefiting from Mr. Sinha's significant experience and expertise in the port sector.

People

We constantly invest in our greatest asset, our people – enabling them to grow and flourish is crucial to our future success. We have identified a competent mid-level executive with significant experience in port operations and marketing to join the operations team, further strengthening our connect and capabilities in this all critical work stream.

Measuring our Progress Financial Performance in 2019

As at 31 December the carrying value of the port which is still under construction was £133 million versus £131 million as at 31 December 2018, this was represented by capital additions of £9.3m and a foreign exchange translation decrease of 7 million.

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 note 13 thereto.

IV. Business Model

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

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

- Coastal movement of break-bulk cargoes including steel, cement, fly-ash, fertilizer and other break-bulk cargo that can be transported in smaller vessels;
- Feeder movement of cargo to larger ports in the vicinity, consistent with the Government's; '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 should help in easing congestion issues in the storage yard of the port – a problem that currently JNPT suffers from.

V. Key Business Drivers

Pre-Covid India was the fastest growing major economy

The World Bank has forecasted real GDP growth (Rupees) of 4.2% in CY19 and 1.9% in CY20E and 7.4% in CY21E. Whilst Indian GDP ($) is expected to be $3.2tn in CY20E and is forecasted to eclipse UK GDP in CY20E with GDP of $3.02tn . 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

Immediate Hinterland

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

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

The area in the immediate vicinity of the Karanja Port is expected to see a radical transformation of business dynamics of the region with projects of up to USD 12 billion being developed over the next 3 to 5 year period. The port aims to cater to the requirements for building materials for these projects.

Evacuation Opportunity

Karanja Port can assist neighbouring ports in efficient evacuation of cargo thereby elevating pressure on the regional road network.

Karanja port **can** serve as a satellite port to JNPT and offer customers an opportunity to evacuate cargo from Karanja port post lighterage. JNPT currently faces significant evacuation issues with an average turnaround time of 2.13 days vs. an average of 0.97 days globally.

Customers of JNPT have the option to dock at Karanja port post lighterage as KTPL offers excellent connectivity and better evacuation opportunity vis-à-vis JNPT.

Connectivity

Karanja port enjoys excellent connectivity to state and national highways, NH4B, SH54, SH104 and NH17 and is located approximately 3.5 km from the upcoming Uran railway terminal, opening up to one of the world's largest growing domestic markets.

Currently a 22 km bridge is being built to connect Mumbai & Navi Mumbai – contract awarded to one of KTPL's customers (Tata/Daewoo)

Despite a challenging backdrop of 2019, 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 c.40%. The Indian economy is better placed than its regional peers considering it is less export-orientated. 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)

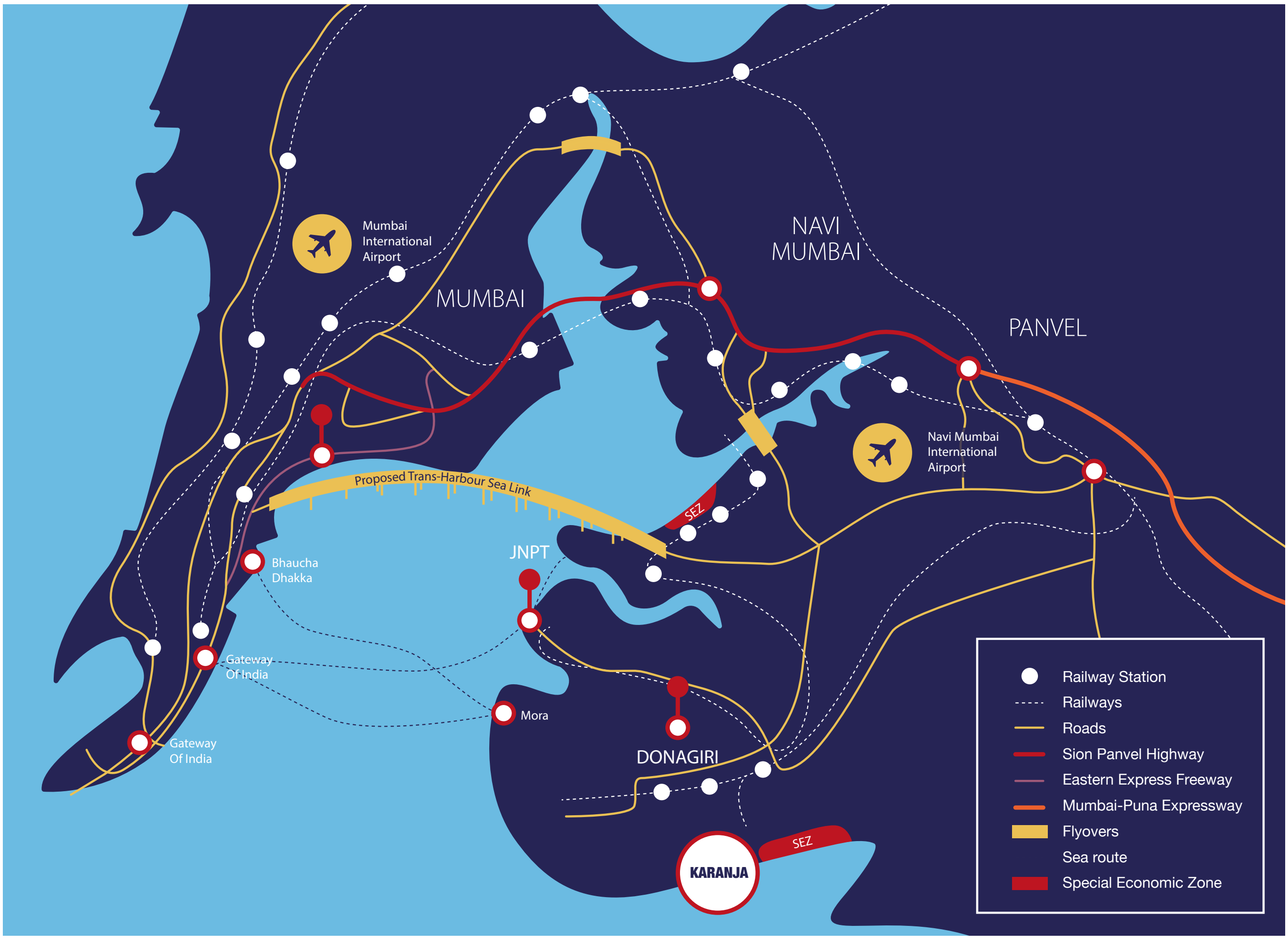
India's economic strength is placing substantial stress on their port and logistics infrastructure, an aspect in which India lags its counterparts (ranked 44th globally in World Bank 'International Logistics Ranking' 2018). This is evident with the average turnaround time for vessels standing at 4.5 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 lines we believe the government's initiative to improve transport links in the locality along with the experience of the c1,200 construction trucks that have entered the site daily with no major congestion issues, mitigates any worries surrounding transport infrastructure. Whilst Karanja will have capacity to handle c12-14m Million Tonnes ("MT") a year, JNPT handles upward of c.5m Twenty-foot equivalent unit ("TEUs") (70-80m MT) per annum and, as a result, the evacuation infrastructure demands differ substantially. We believe that the 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.



Mumbai International Airport
MUMBAI
NAVI MUMBAI
PANVEL
Navi Mumbai International Airport
Proposed Trans-Harbour Sea Link
SEZ
Bhaucha Dhakka
JNPT
Gateway Of India
Gateway Of India
Mora
DONAGIRI
SEZ
KARANJA
Railway Station
Railways
Roads
Sion Panvel Highway
Eastern Express Freeway
Mumbai-Puna Expressway
Flyovers
Sea route
Special Economic Zone

Announced/under construction projects:

Mumbai Trans Harbor 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 14 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 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 smart city spread across 120 sq km in Navi Mumbai by 2023.

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 would 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 would be a significant development and transform Karanja from a shallow draft barge port to one capable of servicing deep-water ocean-going vessels, although this is not expected to take place within three 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.

VII. 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, cabotage laws etc., continue to remain. However, the Group's strong management team and local advisors previous experience and reputation continues to be helpful in navigating any such hurdles along the way. Trade restrictions and regulatory policies stemming from geo-political events that can curb seamless functioning. We have focused on building strong quality control mechanisms to govern our operations and our client markets. Our compliant rich operations will ensure robust balance-sheet and operational efficiency.
- **Construction & Completion Risk:** 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, with a further contract signed in 2019 with the TATA group and smaller contracts at the start of 2020. 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.

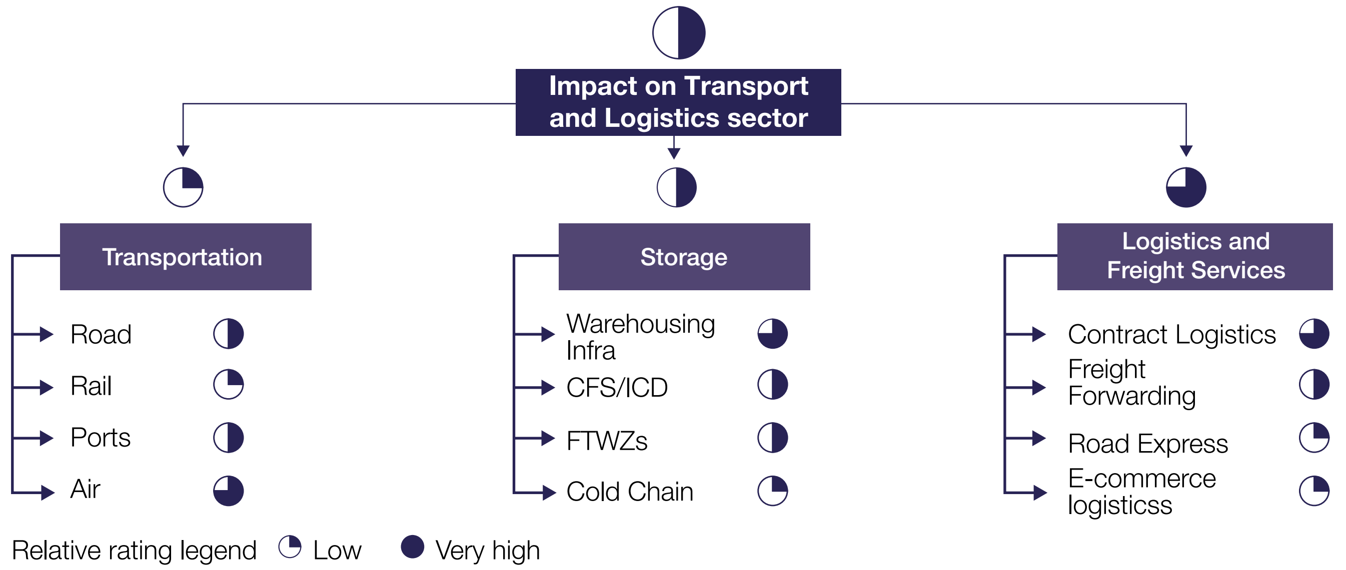
- **Challenging macro-economic environment:** The macro-economic environment with unstable demand growth, rising commodity prices and market volatility gives rise to business and credit risks. As other global competitors grapple with severe geo-political fluctuations, we are in a better position to further business growth given the Indian economy's strength and pace of development.
- **COVID-19 Risk:** The global spread of the coronavirus (COVID-19) can cause significant business interruption on various counts from the risk of infection of workforce to closing the facility and back offices and therefore impacting cargo and revenues; and impairing the Group's supply chain, adding costs and delaying rolling out operations. MPL monitors and follows government (in all jurisdictions) advice making the necessary adjustments in order to maintain the well-being of its employees. MPL promotes hygienic practices at the Port and in its offices and avoids unnecessary travel. The Group operates technology driven systems that permit the Board and senior management remote working with the minimum of interruption. The Group has the ability to immediately reduce its investment in completion of developing the facility costs and manage discretionary spending. Working with its staff, suppliers and customers, MPL works hard to reduce the impact of any interruption.

VIII. Impact of Covid on Transport and Logistics Sector in India

In the current situation the industry faces three challenges:

1. **Top-line risks:** Decline of demand through widespread supply chain disruptions is taking its toll
2. **Operational capability:** Maintaining operational capabilities by ensuring the health and safety of staff and customers will be a challenge
3. **Insolvency risks:** Liquidity risks for customers and incumbents alike pose a considerable challenge

Impact on segments of transport and logistics



Segment	Sub-Segment	Market Size (FY'20)	CAGR (FY'15-20)	Short-term impact (FY21)	Long-term impact (FY20-25)
Transport	Rail Transport	~1,220 MMT*	4%	(8 to 10%)	3-4%
	Rail Transport (Vol)	2,114 BTKM	8%	(15 to 20%)	4-5%
	Ports (Vol)	~1,280 MMT*	6%	(10 to 12%)	2-4%
	Domestic Air (Vol)	1.4 MMT*	11%	(55 to 60%)	3-4%
Storage	Warehouse infra (Vol)	~1,200 Mn sq. ft.*	7%	(8 to 10%)	5-6%
	Cold Chain	INR 360-380 Bn	13%	(10 to 15%)	7-8%
	FTWZ (Vol)	~12.8 Mn sq. ft.	12%	(8 to 10%)	8-10%
	ICD/CFS	INR 50 Bn	2%	(15 to 20%)	3 to 5%
Logistics Services	Air Freight (Vol)	~2 MMT	6%	(25 to 30%)	8-10%
	Ocean Freight (Vol)	11mn TEU's	7%	(20 to 22%)	5-6%
	Contract Logistics	INR 480-500 Bn	19%	(15 to 20%)	8-9%
	Express Logistics	INR 230-250 Bn	15%	(10 to 12%)	10-12%
	E-commerce Logistics	INR 140-150 Bn	35%	(8 to 10%)	18-20%

Source: KPMG
*FY19 data.

IX. Financial and Non-financial Key Performance Indicators (KPIs)

Given that the port is not yet fully 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.

Financial Highlights, Balance Sheet Matrix:

- Net Asset Value £167 Million
- Debt-to-equity ratio 0.58

These items are closely monitored by management and reported to the Board for regular review on a growth basis.

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

- Return on Equity
- Internal Rate of Return
- Net Present Value ("NPV")
- Debt Service Coverage Ratio ("DSCR")
- Current Ratio
- Quick Ratio
- 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.

X. 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) in the Year ended December 2019 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 Foundation.

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

Jeremy Warner Allen – Chairman

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

Skills and expertise

Jeremy joined the Group in December 2018. He has over 25 years' experience in capital markets, most recently as Executive Director, Board Member and Head of the Growth Companies Team at Cenkos Securities plc, where he advised a number of AIM companies over a period of 11 years. Whilst at Cenkos he was instrumental in supporting MPL since the IPO in 2010. Prior to joining Cenkos, he was a founding member of Evolution Beeson Gregory Limited and responsible for the UK sales desk, a role he retained when Beeson Gregory merged with Evolution Securities in 2002. As Chairman of MPL he focused on driving an increase in the operational activities of the Group.

Key External Appointments

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

Committee membership

Member of the Nomination and Remuneration Committee.

Nikhil Gandhi
Founding Partner & Director

Appointed as Director and Founding Partner 16 January 2020 before he served as Chairman since 24 August 2010.

Skills and expertise

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

Key External Appointments

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

Committee membership

Board member.

Jay Mehta
Managing Director

Appointed as Managing Director 13 December 2018 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 17 years' experience in port operations and management, port marketing and logistics planning. He formerly worked for Merrill Lynch in New York. Jay holds a Diploma in Port, Shipping and Transport Management from the International Maritime Transport Academy, Rotterdam, The Netherlands and an MBA (Finance) from Fordham University, New York.

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

Key External Appointments

None.

Committee membership

Board member.

John Fitzgerald
Independent Non-Executive Director

Appointed to the Board as Independent Non-Executive Director 20 September 2017.

Skills and expertise

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

Key External Appointments

Non Executive Director KCOM Group Limited. Director of John Fitzgerald Limited.

Committee membership

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

Lord Flight
Independent Non-Executive Director

Appointed to the Board as Independent Director 12 September 2016.

Skills and expertise

Lord Flight joined MPL with significant experience operating both in the City of London and in India and has long campaigned for closer commercial relations between Britain and India. He has acted as Chairman of Arden Partners and Joint Chairman of Investec Asset Management, as well as a Director of Panmure Gordon and Co, and joint founder and Managing Director of Guinness Flight Global Asset Management. Lord Flight also enjoyed a successful political career, acting as Conservative MP for Arundel for eight years. During this time, he held positions as Shadow Economic Secretary to the Treasury, Shadow Paymaster General and Shadow Chief Secretary to the Treasury.

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

Key External Appointments

Non-Executive Director of Investec Asset Management Limited.

Committee membership

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

Karanpal Singh
Non-Executive Director

Appointed to the Board as 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 17 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, three Executive Directors and two 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 & Pavan Bakhshi are or have been advisers to the board during 2019. 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. 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 six times during the year either in person or via telephone or video conference. In addition, written resolutions (as permitted by the Company's Articles of Association) can be used as required for the approval of decisions that exceeded the delegated authorities provided to Executive Directors and Committees. The table below sets out the attendance of the Directors at the Board and Committee meetings during the year.

Director	Board	AGM/EGM	Audit	Remuneration	Nomination
Jeremy Warner Allen	5	0	NA	1	NA
Nikhil Gandhi	5	0	NA	NA	NA
Lord Howard Flight	6	0	3	1	0
Jay Mehta	5	0	NA	NA	NA
John Fitzgerald	6	1	3	1	0
Andrew Henderson	6	1	3	NA	NA
Karanpal Sing	5	0	NA	NA	NA

2019 Board Activities

Significant matters considered during the year.

	2019
Leadership	Reviewed and approved changes to the structure, size and composition of the Board and its Committees.
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 22 of the strategic report.
Corporate Governance	Review and issued an updated 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	None.

	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 22 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.

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 32.

Role of the Committee

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

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

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

Significant Issues

The Audit Committee identified the issues below as significant in the context of the 2019 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 2 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. it 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 2 to the financial statements) A going concern review is carried out annually by management to consider whether there is any indication of the Group not being able to continue in business for the foreseeable future and to confirm there is neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realise assets and discharge its liabilities in the normal course of business. Key judgements and assumptions around the availability of cash and borrowings, together with the future income and costs need to be considered in assessing the business risks that individually or collectively may cast significant doubt about the going concern.	The Audit Committee has considered the different scenarios based on the company on income from new customers and associated costs. The uncertainty as to the future impact on the Group of the recent Covid-19 outbreak has subsequently been considered as part of the Group's adoption of the going concern basis. In the downside scenario analysis performed, the Directors have considered the impact of the Covid-19 outbreak on the Group's trading and cash flow forecasts. In preparing this analysis, the directors assumed that the lockdown effects of the Covid-19 virus will peak around the end of June and trading will normalise over the subsequent few months, albeit attaining substantially lower levels of revenue than budgeted, for at least the rest of the current financial year. This scenario will lead to a material reduction in the Group's revenues and results for 2020. 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.
Depreciation of port assets New this year due to commencement of trading activities. During the construction of the port, there will be different areas which will become available for use at different stages of the construction project. This is evident with the opening of 2 of the docks during the year which started generating revenue while construction continues in other areas of the port. The accounting treatment of the port asset into its components, along with the assessment of residual values and useful lives, is considered to be a complex component of the audit.	The Audit committee have assessed reasonableness of management assumptions. 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 auditor at the AGM.

Shareholder engagement

Relations with Shareholders

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

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

The Board receives regular updates on shareholders' views through briefings from the Group Chairman, Managing Director, Group Chief Financial Officer as well as reports from the Group's corporate brokers and Investor Relations team. In 2019, the Group maintained corporate broking relationships with Cenkos Securities plc.

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

Visit our dedicated Investors page on our corporate website
www.mercpl.com – 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 2019

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

Jay Mehta – Managing Director

Jay Mehta's employment contract is with Karanja Terminal & Logistics Pvt. Limited and he is entitled to receive a base salary and certain bonuses under his service agreement. For Jay total remuneration for the year ended 31 December 2019 (which includes his base salary and bonus) was INR 9,000,000 (£100,106) (2018 INR 9,000,000 (£98,936)

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.

For Andrew the total remuneration for the year ended 31 December 2019 was £75,000 (2018: £90,000).

Nikhil Gandhi – Executive Director and Founding Partner

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

For Nikhil the total remuneration for the year ended 31 December 2019 was INR 9,135,204 (£101,609) (2018 Nil).

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 2019, 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 (2018: £40,000).
- John Fitzgerald received a Non-Executive Director fee of £45,000 (2018: £45,000).
- Jeremy Warner Allen received a Non-Executive Director fee of £40,000 (2018: £2,796).

During the financial year ending 31 December 2019 and 2018, Karanpal Singh, the representative for Hunch Ventures, was not remunerated by the Company.

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

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

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

Frequency of evaluations

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 2019	Ordinary Shares held as at 31 December 2019	Change
Nikhil Gandhi (Executive Chairman)*	98,351,262	98,351,262	0
Lord Flight (Non-Executive Director)	3,750,000	5,000,000	1,250,000
John Fitzgerald (Non-Executive Director)	2,247,300	2,247,300	0
Jeremy Warner Allen (Non-Executive Director)	7,550,000	7,550,000	0
Karanpal Singh (Non-Executive Director)**	414,349,000	414,349,000	0
Jay Mehta (Managing Director)	5,306,375	5,306,375	0
Andrew Henderson (Chief Financial Officer)	576,593	576,593	0

*Shares held through SKIL Ports and Logistics Limited
**Shares held through Hunch Ventures and Investments Private Limited

AGM

Notice convening the AGM and an explanation of the resolutions being proposed are set out on pages 76 to 80.

INDEPENDENT AUDITOR'S REPORT

to the members of Mercantile Ports & Logistics Limited

Qualified Opinion

We have audited the group financial statements of Mercantile Ports & Logistics Limited (the 'group') for the year ended 31 December 2019, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and notes to the consolidated 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, except for the matter described in the basis for qualified opinion section of our report, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2019 and of its loss for the year then ended;
- are in accordance with IFRSs as adopted by the European Union; and
- comply with the Companies (Guernsey) Law, 2008.

Basis for qualified opinion

The group holds cash in a bank account in India, with a balance of £4.8 million included within cash and cash equivalents in the consolidated statement of financial position as of 31 December 2019. We were unable to obtain an external confirmation from the bank in respect of this account and were unable to obtain sufficient appropriate audit evidence regarding the bank balance using other audit procedures.. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

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 group 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 qualified opinion.

Material uncertainty related to going concern

We draw attention to the going concern note within note 2(a) in the group financial statements, which indicates that the directors' assumptions of the effects of Covid-19 on the Group's operations will lead to a material reduction in the Group's revenues and results for 2020. This could result in the breach of banking covenants unless a waiver agreement is reached with the lenders. As stated in the going concern note within note 2(a), these events or conditions, along with the other matters as set forth in the going concern note within note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In concluding that there is a material uncertainty, our audit work included, but was not restricted to:

- Assessing the construction, integrity and accuracy of the model used by management for the purposes of cash flow forecasting;
- Agreeing key inputs into the model, such as revenue and cost assumptions, to underlying budgets and forecasts approved by the Board;

- Challenging the appropriateness of key judgements and key assumptions made in the group's cash flow forecast model, including the appropriateness of the sensitivities used during the forecast period;
- Assessing the projected level of liquidity headroom in the group's cash flow forecast model over the going concern period;
- Assessing compliance with financial covenants during the forecast period; and
- Challenging management on the sufficiency and appropriateness of the disclosures within the notes to the financial statements.

Grant Thornton

Overview of our audit approach

- Overall materiality: £950,000, which represents approximately 0.6% of the group's gross assets;
- Key audit matters were identified as impairment review of port assets and initial adoption of IFRS 16 'Leases'; and
- The group audit was performed by the group engagement team in the UK. We performed full-scope audit 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 judgement, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the 'Material uncertainty related to going concern' section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th>Key audit matters</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>Impairment review of port assets
The port and logistics facility in Mumbai had a carrying value at the end of the year of £130,304,000 (2018:£130,989,000). This includes the value of the port assets in use (the ‘port asset’) and that still under construction (the ‘capital work in progress’).

The operations have been delayed resulting in only part of the port being operational during the year. Management has performed an impairment review of the port assets as at the year-end. The review of the port assets for impairment requires management to make a number of significant judgements.

We therefore identified impairment review of port assets as a significant risk, which was one of the most significant assessed risks of material misstatement.</td><td>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 model;
Using an internal expert to compare the discount rate used in the impairment model to the current interest rate being charged on the group’s bank facility, whilst also factoring in the cost of equity for a port company based in India;
Testing the accuracy of management’s forecasting through a comparison of the prior year Board-approved forecasts for capital expenditure to actual results during the financial year;
Challenging the key inputs used in the impairment model, including examining revenue contracts signed to date to check the reasonableness of management’s revenue generation inputs;
Confirming the remaining construction contract costs directly with the contractors and comparing this to the costs to completion per 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 property, plant and equipment, including its impairment, is shown in note 2(l) to the group financial statements and related disclosures are included in notes 3 and 10. The Audit Committee identified impairment testing as a significant issue in its report on page 35, where the Audit Committee also described the action that it has taken to address this issue.</td></tr>
<tr><td></td><td>Key observations
Our audit testing did not identify impairment in the carrying value of the port assets. The key assumptions used in the impairment analysis are disclosed in note 3, which are consistent with the impairment review.</td></tr>
</table>

Key audit matters	How the matter was addressed in the audit
Initial adoption of IFRS 16 'Leases' This is the first year that the group is adopting IFRS 16, which requires fairly complex supporting calculations and judgement by management. Further, there is one long-term lease over the land on which the port is located that has a material value. There are also several adoption methods available to management, which will result in different presentations and disclosures in the group financial statements. We therefore identified the initial adoption of IFRS 16 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 and reviewing management's accounting position paper on the application of IFRS 16 and comparing it to the requirements of the Standard; • Obtaining management's calculations in support of the values recorded for the right of use assets and lease liabilities; • Agreeing key inputs into the calculation, including the lease term and minimum lease payments; • Using an internal expert to compare the discount rates for each lease agreement to rates for similar secured loan agreements within India; and • Assessing the adequacy of the disclosures in the group financial statements relating to the adoption of the new Standard. The group's accounting policy on leases is shown in note 2(h) to the group financial statements and related disclosures are included in note 2(i).
	Key observations Our audit testing found that the Group has properly adopted IFRS 16, in all material respects. Our audit testing did not identify any material misstatements in the carrying value of the lease assets and liabilities.

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.

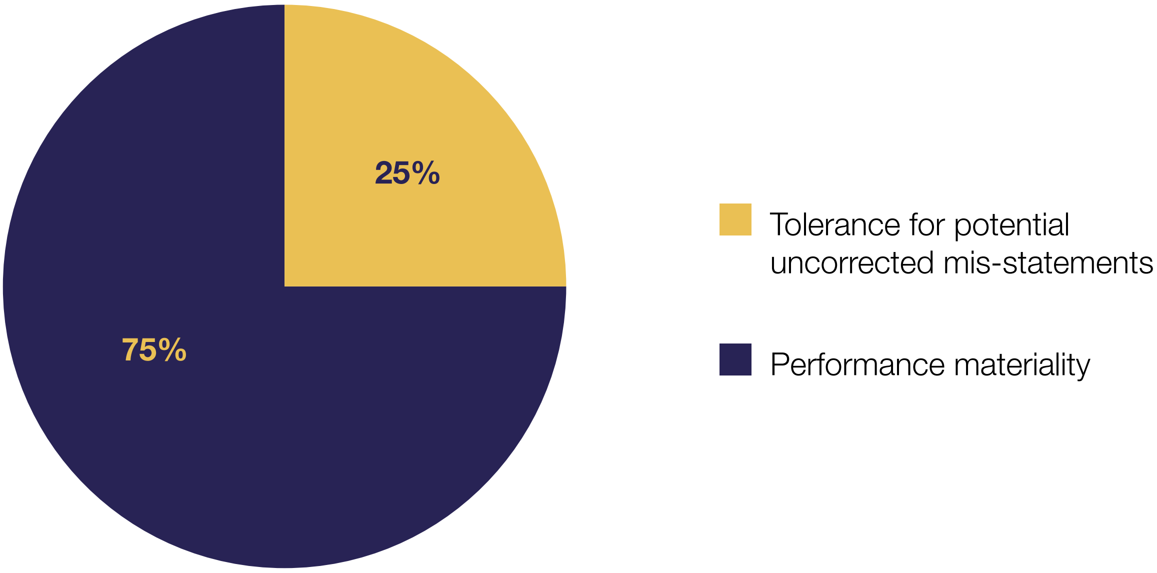
We determined materiality for the audit of the group financial statements as a whole to be £950,000, which represents approximately 0.6% of the group's gross assets. This benchmark is considered the most appropriate because the users of the group financial statements are primarily interested in the use of their funds invested, which are being spent on completing the construction of the port, as well as funding the operations that have been geared up for trading.

Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 to reflect the decrease in gross assets at the year-end and the reduction in the measurement percentage from 1% of gross assets last year to 0.6% this year.

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 determine a lower level of specific materiality for related party transactions and directors' remuneration.

We determined the threshold at which we will communicate misstatements to the audit committee to be £47,500. We will communicate misstatements below that threshold 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 audit approach was taken for the holding company incorporated in Guernsey, Mercantile Ports and Logistics Limited and its operating subsidiary incorporated in India, Karanja Terminal & Logistics Private Limited, based on the relative materiality to the group and our assessment of audit risk. Analytical review procedures were performed over the subsidiary incorporated in Cyprus;
- full-scope audit procedures covered 87% and targeted procedures covered the remaining 13% of total assets; and
- we visited the port in Mumbai in April 2019. Additionally, we arranged for a video conference call in July 2020 to view the port to verify its progress of construction and availability for use. The video conference was necessary as travel to India was restricted during the audit due to the COVID-19 pandemic.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the group financial statements

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

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

Auditor’s responsibilities for the audit of the group financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: **www.frc.org.uk/auditorsresponsibilities**. 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 section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Raab, ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
25 September 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
CONTINUING OPERATIONS			
Revenue		30	–
Cost of sales		(47)	
		(17)	–
Administrative Expenses	5	(4,351)	(3,296)
OPERATING LOSS		**(4,368)**	**(3,296)**
Finance Income	6	19	13
Finance Cost		(632)	–
NET FINANCING INCOME		**(613)**	**13**
LOSS BEFORE TAX		**(4,981)**	**(3,283)**
Tax expense for the year	7	–	–
Loss FOR THE YEAR		**(4,981)**	**(3,283)**
Loss for the year attributable to:			
Non-controlling interest		(8)	(5)
Owners of the parent		(4,973)	(3,278)
LOSS FOR THE YEAR		**(4,981)**	**(3,283)**
Other Comprehensive Income/(expense): **Items that will not be reclassified subsequently to profit or (loss)**			
Re-measurement of net defined benefit liability	22	4	4
Items that will be reclassified subsequently to profit or (loss)			
Exchange differences on translating foreign operations		(5,256)	(2,218)
Other comprehensive expense for the year		**(5,252)**	**(2,214)**
		(10,233)	(5,497)
Total comprehensive expense for the year			
Total comprehensive expense for the year attributable to:			
Non-controlling interest		(8)	(5)
Owners of the parent		(10,225)	(5,492)
		(10,233)	**(5,497)**
Earnings per share (consolidated):			
Basic & Diluted, for the year attributable to ordinary equity holders	9	(£0.003)	(£0.006)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2019

	Notes	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Assets			
Property, plant and equipment	10(a)	133,108	131,257
Intangible asset	10(b)	5	–
Total non-current assets		**133,113**	**131,257**
Trade and other receivables	11	18,729	26,169
Cash and cash equivalents	12	14,823	13,113
Total current assets		**33,552**	**39,282**
Total assets		**166,665**	**170,539**
Equity			
Stated Capital	14	134,627	134,627
Retained earnings	14	(8,741)	(3,772)
Translation Reserve	14	(20,214)	(14,958)
Equity attributable to owners of parent		**105,672**	**115,897**
Non-controlling Interest		3	11
Total equity		**105,675**	**115,908**
Liabilities			
Non-current			
Employee benefit obligations	15	4	3
Borrowings	16	35,989	33,831
Lease liabilities payables	18	2,460	–
Non-current liabilities		**38,453**	**33,834**
Current			
Employee benefit obligations	15	130	58
Borrowings	16	2,605	59
Current tax liabilities	17	6,949	7,341
Leases Liabilities payable	18	930	–
Trade and other payables	18	11,923	13,339
Current liabilities		**22,537**	**20,797**
Total liabilities		**60,990**	**54,631**
Total equity and liabilities		**166,665**	**170,539**

The consolidated financial statements have been approved and authorized for issue by the Board on 25 September 2020.

Jeremy Warner Allen
Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2019

	Notes	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(4,981)	(3,283)
Non cash flow adjustments	20	1,204	59
Operating (loss)/profit before working capital changes		**(3,777)**	**(3,224)**
Net changes in working capital	20	1,811	(13)
Net cash from operating activities		**(1,966)**	**(3,237)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,221)	(8,420)
Proceeds from Sale of fixed asset		–	5
Finance Income	6	15	13
Net cash used in investing activities		**(4,206)**	**(8,402)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of Share Capital	14	8,287	19,552
Proceeds from borrowing & repayment of Interest – net		169	(44)
Repayment of leasing liabilities principal (Net)		(313)	–
Interest payment on leasing liabilities		(62)	–
Net cash from financing activities		**8,081**	**19,508**
		1,909	7,869
Net change in cash and cash equivalents			
Cash and cash equivalents, beginning of the year		13,113	5,423
Exchange differences on cash and cash equivalents		(199)	(179)
Cash and cash equivalents, end of the year		**14,823**	**13,113**

The notes pages 50 to 75 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

	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 2019	**134,627**	**(14,958)**	**(3,772)**	**–**	**11**	**115,908**
Issue of share capital	–	–	–	–	–	–
Share issue cost	–	–	–	–	–	–
Transactions with owners	134,627	(14,958)	(3,772)	–	11	115,908
Loss for the year	–	–	(4,973)	–	(8)	(4,981)
Foreign currency translation differences for foreign operations	–	(5,256)	–	–	–	(5,256)
Re-measurement of net defined benefit pension liability	–	–	–	4	–	4
Re-measurement of net defined benefit pension liability transfer to retained earning	–	–	4	(4)	–	–
Total comprehensive income for the year	–	(5,256)	(4,969)	–	(8)	(10,233)
Balance at 31 December 2019	**134,627**	**(20,214)**	**(8,741)**	**–**	**3**	**105,675**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Mercantile Ports & Logistics Limited (the "Company") was incorporated in Guernsey under The Companies (Guernsey) Law, 2008 with registered number 52321 on 24 August 2010. Its registered office and principal place of business is 1st Floor Tudor House, Le Bordage, St Peter Port, Guernsey GY1 1DB. It was listed on the Alternative Investment Market ('AIM') of the London Stock Exchange on 7 October 2010.

The consolidated financial statements of the Company 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 2019, 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 2019, the Group had 56 (Fifty six) (2018: 57 (Fifty seven) employees).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except where otherwise stated. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations as adopted by the European Union and also to comply with The Companies (Guernsey) Law, 2008.

Going Concern

In accordance with Provision 31 of the 2018 revision of the UK Corporate Governance Code. The Board initially, prior to the outbreak of Covid-19, assessed the Group's ability to operate as a going concern for the next 12 months from the date of signing the financial statements, based on a financial model which was prepared as part of approving the 2020 budget.

The Directors considered the cash forecasts prepared for the two-years ending 31 December 2021 (which includes the potential impact of COVID-19), together with certain assumptions for revenue and costs, to satisfy themselves of the appropriateness of the going concern basis used in preparing the financial statements.

Regarding financing, the Group had capital £27.55 million made up of a cash balance of £14.8m as at 31 December 2019 and £12.75 million still to drawdown on its the Rupee term loan facility of INR 480 Crore. Under the terms of the loan facility the Company was to start repayment of the principal amount from June 2020 with £15.1 million of payments to be repaid in the 2 years period from 1 January 2020 too 31 December 2021. In March 2020 a payment holiday for 3 months as per RBI guideline was agreed with the Banking consortium for March, April, May. As at 22 May the RBI in India has provided a further 3-month payment holiday to August 2020. The directors believe that the debt providers will continue to support the Group thereafter.

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

The uncertainty as to the future impact on the Group of the recent Covid-19 outbreak has subsequently been considered as part of the Group's adoption of the going concern basis. In the downside scenario analysis performed, the Directors have considered the impact of the Covid-19 outbreak on the Group's trading and cash flow forecasts. In preparing this analysis, the directors assumed that the lockdown effects of the Covid-19 virus will peak in India around the end of June and trading will normalise over the subsequent few months, albeit attaining substantially lower levels of revenue than budgeted, for at least the rest of the current financial year. This scenario will lead to a material reduction in the Group's revenues and results for 2020.

A range of mitigating actions within the control of management were assumed, including reductions in the Directors and all staff salary by 35% from May 2020 until the end of the year, a reduction in all non-essential services and delay in building out the facility which isn't needed for the current 3 signed customer until significant revenue is again being generated. The Directors have also considered the financial support commitment made by the RBI in India. The Directors have also assumed, having had productive discussions with its lenders, that certain bank fees due to be paid in October 2020, can be deferred to the end of the current facility.

In this scenario, the Group would remain within its banking facilities, although some of the financial covenants would require a waiver from the lenders during the current financial year, in order to avoid being breached. Further adverse changes arising from Covid-19 would increase the challenge of complying with financial covenants and remaining within banking facilities. The Directors, as stated above, are in discussions with its lenders which, albeit at early stages, are considered as being productive.

The Group continues to closely monitor and manage its liquidity risk. In assessing the Group's going concern status, the Directors have taken account of the financial position of the Group, anticipated future utilisation of available bank facilities and other funding options, its capital investment plans and forecast of gross operating margins as and when the operations commence.

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

However, the downside scenario detailed above would indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

(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 2019. 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 a Company for consolidation.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling 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	95.88	95.88
*Mercantile Ports (Netherlands) BV	Mercantile Ports & Logistics Limited	Netherlands	100.00	100.00

* Mercantile Ports (Netherlands) BV has closed its operations from 24 July 2019.

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

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

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

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

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

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

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

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

Port operation and logistics services

Revenue from port operation services including cargo handling, storage, rail infrastructure, other ancillary port services and logistics services are recognized in the accounting period in which the services are rendered on proportionate completion method basis based on services completed till reporting date. Revenue is recognized based on the actual service provided to the end of reporting period as a proportion of total services to be provided.

Some contracts contain multiple services. Management determines if these are separate performance obligations based on the ability of the customer to benefit from these services in isolation from other services.

Interest income

Interest income is reported on an accrual's 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.

(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

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

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

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

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

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

The comparative period lease contracts were accounted for under IAS 17. Assets under finance leases, where substantially all of the risks and rewards of ownership transferred to the Group as lessee, were capitalised and amortised over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. All other leases were classified as operating leases, the expenditures for which were recognised in the statement of income on a straight-line basis over the lease term.

(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

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

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

(j) Financial assets

The 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
Leasehold Land Development	Over 40 year's period of Concession Agreement by Maharashtra Maritime board
Marine Structure, Dredged Channel	40 Years as per concession agreement
Non Carpeted road other than RCC	3 Years
Office equipment	3-5 Years
Computers	2-3 Years
Computer software	5 Years
Plant & machinery	15 Years
Furniture	5-10 Years
Vehicles	5-8 Years

Depreciation methods, useful lives and residual value are reassessed at each reporting date.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets 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 all new and revised IFRS standards that became effective as of 1 January 2019, the material changes being is as follow:

(i) IFRS 16 "Leases"

The Group has adopted the standard from January 1, 2019 without restating comparative amounts for the year 2018 as permitted by the modified retrospective approach. In addition, the Group has applied the exceptions provided for short-term leases, including contracts with a term of less than twelve months after the application date and those relating to low-value assets.

Most of the lease contracts are operating leases where the Group is the lessee. Leased assets are mainly real estate assets.

Key assumptions that the Group is applying for implementing the standard are as follows:

Terms: For each contract, the Group reviewed the renewal and the early termination options within the term of the arrangement and determined, after taking into account all the relevant facts and circumstances, what would be the date at which the Group reasonably expects the contract to be terminated. For certain categories of leased assets, the Group assesses that there is no reasonably certain extension option, consequently the duration selected coincides with the first term of the lease contract. For real estate lease arrangements, the Group defines the reasonable end date of the contracts, while taking into account the renewal and early termination options stated in the agreements, in line with the asset's expected period of use.

Discount rates: The Group determined discount rates reflecting each subsidiary's specific credit risk, the currency of the contract and the weighted average maturity of the reimbursement of the lease liability. For the transition the incremental borrowing rate used is the rate applicable to the residual terms of the contracts.

For contracts previously classified as finance leases the Group has recognized the carrying amount of the right of use assets and lease liability at the date of initial application.

The reconciliation between operating lease commitments disclosed at December 31, 2018 and the lease liability recognized at IFRS 16 first application date is presented below:

Particular	£000
Operating lease commitments disclosed as at December 31, 2018	**8,375**
Discounted using incremental borrowing rate of 8%	**(5,449)**
Lease liability at January 1, 2019	**2,926**
Opening unpaid lease liability as at January 1 2019	**740**
Of which are:	
Current lease liabilities	1,033
Non-current lease liabilities	2,633

Right-of-use assets include the following types of assets:

Particular	31 Dec 2019 £000	1 Jan 2019 £000
Land & building (Office premises)	2,570	2,926

The first time application of IFRS 16 affected mainly the following items in the statement of financial position on January 1, 2019:

Particular	31 Dec 2018 £000	IFRS 16 adoption adjustment	1 Jan 2019 £000
Property plant and equipment	131,257	2,926	134,183
Non-current financial liabilities	33,834	2,633	36,467
Current financial liabilities	20,797	293	21,090

(ii) IFRIC 23 – Uncertainty over income tax treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. Due to its global reach, including operating in high-risk jurisdictions, the Group's global tax position is subject to enhanced complexity and uncertainty, which may lead to uncertain tax treatments and the corresponding recognition and measurement of current and deferred taxes. The judgements and estimates made to separately recognise and measure the effect of each uncertain tax treatment are re-assessed whenever circumstances change or when there is new information that affects those judgements. The Group has re-assessed its global tax exposure and the key estimates taken in determining the positions recorded for adopting IFRIC 23. As of 1 January 2019, the global tax exposure has been determined by reference to the uncertainty that the tax authority may not accept the Group's proposed treatment of tax positions. The adoption of the interpretation had no material impact on the Group.

(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 2019, 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 these standards early.

i) Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

ii) Amendments to IFRS 3 – Definition of business – effective for year ends beginning on or after 1 January 2020

iii) Amendments to IAS 1 and IAS 8 – Definition of material – effective for year ends beginning on or after 1 January 2020

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 in the event the department takes a different stance, then tax applicable on the interest income will have to be settled, whenever demanded. However, no accrual has been made for tax related interest or penalties on the non-payment of Indian income tax until there's a 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 £164.40 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 2019 are:

- 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 7.35%
- Utilisation rate at 8% in 2020, 65% in 2021, 75% in 2022 on word
- 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 13.45%

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 125 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 19 £000	Year ended 31 Dec 18 £000
Employee costs	456	265
Directors' fees	403	452
Operating lease rentals	11	327
Foreign exchange gains/loss	39	–
Depreciation	608	71
Other administration costs	2,834	2,181
	4,351	**3,296**

6. (a) FINANCE INCOME

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Interest on bank deposits	19	13
	19	**13**

6. (b) FINANCE EXPENSE

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Interest on term loan*	266	–
Interest others	366	–
	632	**–**

*During the year company has capitalized partial port asset and in same proportion interest on term loan is pertaining to capitalized portion is charged to Statement of Comprehensive Income.

7. INCOME TAX

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Loss Before Tax	(4,981)	(3,263)
Applicable tax rate in India*	22.88%	30.90%
Expected tax credit	**(1,140)**	**(1,008)**
Adjustment for non-deductible losses of MPL & Cyprus entity against income from India	391	412
Adjustment for non-deductible expenses	749	596
	–	**–**

*Considering that the Group's operations are presently based in India, the effective tax rate of the Group of 22.88% (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 Netherlands, the tax rate for companies is 20% with effect from 1 January 2018. There is no tax expense in Netherlands.

8. AUDITOR'S 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 19 £000	Year ended 31 Dec 18 £000
Audit Fees		
Fees payable to the auditor for the audit of the Group's financial statements	87	87
Other fees payable to the auditor in respect of:		
Interim Financial Statement Review	9	9
Auditing of accounts of subsidiary undertakings	3	0
Tax fees	1	0
Total auditor's remuneration	**100**	**96**

A fee of £ Nil was debited to Statement of Comprehensive Income for financial advisory services performed by Grant Thornton UK LLP during the year (2018: £56,650). The statutory audits of Karanja Terminal & Logistics Private Limited and Karanja Terminal & Logistics (Cyprus) Limited had been conducted by other auditors in 2018 in 2019 the Cypriot audit has been conducted by Grant Thornton Cyprus, fees paid for these audits is £7,486 (2018: £6,875). Audit fees related to overruns from prior year audits and not included in the table above amount to £22,087 (2018: £58,436).

9. EARNINGS PER SHARE

Both basic and diluted earnings per share for the year ended 31 December 2019 have been calculated using the loss attributable to equity holders of the Group of £5.0 million (prior year loss of £3.3 million).

	Year ended 31 Dec 19	Year ended 31 Dec 18
Loss attributable to equity holders of the parent	£(4,973,000)	£(3,278,000)
Weighted average number of shares used in basic and diluted earnings per share	1,905,022,123	516,141,290
EARNINGS PER SHARE		
Basic and Diluted earnings per share	(£0.003)	(£0.006)

10. (a) 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	Plant & Machinery £000	Port Asset £000	Right of use asset £000	Capital Work In Progress £000	Total £000
Gross carrying amount									
Balance 1 Jan 2019	**40**	**58**	**34**	**474**	**–**	**–**	**–**	**130,989**	**131,595**
IFRS 16 Adoption	**–**	**–**	**–**	**–**	**–**	**–**	**2,926**	**–**	**2,926**
Net Exchange Difference	(2)	(3)	(2)	(29)	–	–	(155)	(6,911)	(7,102)
Additions	4	4	–	47	–	–	–	6,567	6,622
Disposals	–	–	–	–	–	–	–	–	–
Transfers^	**10**	**77**	**212**	**–**	**27**	**39,404**	**–**	*(39,736)	(6)
Balance 31 Dec 2019	**52**	**136**	**244**	**492**	**27**	**39,404**	**2,771**	**90,909**	**134,035**
Depreciation									
Balance 1 Jan 2019	(35)	(32)	(19)	(252)	–	–	–	–	(338)
Net Exchange Difference	1	2	1	14	–	–	–	–	18
Charge for the year	(4)	(12)	(8)	(52)	(1)	(329)	(201)	–	(607)
Disposals	–	–	–	–	–	–	–	–	–
Balance 31 Dec 2019	**(38)**	**(42)**	**(26)**	**(290)**	**(1)**	**(329)**	**(201)**	**–**	**(927)**
Carrying amount 31 Dec 2019	**14**	**94**	**218**	**202**	**26**	**39,075**	**2,570**	**90,909**	**133,108**

^ During the year company has partially commenced its port operations, after getting all necessary approvals from the Government Authorities. Company has started utilizing 25 acres of land and 250-meter jetty which is ready for use for carrying out operations. Capitalization of port is done on in above line.

* During the year company has capitalised CWIP to amounting to £39,736,000 under various head i.e Port Asset £39,404,000, Plant & Machinery £27,000, Furniture £212,000, Office Equipment £77,000, Intangible Asset Software £6,000 and Computer £10,000.

The Group leases various assets including land and buildings. As at 31 December 2019, the net book value of recognised right-of use assets relating to land and buildings was £2.57 million. The depreciation charge for the period relating to those assets was £0.20 million.

Amounts recognised in the statement of income are detailed below:

Particular	31 Dec 2019 £000
Depreciation on right-of-use assets	201
Interest expense on lease liabilities	215
Expense relating to short-term leases	–
Expense relating to low-value leases	1
	417

	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**

	Computers £000	Office Equipment £000	Furniture £000	Vehicles £000	Capital Work In Progress £000	Total £000
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**

The net exchange difference on the Group's property, plant and equipment's carrying amount is a loss of £6.97 million (prior year gain of £3.64 million). The net exchange difference on the Group's property, plant and equipment carrying amount is on the account of the foreign exchange movement.

Assets provided as security

The following assets are provided as security for loans payable as described in Note 3:

- Vehicles with a carrying value of £202,000 (2018: £222,000) in favour of the "vehicle loans"; and
- All other immovable and movable property with a carrying value of £132,906,000 (2081: £131,035,000) in favour of the "bank loans".

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Vehicles	202	222
	202	**222**

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 (£51.35 million) (2018 INR 480 crore (£54.21 million)) for part financing the build out of the facility.

The borrowing costs in respect of the bank borrowing for financing the build out of facility are capitalised for portion of port which are still under construction under Capital Work in Progress. During the year the Group has capitalised borrowing cost of £4.03 million (prior year £4.58 million) and borrowing cost expensed out of £0.35 million (prior year £ Nil).

The Indian subsidiary has estimated the total project cost of INR 1,404 crore (£150.19 million) towards construction of the port facility. Out of the aforesaid project cost, the contract signed with the major contractor is INR1,048 crores (£112.11 million). As of 31 December 2019, the contractual amount (net of advances) of INR 138.24 crores (£14.79 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 (£51.35 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.

10. (b) Intangible Asset

	Intangible Asset – Software £000
Gross carrying amount	
Balance 1 Jan 2019	–
Additions	–
Disposals	–
CWIP Capitalized*	6
Balance 31 Dec 2019	**6**
Depreciation	
Balance 1 Jan 2019	–
Charge for the year	(1)
Disposals	–
Balance 31 Dec 2019	**(1)**
Carrying amount 31 Dec 2019	**5**

*During the year company has partially commenced its port operations, after getting all necessary approvals from the Government Authorities. Company has started utilizing 25 acres of land and 250-meter jetty which is ready for use for carrying out operations. Capitalization of port is done on in above line.

11. TRADE AND OTHER RECEIVABLES

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Deposits	4,312	3,699
Advances	14,218	14,082
Accrued Interest of fixed deposits	4	–
Debtors		
– Related Party	96	72
– Prepayment	84	26
– Others	15	8,290
	18,729	**26,169**

Advances include payment to EPC contractor of £11.11 million (prior year £11.70 million) towards mobilisation advances and quarry development. These advances will be recovered as a deduction from the invoices being raised by the contractor over the contract period. The debtors – other include trade receivable other £0.01m which is past due for 30 days management estimate that amount is fully realisable hence no provision for expected credit loss is made for the same amount.

12. CASH AND CASH EQUIVALENTS

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Cash at bank and in hand	14,676	13,101
Deposits	147	12
	14,823	**13,113**

Cash at bank earns interest at floating rates based on bank deposit rates. The fair value of cash and short-term deposits is £14.82 million (prior year £13.11 million). Included in cash and cash equivalents is £4.8 million that is within a bank account that is not in the name of the company, as a result of the 2018 share sale. The Company is the beneficiary of the account and has control over this cash. During the year, the Company has been able to draw money out of this account to cover working capital throughout the year.

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 93.4835 for Statement of Financial Position items and for profit and loss item GBP 1: INR 89.9051

This balance is cumulatively a £20.21m loss to equity (2018: £14.96m 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 2019 was 1:93, 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 2019 the average and year end spot rate used for INR to GBP were 93.48 and 89.91 respectively (2018: 90.97 and 88.55).

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 638.65 million (£6.832 million) as on reporting date (prior year INR 8.43 million (£0.095 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 2019	31 Dec 2018
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 2019	759.07	(621.06)
31 December 2018	10.58	(8.66)

If the functional currency GBP had weakened with respect to foreign currency (INR) by the percentages mentioned above, for year ended 31 December 2019 then the effect will be change in profit and equity for the year by £0.759 million (prior period £0.011 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 (£51.35 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 505 basis points (2018: 375 bp). The present composite rate of interest from all lender varies from 13.20% to 13.45% based on respective banks MCLR (2018: 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 2019, 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% (2018: +/- 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 2029	–	–	–	–
31 December 2028	–	–	–	–
31 December 2027	(57)	57	(44)	44
31 December 2026	(104)	104	(80)	80
31 December 2025	(172)	172	(133)	133
31 December 2024	(241)	241	(186)	186
31 December 2023	(313)	313	(241)	241
31 December 2022	(380)	380	(293)	293
31 December 2021	(435)	435	(335)	335
31 December 2020	(473)	473	(365)	365

(b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group's maximum exposure (£17.94 million (previous year £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.

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive evaluation and individual credit limits are defined in accordance with this assessment.

The Group 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 (£51.35 million) out of which INR 360.79 crore (£38.59 million) are disbursed and £11.63M as at December 2019 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 2019, 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	24.35	2,605	46.82	5,208
1 to 5 years	210.16	22,481	130.04	14,465
After 5 years	126.28	13,508	20.54	2,284
Total	**360.79**	**38,594**	**197.40**	**21,957**

The present composite rate of interest ranges from 13.20% to 13.45% 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.

		(Carried at amortised cost)	
	Note	**Year ended 31 Dec 19 £000**	**Year ended 31 Dec 18 £000**
Financial Assets			
Cash and Cash Equivalents	12	14,823	13,113
Loan and receivables	11	1,583	10,743
		16,406	**23,856**
Financial Liability			
Borrowings	16	38,594	33,890
Trade and other payables	18	15,313	13,340
Employee benefit obligations	15	134	61
		54,041	**47,291**

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:

	Year ended 31 December 19		Year ended 31 December 18	
Particulars	**No of shares**	**£000**	**No of shares**	**£000**
Shares issued and fully paid:				
Beginning of the year	**1,905,022,123**	**134,627**	414,017,699	**106,763**
Addition in the year (net of share issue cost)	**–**	**–**	1,491,004,424	**27,864**
Closing number of shares	**1,905,022,123**	**134,627**	**1,905,022,123**	**134,627**

The stated capital amounts to £134.63 million (prior year £134.63 million) after reduction of share issue costs. Holders of the ordinary shares are entitled to receive dividends and other distributions and to attend and vote at any general meeting. During the year the Company has allotted Nil (prior year 1,491) million equity shares to various institutional and private investors, by way of a rights issue.

14.2 Other Components of Equity

Retained Earnings

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Opening Balance	**(3,772)**	(518)
Loss for the year	**(4,973)**	(3,258)
Re-measurement of net defined benefit liability	**4**	4
Closing balance	**(8,741)**	(3,772)

Retained earnings of £(8.74) million (prior year £3.77 million) include all current year retained profits.

Translation Reserve

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Opening Balance	**(14,958)**	(12,740)
Loss for the year during the year	**(5,256)**	(2,218)
Closing balance	**(20,214)**	(14,958)

The translation reserve of £20.21 million (prior year £14.96 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 19 £000	Year ended 31 Dec 18 £000
Non-Current		
Pensions – defined benefit plans	4	3
	4	**3**
Current		
Wages, salaries	105	36
Pensions – defined benefit plans	25	22
	130	**58**

16. BORROWINGS

Borrowings consist of the following:

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Non-Current		
Bank loan	35,989	33,705
Vehicle loan	–	126
	35,989	**33,831**
Current		
Bank loan	2,605	–
Vehicle loan	–	59
	2,605	**59**

Borrowing

Karanja Terminal & Logistics Private Limited (KTPL), the Indian subsidiary has tied-up a rupee term loan of INR 480 crore (£51.35 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 rate of interest will be a floating rate linked to the Canara bank MCLR rate (8.65%) (2018: 9:40%) with an additional spread of 505 basis points. The present composite rate of interest charged by consortium banks rages from 13.45%. 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 360.79 crore (£38.59 million) (prior year INR 298.45 crore (£33.71 million)) as of the reporting date.

17. CURRENT TAX LIABILITIES

Current tax liabilities consist of the following:

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Duties & taxes	177	192
Provision for Income Tax	6,772	7,149
Current tax liabilities	**6,949**	**7,341**

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

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Carrying amount 1 January	7,149	7,365
Exchange difference	(377)	(216)
Carrying amount 31 December	**6,772**	**7,149**

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 19 £000	Year ended 31 Dec 18 £000
Non-Current		
Sundry creditors (Lease liability)	2,460	–
	2,460	**–**
Current		
Sundry creditors	11,535	12,692
Lease Liability Payable – (refer note 22)	930	–
Interest payable	388	647
	12,853	**13,339**

Future minimum lease payments at 31 December 2019 were as follows

Payment falling due	Within 1 year	1 – 2 Year	2 – 3 Year	3 – 4 Year	4 – 5 Year	After 5 year	Total
Lease payments	1,137	232	318	209	199	6,339	8,525
Finance charges	(207)	(193)	(181)	(174)	(172)	(4,208)	(5,135)
Net present values	**930**	**130**	**137**	**35**	**27**	**2,131**	**3,390**

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	Netherlands	Subsidiary Company of MPL	100%	Ordinary
HELD BY Karanja Terminal & Logistics (Cyprus) Ltd:				
Karanja Terminal & Logistics Pvt. Ltd	India	Operating Company – Terminal Project	95.88%	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 2019 (as at 31 December 2018 – 5.16%) of Mercantile Ports & Logistics Limited
- Lord Howard Flight holds 0.26% of issued share capital as on 31 December 2019 (as on 31 December 2018 – 0.20%) of Mercantile Ports & Logistics Limited at the year end. Lord Howard Flight had acquired additional shares of £0.02 million (£0.06 million, in December 2018)
- Jay Mehta holds 0.28% of issued share capital as on 31 December 2019 (as on 31 December 2018 – 0.28%) of Mercantile Ports & Logistics Limited at the year end
- John Fitzgerald holds 0.12% of issued share capital as on 31 December 2019 (as on 31 December 2018 – 0.12%) of Mercantile Ports & Logistics Limited at the year end
- Andrew Henderson holds 0.03% of issued share capital as on 31 December 2019 (as on 31 December 2018 – 0.03%) of Mercantile Ports & Logistics Limited at the year end
- Jeremy Warner Allen holds 0.40% of issued share capital as on 31 December 2019 (as on 31 December 2018 – 0.40 %) of Mercantile Ports & Logistics Limited at the year end
- Karanpal Singh via Hunch Ventures and Investment Limited holds 21.75% of issued share capital as on 31 December 2018 (as on 31 December 2018 – 21.75%) of Mercantile Ports & Logistics Limited at the year end

b) Key Managerial Personnel of the parent

Non-executive Directors
– Lord Howard Flight
– Mr. John Fitzgerald
– Jeremy Warner Allen (appointed Chairman from 16 January 2020)
– Karanpal Singh)

Executive Directors
– Mr. Nikhil Gandhi (Step down as Chairman from 16 January 2020)
– Mr. Jay Mehta (Managing Director)
– Mr. Andrew Henderson

c) Key Managerial Personnel of the subsidiaries

Directors of KTLPL (India)
– Mr. Jay Mehta
– Mr. Jigar Shah (Resigned from 2 February 2019)
– Mr. Nikhil Gandhi (Chairman)
– Mr. M L Meena

Directors of Karanja Terminal & Logistics (Cyprus) Ltd – KTLCL (Cyprus)
– Ms. Andria Andreou
– Ms. Olga Georgiades
– Mr. Andrew Henderson

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 2019:

	Nature of transaction	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Athos Hq Group Bus. Ser. Cy Ltd	Administrative fees	25	22
		25	**22**

The following table provides the total amount outstanding with related parties as at year ended 31 December 2019:

Transactions with shareholder having significant influence

	Nature of transaction	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
SKIL Global Ports & Logistics Limited			
Debtors	Advances	96	72
Hunch Ventures and Investment Limited			
Debtors	Share subscription	nil	8,287
KJS Concrete Private Limited	Receipt and repayment of advance	nil	770
		96	**9,129**

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 19 £000	Year ended 31 Dec 18 £000
Non Executive Directors' fees		
– Jeremy Warner Allen	40	3
– Lord Flight	40	40
– John Fitzgerald	45	45
	125	**88**
Executive Directors' fees		
– Pavan Bakhshi	nil	175
– Jay Mehta	100	99
– Andrew Henderson	75	90
– Nikhil Gandhi	102	–
	277	**364**
Total compensation paid to Key Managerial Personnel	**402**	**452**

Mr. Pavan Bakhshi resigned as a Director on 16 December 2018.

Compensation to Key Managerial Personnel of the subsidiaries

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Directors' fees		
KTLPL – India	202	99
KTLCL – Cyprus	3	3
	205	**102**

Sundry Creditors

As at 31 December 2019, the Group had £3.56 million (prior year £2.65 million) as sundry creditors with related parties.

	Year ended 31 Dec 19 £000	Year ended 31 Dec 18 £000
Grevek Investment & Finance Pvt Ltd	3,555	2,645
	3,555	**2,645**

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 19 £000	Year ended 31 Dec 18 £000
Non-cash flow adjustments		
Depreciation	608	71
Finance Income	(19)	(13)
Unrealised exchange (gain)/loss	(5)	1
Finance cost	620	–
	1,204	**59**
Increase/(Decrease) in trade payables	1,330	3,714
Increase/Decrease in trade & other receivables	481	(3,727)
	1,811	**(13)**

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 14.

22. 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 19 £000	Year ended 31 Dec 18 £000
Contribution to Provident Fund	8	6
Contribution to ESIC	2	1
	10	**7**

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 19 £000	As at 31 Dec 18 £000
Statement of Comprehensive Income		
Net employee benefit expense recognised in the employee cost		
Current service cost	7	6
Past service cost	–	3
Interest cost on defined benefit obligation	2	1
Total expense charged to loss for the period	**9**	**10**
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)	(4)
Amount recognised in OCI	**(4)**	**(4)**
Closing amount recognised in OCI	**(4)**	**(4)**
Reconciliation of net liability/asset		
Opening defined benefit liability	25	19
Translation difference in opening balance	(1)	–
Expense charged to profit or loss account	9	10
Amount recognised in Other Comprehensive Income	(4)	(4)
Benefit Paid	–	–
Closing net defined benefit liability	**29**	**25**

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 19 £000	As at 31 Dec 18 £000
Opening defined benefit obligation	25	19
Translation diff in opening balance	(1)	–
Current service cost	7	6
Past service cost	–	3
Interest on defined benefit obligation	2	1
Re-measurement during the period due to:		
Actuarial (gain)/loss arising on account of experience changes	(4)	(4)
Benefits Paid	–	–
Closing defined benefit obligation liability recognised in Consolidated Statement of Financial Position	**29**	**25**

Particulars	As at 31 Dec 19 £000	As at 31 Dec 18 £000
Net liability is bifurcated as follows:		
Current	4	3
Non-current	25	22
Net liability	**29**	**25**

23. CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	As at 31 Dec 19 £000	As at 31 Dec 18 £000
Bank guarantee issued to Maharashtra Pollution Control Board	27	11
The Commissioner Of Customs – Jawaharlal Nehru Custom House	107	–
Capital Commitment not provided for construction of port (Net of advances)	6,138	8,544

24. 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 2019	**33,830**	**59**	**185**	**34,074**
Adoption of IFRS 16	–	–	2,926	2,926
Opening lease current liability	–	–	740	740
Revised 1 January 2019	**33,830**	**59**	**3,851**	**37,740**
Cash-flows:				
– Repayment	(2)	(58)	(347)	(407)
– Proceeds	6,970	–	34	7,004
Non-cash:				
– Exchange difference	(2,056)	(1)	(148)	(2,205)
– Reclassification	(2,646)	2,646	–	–
31 December 2019	**36,096**	**2,646**	**3,390**	**42,132**
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**

25. CLOSURE OF SUBSIDIARY OPERATION

During the period group has closed the wholly owned subsidiary i.e Mercantile Ports (Netherlands) B.V. with effect from 17 May 2019.

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

The full impact of COVID-19 on the macroeconomic environment became clear in early 2020, after the balance sheet date of this report. While the directors are monitoring the situation closely, they do not consider that the impact of COVID-19 after the reporting period has a material impact on the results as reported in these financial statements. No adjustments have been made to or additional disclosures made in these financial statements as a result of COVID-19. It is not possible to estimate the impact of COVID-19 on the Company at this time.

As at 29 July the company secretary changed form Intertrust to Beauvoir Trust Limited.

27. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 25 September 2020.

NOTICE OF ANNUAL GENERAL MEETING

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 1st Floor Tudor House, Le Bordage, St Peter Port, Guernsey GY1 1DB on Thursday, 15 October 2020 at 1pm 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 2019 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 4.15 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 ("Shares") (or grant rights to subscribe for or to convert any security into such Shares), being one third of the 1,905,022,123 Shares in issue at the date of this document, 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 2019, and document any 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, 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.

On account of the Coronavirus pandemic and associated Government guidance, including the rules on physical distancing and limitations on public gatherings, Shareholders are strongly discouraged from attending the Annual General Meeting and indeed entry will be refused if the law and/or Government guidance so requires. Arrangements will be made by the Company to ensure that a minimum number of shareholders required to form a quorum will attend the General Meeting in order that the meeting may proceed.

Your vote is important to us and your Board of Directors wishes to ensure that your vote is counted at the AGM, therefore, all Shareholders are encouraged to submit their vote in advance. Details of how to do this are contained in this document. All valid proxy votes will be included in the poll to be taken at the meeting.

BY ORDER OF THE BOARD

Thursday, 15 October 2020

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 1st Floor Tudor House, Le Bordage, St Peter Port, Guernsey GY1 1DB on Thursday, 15 October 2020 at 1pm 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 2019, 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 Jeremy Warner Allen 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 Enlarged Issued Share Capital (as such term is defined in the Circular). 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 Enlarged Issued Share Capital (as such term is defined in the Circular). 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 below 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 Thursday, 15 October 2020 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 hard copy Form of Proxy directly from the registrars, Link Asset Services (previously called Capita), on Tel: 0371 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 Registrars at PXS, 34 Beckenham Road, Beckenham, BR3 4TU, United Kingdom at 1pm BST on 13 October 2020 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 BST on Thursday, 15 October 2020. 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 10p per minute plus network extras);

    (ii) from outside the UK: +44 208 639 3399 (calls from outside the UK are charged at applicable international rates); or

    - in writing to Link Asset Registrars 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:
Beauvoir Trust Limited
1st Floor Tudor House,
Le Bordage, St Peter Port,
Guernsey GY1 1DB

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

Email:
mpl@newgatecomms.com