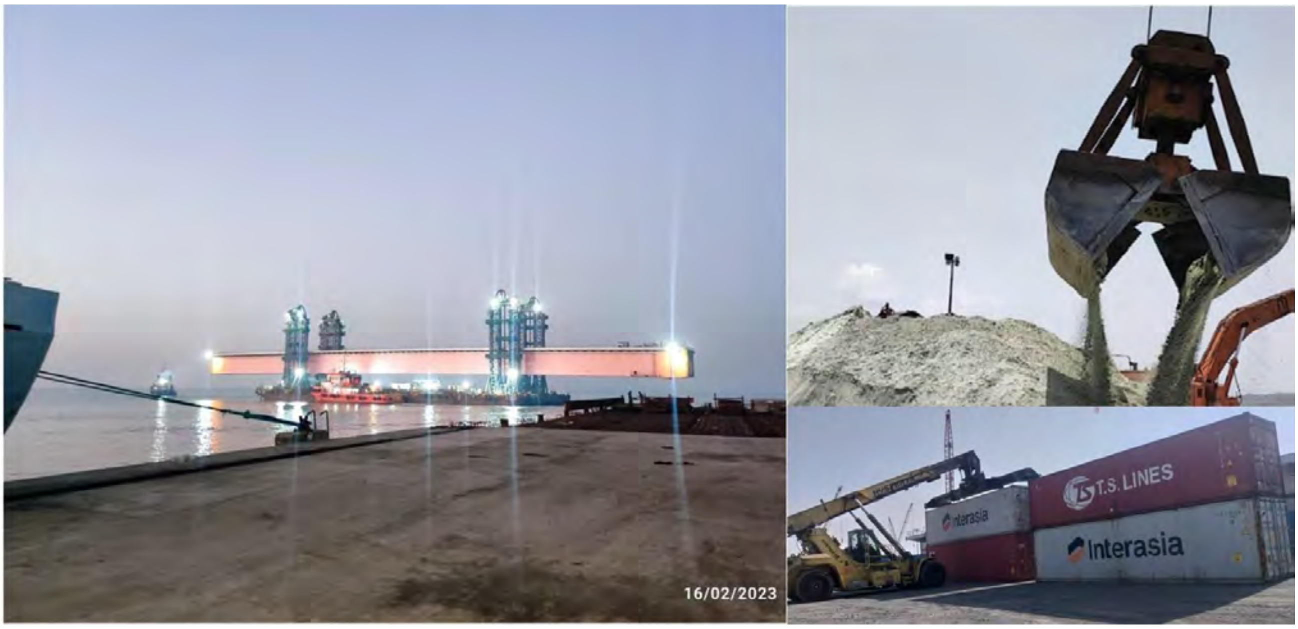
ANNUAL REPORT & ACCOUNTS

for the year ended 2023

Contents

Chairman's Statement



Overview

Mercantile Ports & Logistics continues to make solid strategic progress, and we have delivered promising financial performance in the year. The Group operates and continues to develop a port and logistics facility (the "**Facility**") in Navi Mumbai, Maharashtra, India. On completion, the Facility will be uniquely positioned to capitalise on the growing levels of commerce in the Maharashtra region, and will include a container freight station, cold chain facility, reefer container zone and logistics facility dedicated to handling perishable commodities.

We are pleased to report financial performance for the year ended 31 December 2023 (the "period"). The Company delivered revenues of £ 5.5 million. Statutory loss before tax was £ 21.26 million, equating to 0.11 pence per share. The board brings together vast experience across the port operations and logistics sectors. Leveraging this experience, we are focused on delivering long term shareholder value via organic growth, margin expansion and cash generation.

Strategic and Operational review

The Group made strong strategic progress within the year following its first year of uninterrupted operations for the Facility in 2023. The Group has signed several new contracts, including a 10-year contract with one of the largest regional coal transfers, which is expected to import volumes of 4.5 million MTs in first three years of operation. Furthermore, the Company signed a contract with one of the largest cement companies in India for the retail handling of cement and the development of a dedicated cement terminal at the Facility for customers.

The Company was proud to support Tata Daewoo in delivering its section of the Mumbai Trans-Harbour Link (now named as Atal Setu by the Government of India). Other significant infrastructure projects taking place in the region, such as the construction of the Navi Mumbai International Airport (located 16 km from the Facility) will attract project cargo such as cement and steel and the Directors expect the Company to be a beneficiary. Each project reflects positive commercial tailwinds in the region as the Board aims to increase the utilisation of the Facility.

In the coming months the Group will further diversify its commodity mix by increasing handling of Cargo Containers at the facility. The government permissions allow the Facility to receive containers directly from JNPA, enabling customers to avoid lengthy delays in transportation bottlenecks. The Group successfully undertook trial shipments of containers during the year.

Debt Refinancing

A key focus of the Board for 2023 was to further enhance the terms of its debt facility and good progress has been made. The Board believes that the Group will benefit strongly from positioning the Group's debt profile to match the long-term, back-ended cash flow generation curve that is typical of infrastructure projects such as the Facility. We are building a Group for the long-term, and refinancing the Group's debt is vital to achieve our goals.

We continue to work closely with our lenders for re-phasement of the loan facility from a seven-year repayment period to fourteen years including a two-year moratorium on principal repayments. We expect to announce further information on the Company's banking arrangements by mid July 2024. While this process has taken longer than originally envisaged, this is not inconsistent with the experiences of other customers of state-owned banks in India. The Company continues to have an excellent relationship with its banks and remains confident of securing a facility with much more attractive terms.

Outlook

On behalf of the Board, I would like to thank our investors for their continued support, including their participation in the Company's successful equity fundraising last June, as MPL develops into a successful revenue and profit-making company.

The fundraising enabled us to continue to pursue our strategy and I am pleased to report that 2024 has seen us make further progress. In particular, we have onboarded India's largest Oil & Gas producer as a strategic customer win. This company has started using Karanja Port for its supply vessel operations for loading and unloading supplies to it offshore oil assets.

In addition, we are in discussions with several parties for leasing land for fabrication works for infrastructure and Oil & Gas sectors.

Finally, I thank all our employees for their continued dedication and professionalism. Our employees are essential to the continued success of our Group, and the Board extends its sincere appreciation for their hard work.

Jeremy Warner Allen

DocuSigned by:

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Chairman

Mercantile Ports & Logistics Limited

2024

6/26/2024

Operational Review


SANGHI TRISHUL
NO SMOKING


GOODS CARRIER
KVS ENTERPRISES
ASHOK LEYLAND

Van Oord Dredging Vessel

Environment Day Initiative

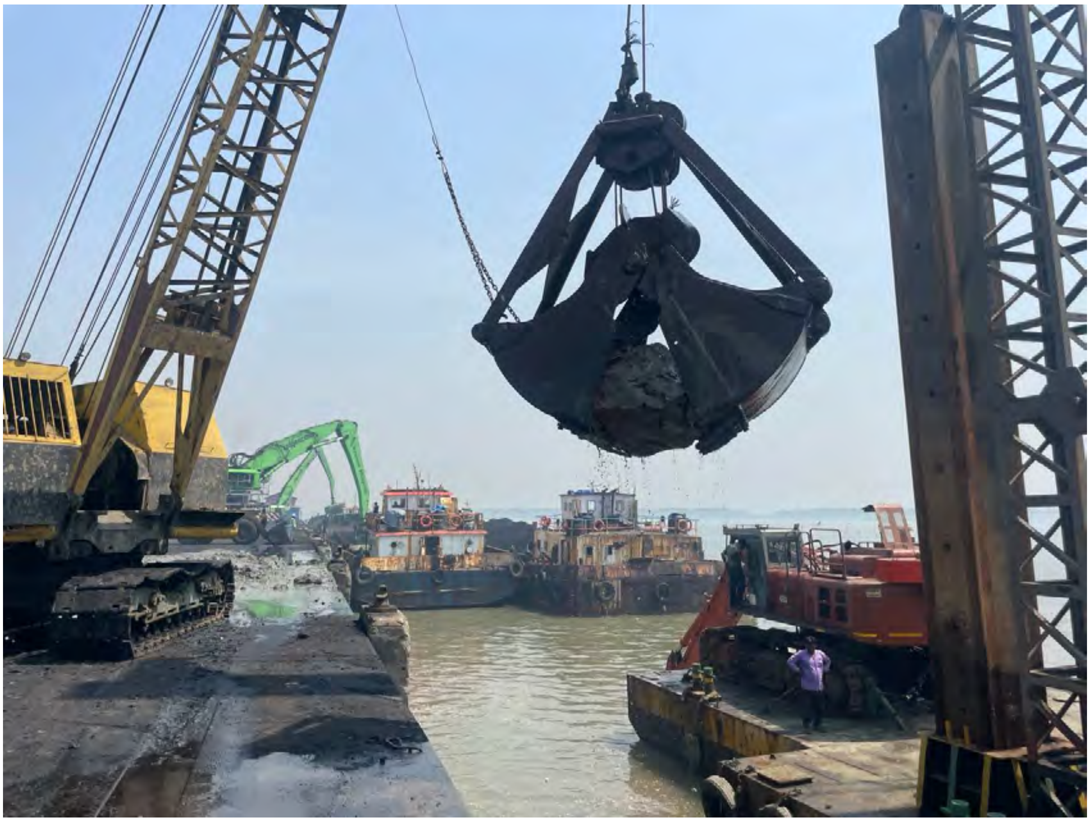
The last Girder of MTHL (now named Atal Setu by the Government of India)

Trial movement of Containers at Karanja Port

Coal unloading

Coal storage

Maintenance Dredging Operations (above and below)



Indian Economy

The directors are pleased to present their operational review for the year ended 31st December 2023.

The country's remarkable growth rate of 8.4% in the third quarter of the FY2023-24 (October-December 2023) surpassed all expectations, and growth is expected to continue. The directors set out below an operational update on the performance for the period and expectations for the future. With a number of strategic new customers and ongoing economic growth the Company considers itself to be well placed to capitalise on this growth.

Expectations for the near-term future remain in line with previous forecasts with a slight change in the forecast range due to a higher base effect in FY2023-24 (Source: India Economic Outlook | Deloitte Insights). Deloitte expects GDP growth to be around 6.6% in the next fiscal year FY2024-25 and 6.75% in the year after FY2025-26, as markets learn to factor in geopolitical uncertainties in their investment and consumption decisions.

Indian Economy Resilient

Key highlights:

1. **Robust growth**: India's economy continues to show resilience, growing at a rate of approximately 8.4% in Q3 of FY24, surpassing expectations (Source: India Economic Pulse | EY – India). This growth is driven by factors such as strong tax revenue collections, increased government capital spending, firm domestic demand (including rural demand), and growth in manufacturing and construction sectors.

2. **Sectoral performance:** The manufacturing sector saw significant growth of 11.6% in Q3 of FY24. Additionally, infrastructure, real estate, and construction sectors are experiencing momentum, with key segments like steel and cement witnessing double-digit growth.

3. **Domestic demand:** Various indicators such as automobile sales, passenger traffic, robust GST collections, rising electricity demand, and growth in household credit point towards sustained domestic demand.

4. **Macroeconomic stability:** Stable repo rates, government bond yields, exchange rates, and healthy foreign exchange reserves indicate macroeconomic stability.

5. **Challenges and concerns:** Despite the overall positive outlook, there are areas of concern. Declining non-oil merchandise exports, moderated service exports, and reduced foreign investments highlight challenges in the external sector. Sluggish private investment, as reflected in stagnant FDI, VC/PE investments, and credit growth to manufacturing, underscores the need for acceleration in the private capex cycle.

6. **Global economic context:** While global growth is projected at 3.1%, which is below historical averages, there are signs of resilience with moderating inflation and positive service/manufacturing PMIs. (Source: India Economic Pulse | EY – India)

Overall, while India's economy is performing well amid global challenges, addressing concerns such as declining exports and sluggish private investment will be crucial for sustaining growth momentum in the future.

Operations Update

Revenue grew by 8% from £4.9 mn in 2022 to £5.5 mn in 2023. The growth in revenue was adversely impacted due to (i) the war between Ukraine and Russia and the latest being the war between Israel and Palestine/Lebanon which has adversely impacted the shipping business across the world; (ii) following JSW's acquisition of PNP Maritime Port for captive use, they decided to sell all the coal lying with them in the hinterland and this compelled importers to defer coal imports in the region; and (iii) the delay in restructuring the Group's existing debt facility consuming significant bandwidth of the management.

<u>Borrowings:</u>

There were no movements in Borrowings during the period. However, the interest liability due for the period March 2023 to December 2023 is being shown under Financial Liability.

Cash & cash equivalent at the end of the period 2023 stood at £2.88 mn.

In June 2023, MPL raised gross proceeds from equity investors of £9.0 mn.

MPL initiated a valuation exercise and utilized an independent external agency to support in preparing the value in use calculations assessing the impact of impairment of the Port asset in its financial projections over the lease period. Based on the assessment undertaken, there is an impact of £9.85 mn impairment charge which is recognised in this financial year. A detailed explanation is provided in Note 2, *Significant Accounting Policies*.

From an operations perspective, 2023 was the second full year of uninterrupted operations for the Port. Karanja Port was able to handle over c1.33 Mn MT of Cargo.

The facility was able to demonstrate its ability to be a 24x7 facility with the commencement of night navigation (berthing / de-berthing of vessels at night).

With seamless operations established in 2022, the focus was more on refining the logistics operations to achieve higher margin efficiency and ironing out teething issues.

The volume of coal handled grew approx. 20% from 1.0 mn MT in 2022 to 1.2 mn MT in 2023. However, this was slightly below expectations due to the below factors.

The volume of coal handled during 2023, was partly impacted due to:

- High volatility in Coal prices (that impacted trading volumes) during the months of Jun’23 and Jul’23
- India saw a severe monsoon during Jul’23 to Sep’23

The Port received positive feedback from its customers regarding the overall efficiency of operations and appreciation for the fact that no demurrage was incurred by any customer over 2023.

Our customer Sanghi Cement was acquired by a large cement company, marking a significant milestone in its growth journey. However, this led to suspension of operations in 2H-2023 through the integration phase of the acquisition.

Post completion of the transaction, this large cement company entered into a fresh contract for use of Karanja Port facilities with much higher volume visibility with intention to utilize Cement imported through MPL’s facility for use in the construction of the Navi Mumbai International Airport and one of the largest real estate redevelopment projects in Mumbai city. The construction of the International Airport is expected to span a 3-4 year period. The real estate development call the Dharavi Project is expected to span a 7-10 year period.

MPL is proud to have onboarded one of India’s largest Oil & Gas company as its port user, . This company after a long and thorough due diligence process commenced operations at the MPL facility by handling of offshore supply vessels at the port. To this extent, they have publicly announced commencement of services from Karanja Port via an official post on X.

MPL continues to strengthen its business development and operations team, including on the container side of the business as it prepares to start handling containers during the course of 2024, in line with the Group’s strategy to target higher margin container business.

Karanja Port is ideally positioned as an alternative to road evacuation of containers coming in to the Jawaharlal Nehru Port Authority (“JNPA”) region. Currently, 6.43 Mn TEUs are flowing into JNPA. With the fourth terminal of JNPA becoming active this year, the number of TEUs flowing into JNPA is expected to increase to 9.0 – 10.0 mn TEUs in the next 3-4 years.

Karanja Port and JNPA have the same customs jurisdiction, the Jawaharlal Nehru Customs House (JNCH).

Karanja Port container Terminal aspires to be one of the largest container handling facilities in the state of Maharashtra and one of the few with a waterfront.

In addition, there are two important developments (i) Strategic Customer Win (details below); and (ii) Positioning part of the reclaimed land at Karanja Port as a storage hub for Perishables (details in Strategic Report).

MPL has been in discussion with their lenders to rephase the debt facility from 7 years to 14 years of repayment. The process was initiated in the February 2023 and is expected to be completed by mid-July 2024.

Going Concern

In determining the appropriate basis of preparation of the financial statements for the period ended 31 December 2023, the Directors are required to consider whether the Group can continue in operational existence for a period of at least 12 months from the approval of these financial statements. The Board has concluded that the Group is a going concern and the Annual Report and Accounts have been prepared on that basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the trading position of the Group.

The financial year 2023 has been a year engulfed in War between Ukraine and Russia and the latest being the war between Israel and Palestine/Lebanon which has adversely impacted the shipping business across the world and results for the period.

The Board has assessed the Group's ability to operate as a going concern for the next 18 months from the date of signing the financial statements to the 31st December 2023, based on the financial model which was prepared as part of approving the 2024 budget. This is considered the appropriate period of assessment, as it is in line with the board approved budgets and captures the seasonality of cash flows.

The Group's principal loan repayments and interest accrued since March 2023 until the period end remain unpaid, due to the current restructuring proposal being at an advanced stage with the head office of the Group's lead banker. A precondition of the proposed plan would be to repay the overdue monies up to December 2023 prior implementing the restructuring plan, on the sanctioning of the restructuring.

However, the operations at the Karanja Port is in the process of ramp up with the signing of fresh contracts with a large cement company and ongoing business with the one of India's largest Oil & Gas company for their operations at our port, and the Directors are optimistic on the Group's potential at the Port for FY24 onwards and hence have considered the cash forecasts 24 months from 1 January 2024 up to 31st December 2025, together with certain assumptions for revenue and costs, to satisfy on the appropriateness of the going concern used in preparing the financial statements.

Regarding financing, the group had capital of £ 2.88 million cash balance as at 31 December 2023. While the Indian subsidiary has already submitted the fresh proposal in February, 2023 for restructuring of the term loan with its current consortium of lenders, the board is confident of receiving the sanction by mid-July 2024 with the proposal now in its final phase of sanction. Payments of principal and interest have not been made since March 2023 while bank negotiations are ongoing.

The directors have prepared a base case scenario, in which sales are forecast to increase significantly due to the ramp up of operations set out above. Management have prepared a severe but plausible downside scenario ('severe downside scenario'), where growth expectations are not achieved, the bank restructuring is not included and all payments of principal and interest are made, including contractual payments due by 31st December not yet paid. The severe downside scenario has a significant adverse impact on sales, gross margin and cash flows including a 40% reduction in sales for FY24 and FY25 against Managements' base case scenario.

The severe downside scenario modelled indicates that there would be a shortfall of cash within the going concern period. To cope with an eventuality of any shortfall during the period, an additional line of unsecured credit limit from KJS Concrete Private Limited (Hunch Ventures group company) amounting to £ 15 million has been made available to mitigate funding risk as well as ensuring continuity in business.

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

A range of mitigating actions within the control of management has been assumed, including managing our regular vendors with bare minimum support and extension of credit during these critical years and also controlled expenditure on all non-essential services.

The directors have determined that, over the period of the going concern assessment, there is not expected to be a significant impact resulting from climate change

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 fund, its capital investment plans and forecast of gross operating margins as the business evolves and ramps up. The Company has had frequent conversations to date with its longstanding syndicate and advisers.

Based on the above indicators, after taking into account the recent fundraising and the renegotiation on the debt restructuring, and line of credit from Hunch Ventures that would cover any shortfall in a severe but plausible downside scenario, the Directors believe that it remains appropriate to continue to adopt the going concern in preparing the forecasts.

Strategic Report

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

Principal Business Objective

The Group's principal objective is to develop Ports and logistics facilities in India and its sphere of influence. The Group's first project is in India by the name Karanja Port.

Karanja Port is in close proximity to the city of Mumbai and Navi Mumbai.

Our Vision

Our Vision is to be a key link in the global logistics supply 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.

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.

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

Principal Values

- Being known as a trusted brand that can be relied on by our customers and shareholders.
- Help in the growth of India by providing much-needed infrastructure & logistics services.
- Drive productivity, efficiency, and safety improvements in the logistics sector through continuous innovation.

Multi-pronged Strategy

The management team is working towards growing the following four business segments as a part of its business development strategy. (1) Bulk Cargo – Karanja Port is the only one catering to Bulk Cargo handling in the Mumbai Region. The other two alternatives old Mumbai Port is phasing out and PNP Port got acquired by JSW Group for captive use; (2) Strategic Customers – Management is working on onboarding more strategic relationships like one of India's largest Oil & Gas company, the Indian Navy, the Indian Coast Guard. While it is at different levels of correspondence with the Indian Navy and the Indian Coast Guard, MPL was able to onboard the one of India's largest Oil & Gas company by proposing to use Karanja Port for berthing its OSVs (Offshore Supply Vessels). Management is confident that this relationship will snowball with multiple areas where Karanja Port can add value; (3) Container Cargo – As India moves to become a $5 trillion economy, the flow of Containers is expected to move up. JNPA (a major Container only port in the same vicinity as Karanja Port i.e., Navi Mumbai region) is expecting Container traffic to move from the current 6.4 mn TEUs to over 10.0 mn TEUs. While it has built capacity to handle over 10.0 mn TEUs, the regional road network being used for evacuating containers is expected to come under pressure. This created opportunity for moving Containers from JNPA to Karanja Port. It is important to note that Karanja Port was able to successful move its jurisdiction to JNCH – the same Customs jurisdiction as for JNPA. (4) Infrastructure Projects in the Navi-Mumbai region – The successfully completed 'Atal Setu' a 22 km sea bridge, where Tata-Daewoo were EPC contractors, used Karanja Port for fabricating girders and moving them to the location on barge. This has set a precedence for other EPC contractors bidding for large scale infrastructure projects opening up the possibility of using Karanja Port for not only Project Cargo handling but also land available on lease rental during the construction phase of these projects.

Bulk Cargo

1. Increase Coal Handling volumes up to 3.0 mn MT to drive revenue.
2. Cement handling to commence at Karanja Port in April 2024.
3. Handling of Liquid commodities including edible oils, base oils, and bitumen
4. Setting up of tank farms for Liquid Cargo

Strategic Customer

1. Expand the scope of engagement with one of India's largest Oil & Gas company to handle larger and more diversified Oil & Gas assets in addition to offshore supply vessels. Drive this relationship to enable them to use Karanja Port facilities for multiple needs

2. Maximise the use of MPL facility by OSVs (Offshore Supply Vessels)

3. Additional services to be provided such as supply of consumables to their offshore assets

Container Cargo

1. Commence full commercial handling of Containers in 2024.

2. Work with other strategic players in the trade to evacuate Containers by coastal waterways.

3. Play a crucial role in helping decongest the regional road network in the Navi Mumbai region.

Project Cargo

1. The MPL facility is an ideal choice for large infrastructure companies who have been contracted for developing connectivity infrastructure in the Mumbai and Navi Mumbai region.

2. Such customers add value by creating any ecosystem around their use of Karanja facility in terms of infrastructure, visibility, employment to locals, and overall land use.

Karanja Port - Key USPs

Location

KTPL is located close to the key demand clusters of Maharashtra and has the potential to attract cargo across commodities. It is also in close proximity of two major Ports of India (JNPT and Mumbai Port). JNPA handled approximately 6.0 mn TEUs and Mumbai Port handled cargo to the tune of 63.61 Mn MT in 2022-23. JNPA (a major Container only port in the same vicinity as Karanja Port i.e., Navi Mumbai region) is expecting Container traffic to move from the current 6.4 mn TEUs to over 10.0 mn TEUs. While it has built capacity to handle over 10.0 mn TEUs, the regional road network being used for evacuating containers is expected to come under pressure. This created opportunity for moving Containers from JNPA to Karanja Port.

Customs Clearance

Karanja Port custom clearance is done by Jawaharlal Nehru Customs House (JNCH), the same customs house that does clearing for JNPA. This will result in ease of customs clearance and will allow seamless handling of containers between JNPA and KTPL.

Road Connectivity

National Highway 4B is only 1.2 km and State Highway 54 is just 3.5 km away from Karanja Port Main Gate. Also, on there is no civilization on-route from Karanja Port Main Gate to these highways. This results in ease of cargo evacuation which allows customers to save on transaction costs and time.

Landmark	**Transit Distance**
JNPT	~7 Nautical Miles
MbPT	~9 Nautical Miles
Navi Mumbai Intl Airport	22 kms
Uran Rail Terminal	19 kms
SH – 54	3.5 kms
NH – 4B	1.2 kms
Mumbai-Trans Harbour Link (MTHL)	21 kms

National Waterway

Karanja / Dharamtar creek declared as National Waterway 10 by Inland Waterway Authority of India (IWAI). The facility fits within the honorable Prime Minister of India's "National Maritime Vision 2030". The Maritime India Vision 2030 is a ten-year blueprint for the maritime sector released by the Prime Minister of India at the Maritime India Summit in November 2020. The vision aims to elevate waterways, drive growth in the shipbuilding sector and encourage cruise tourism in India.

	**Location** Mumbai and Navi Mumbai in immediate vicinity
	**Connectivity** NH 4B (2 mins drive) SH 54 (5 mins drive) Uran Rail Terminal (5 mins drive)
	**National Waterway** Karanja Dharamtar Creek declared as National Waterway 10
	**Customs Notified** The only port in Maharashtra (other than JNPA) to be included under JNCH (Jawaharlal Nehru Customs House)

Karanja Port – Growth catalysts:

Congestion in the regional road network around JNPA

JNPA (a major Container only port in the same vicinity as Karanja Port i.e., Navi Mumbai region) is expecting Container traffic to move from the current 6.4 mn TEUs to over 10.0 mn TEUs. While it has built capacity to handle over 10.0 mn TEUs, the regional road network being used for evacuating containers is expected to come under further pressure.

Restrictions at MbPT

Time restricted cargo evacuation window. Mumbai Port has restrictions in moving cargo out of the Port during the day. Compared to this, Karanja Port allows for 24x7 evacuation.

Perishables Commodities Exported from Maharashtra

Karanja Port could become a Port of choice for perishable cargo, given the location and excellent road connectivity with state and national highways. (this opportunity is explained in detail below).

Infrastructure Projects around Karanja Port

Infrastructure Projects like MTHL, Navi Mumbai Airport, and Digital City will drive the movement of project cargo including cement, steel, sand, construction material, and equipment into the region. This in addition to recurring supplies will be a catalyst for demand for Karanja Port’s facility.

	**Congestion in regional road network around JNPA** Delay in evacuation of Container Cargo will push for evacuation alternatives nearby like Karanja MMLP.

	**Restrictions at MbPT** Evacuation allowed only between 10.00 pm to 06.00 am; raising need for alternate port nearby like Karanja Port.
	**Perishables exported out of Maharashtra State** Karanja Port can be positioned as an export hub for Oranges, Grapes, Fish, Mangoes and other perishable commodities for which Maharashtra is a major exporter
	**Infra Projects in the Navi Mumbai region** Navi Mumbai Airport, Digital City will drive the movement of project-related Cargo.

Perishable Commodities – A huge opportunity

India is the second-largest producer of fruits and vegetables in the world and Maharashtra is the largest producer-cum-exporter of fruits and vegetables in India.

Therefore, what Maharashtra does to improve its exports of fruits and vegetables has a global impact.

The wastage in agri-produce post-harvest is pegged at 16% of the total production. Maharashtra produces over 25.0 million MT of fruits, vegetables, and cereals.

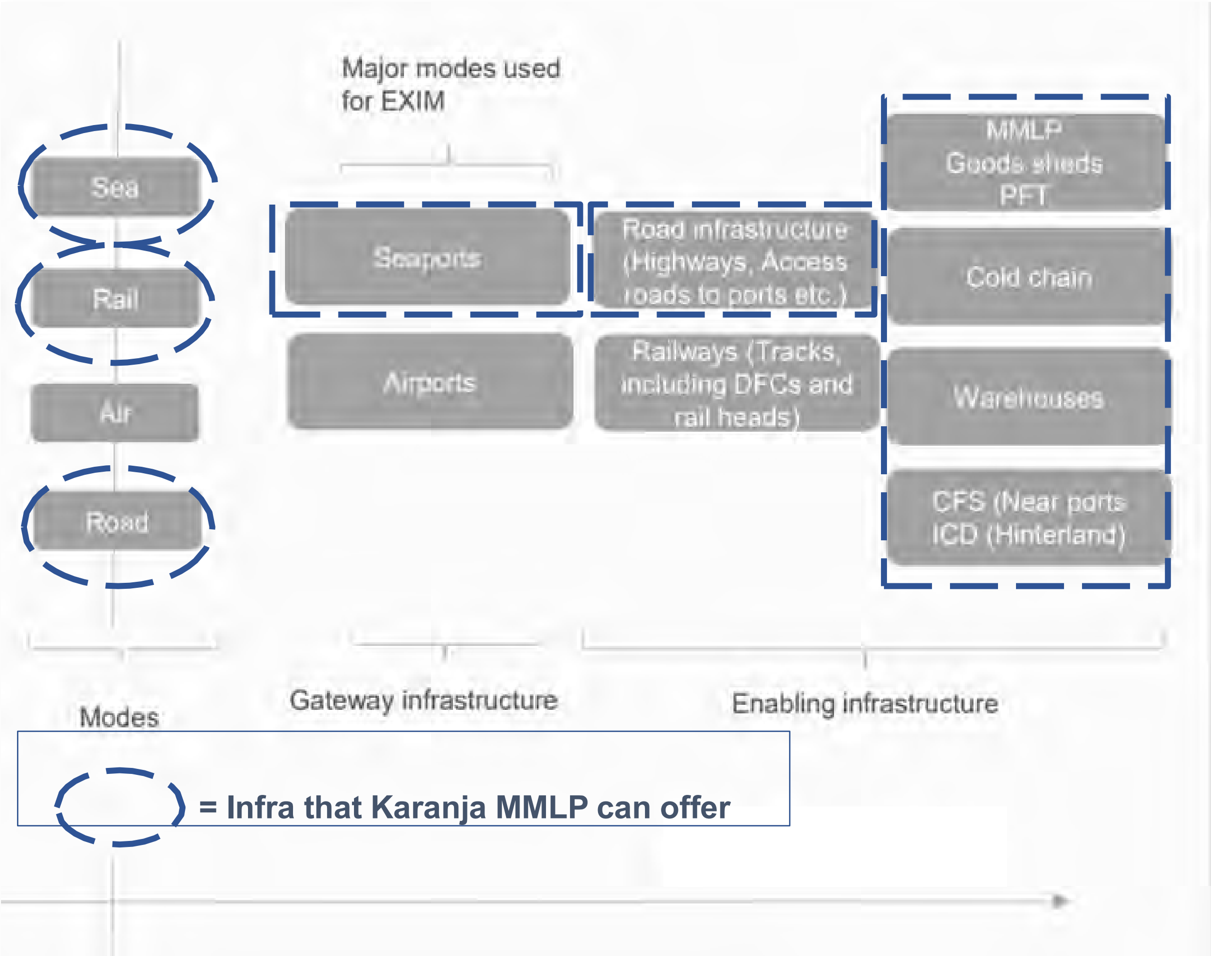
Therefore, 4.0 million MT of Agri produce may be going into waste post-harvest due to a lack of seamless logistics infra, storage, and reefer facilities.

Particulars	India		Maharashtra		Share of Maharashtra (%)
	Qty. (MT)	Value ($ In mn)	Qty. (MT)	Value ($ in mn)	
Fruits	11,00,480	$1,004	5,11,605	$536	46%
Vegetables	18,41,363	$519	11,51,935	$304	63%
Cereals	76,83,588	$2,361	10,04,727	$360	13%
Total	**1,06,25,431**	**$3,884**	**26,68,267**	**$1,200**	**25%**
Source: https://www.msamb.com/Documents/bc513f39-b929-4e4b-9a2b-98e2b914a5a3.pdf					

Positioning Karanja Port as a Multi-Modal Logistics Park (MMLP)

MMLP is the answer to wastage in exports of perishable commodities from Maharashtra. If Karanja Port is positioned as a MMLP if will be able to hub all perishables from different parts of Maharashtra. The reefer facilities would add value to exporters in reducing post-harvest losses.

Karanja Port -- as a MMLP would cater to the goods exported and imported from the three modes of transport

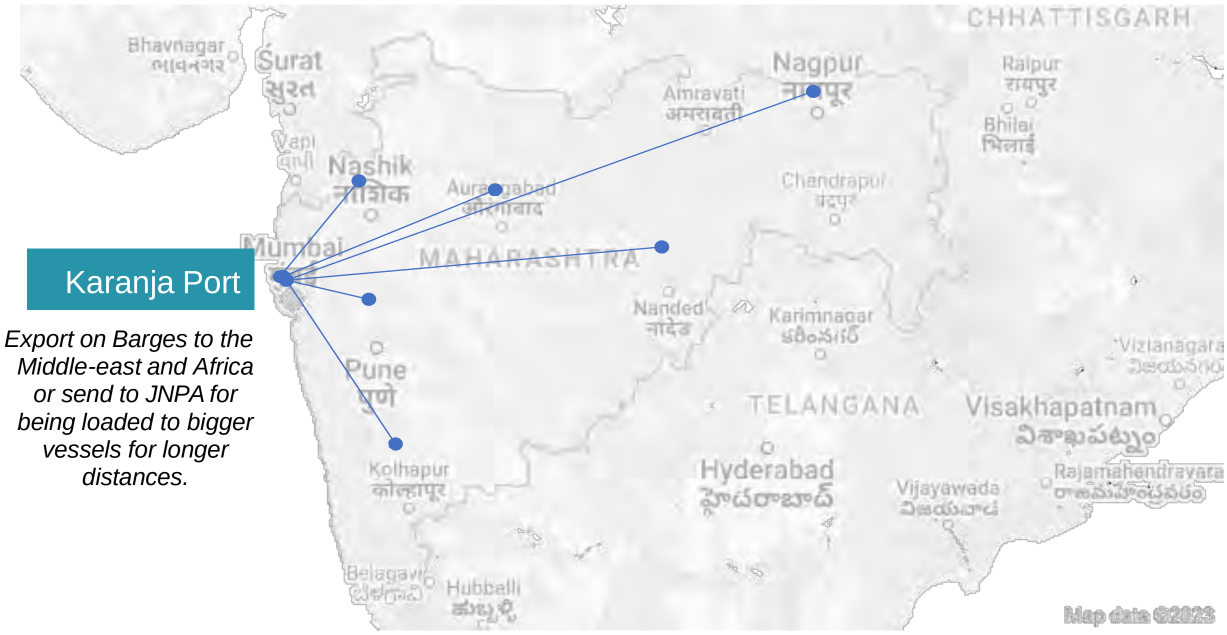


Karanja MMLP can allow a hub-and-spoke model to operate seamlessly.

Karanja MMLP can be used for:

(1) For Karanja MMLP can be used as a hub for storage and distribution.

(2) Bringing all the agri produce from different nodes for in MMR



What needs can Karanja Port fulfill, is positioned as an MMLP

Packhouses and Cold Chain:

Need of setting up of intermediate storage; setting up of mechanized handling facilities such as sorting, grading, washing, waxing, ripening, packing, palletization, pre-cooling, cold storage is needed to be created as per the need of the cluster.

Exit Point Infrastructure:

Need for a multi-commodity pack house for storing perishables and semi-perishable commodities at ports to decrease the transit time taken from entering the port to shipment mitigating the major reason for loss of perishable crops.

Testing Labs:

Testing Labs also need to be established and strengthened inline with international market requirements. Leaf and Tissue Analysis labs, Food testing Labs to check quality standards of food material targeted for exports, upgraded and advanced Soil & Water Testing labs.

Refrigerated Storage & Transport Vehicles:

To reduce the post-harvest losses during transit, cold/refrigerated vehicles are required for perishable produce. Essential infrastructure facilities for various perishables in the importing countries where India is a major exporter of perishables would provide an edge over competitors.

Karanja Port can have additional streams of Revenue from its MMLP unit

Revenue from **multi-modal transportation services** including **port**, **road** (transportation and connectivity) and proximity to **rail** connectivity for handling **break-bulk**, **containers** and other Cargo

Revenue from **Warehouse rental**, Pallet rental, Cargo and Goods **Handling**, Loading and Unloading. Usage charges for internal and external roads

Revenue Opportunities for Karanja MMLP

Parking and related service for Trucks, Multi-Axle vehicles and Agri Tractors coming from distant districts and states

Cold storage and distribution through temperature controlled warehouses with pallets and reefer vehicles for last integrated cold chain logistics for **Perishables**

Financial Performance

During the year ended 31 December 2023, MPL has navigated several hurdles and problems mostly associated with adverse impacts of the war in the Europe sector as well as Middle East and also a number of developments with respect to the acquisition of the PNP port by JSW Group. However, towards the end of the financial year, the Indian subsidiary successfully onboarded one of India's largest Oil & Gas company(through its registered vendor) for carrying out its operations at Karanja Port, which commenced from January 2024, and also the signing of contract with a large cement company the operations commenced from April 2024.

Financial highlights for the year ended 31 December 2023:

- The Group recorded revenues of £ 5.46 million during the year versus £ 4.87 million during the previous year
- Loss for the year £ 21.27 million (previous year £ 9.64 million)
- Gross borrowing is £ 47.07 million (previous year £ 41.47 million)
- Debt Equity Ratio: 0.64 : 1 (previous year 0.45 : 1)
- Cash position: £ 2.9 million (previous year £ 0.6 million).

Certain important events, subsequent to year-end, are set out below:

(1) MOU signed in 2022 with J.M. Baxi, one of the four terminal operators at JNPA. Several trial runs were performed during 2023. This opens doors for container business to commence operations at Karanja Port, as an evacuation alternative and port of choice.

(2) One of India's largest Oil & Gas company, through its registered vendor, has commenced operations at Karanja Port from mid-January 2024 for its Offshore Supply Vessels (OSV) and is now intending to use Karanja Port for its allied activities such as Water Supply/ Bunker Supply, Rig Repair, Storage of consumables etc at the Port, which will contribute significantly and improve the topline as well as EBIDTA margin.

(3) A large cement company commenced its operations from April 2024 for unloading of their cement cargo at Karanja Port.

(4) Discussions with the existing lenders for restructuring of the current debt near conclusion.

Principal Risk and Uncertainties

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

Risk Management

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

Risk factors and their mitigation measures are as follows:

Regulatory Risk: While the Group has received all necessary approvals for the development phase of the project, future risk of change in policies impacting operational aspects such as tariff policies, Cabotage laws etc., continue to remain. However, the Group's strong management team and local advisers 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.

Operations Risk: The Company is engaged in providing port services and integrated logistics solutions for EXIM and Inland Cargo. The Company is prone to inherent business risks. The Audit Committee monitors risk management activities of each business vertical and key support functions. Fraud Risk Assessment is also part of overall risk assessment. The purpose of risk management is to achieve sustainable business growth, protect the Company's assets, safeguard shareholders' investments, ensure compliance with applicable laws and regulations and avoid major surprises of risks. The Policy is intended to ensure that an effective risk management framework is established and implemented within the Company.

Funding Risk: Funding risks relates to the ability of the Group to obtain appropriate funding to continue to meet its requirements until revenue activities can sustain the business. However, cash flows are being monitored closely by the Board.

The Indian subsidiary has submitted a proposal in February 2023 to the current consortium of lenders for restructuring of term loan for consideration on the following terms:

a) Consolidation of the Term Loan (TL) and Funded Interest Term Loan (FITL);

b) Cut-off which is the date under consideration for the proposal to take effect from is considered 1st April, 2023;

c) Restructuring from 7 years to 14 years (including 2 years moratorium);

d) Moratorium on Term Loan for a period of 2 years;

e) Interest on term loan to be converted to FITL (period April 2023 to March 2025) repayable in 5 years (excluding moratorium);

f) Rate of Interest to be considered @10.50% p.a. on all loans.

g) Guaranteed Emergency Credit Line (GECL) to continue as per the sanction dated 30th March 2021.

Since the proposal is in advanced phase of sanction at the lender's head office, the term loan sanction of 10th June 2021 is still effective and as per the same, the total principal instalment for the 4 quarters as well as the interest for the period March 2023 to December 203 remains unpaid and placed on abeyance.

The Indian subsidiary had submitted a proposal to the current consortium of lenders for restructuring of the current debt for a period of 14 years as explained in note 8(b). Since the bank considered and taken up the proposal with their respective head office the quarterly principal amounts and the monthly interest due for the period 2023 is shown as a financial liability as at the Balance Sheet date.

Alongside the restructuring exercise, which is expected to be concluded mid July 2024, MPL has additional line of unsecured credit from KJS Concrete Pvt. Ltd. (Hunch Ventures group company) amounting to £15 million (INR 159 crore) to mitigate funding risk and keep the business going.

Foreign Exchange Risk:

The exchange difference arising due to foreign currency exchange rate variances on translating a foreign operation into the presentational currency results in a translation risk. The exposure to FX risk is being closely monitored by the Board on a regular basis only for information to the stakeholders.

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 a robust business development team headed by Capt. Ashok Shrivastava as Head of Business Development and Sales & Marketing respectively.

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

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.

Signed for and on behalf of the Board on 26 June, 2024

DocuSigned by:

Jay Mehta, Director Jay Mehta

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Mercantile Ports & Logistics Limited

26 June, 2024

Directors' Report

The Directors ("Directors") of Mercantile Port & Logistics Limited present their reports and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

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

Principal Activity

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

Non-executive Directors – Lord Howard Flight – resigned w.e.f. 24 November 2023.

The Directors are responsible for preparing the Annual Report and Financial Statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards as issued by the European Union (EU), of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those 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;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company transactions, 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 requirements of 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.

The Directors are also responsible for the maintenance and integrity of the website on which these financial statements are published. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the Legislation in Guernsey governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Events Subsequent to year end

The Indian subsidiary has been successful in getting the operations implemented for one of India's largest Oil & Gas company effective January 2024. Currently the Port is handling their Offshore Supply Vessels (OSV) and shortly the Karanja Port will also be handling activities such as Rig repair, supply of water, diesel, consumables etc. These will contribute significantly to the Top line as well as the EBIDTA margins. However, currently, since the Indian subsidiary is not a registered vendor withthis large Oil & Gas company , they have appointed their registered vendor to accept all invoice claims, on their behalf.

The Indian subsidiary has also successfully signed the contract with a large cement company for the cement cargo for an initial period of 1 year, which is expected to be extended on an annual basis.

The Indian subsidiary has submitted a proposal in February 2023 to the current consortium of lenders for restructuring of term loan for consideration on the following terms:

a) Consolidation of the Term Loan (TL) and Funded Interest Term Loan (FITL);

b) Cut-off date to be considered 1st April, 2023;

c) Restructuring from 7 years to 14 years (including 2 years moratorium);

d) Moratorium on Term Loan for a period of 2 years;

e) Interest on term loan to be converted to FITL (period April 2023 to March 2025) repayable in 5 years (excluding moratorium);

f) Rate of Interest to be considered @10.50% p.a. on all loans.

g) Guaranteed Emergency Credit Line (GECL) to continue as per the sanction dated 30 March 2021.

Since the proposal is in advanced phase of sanction at the lender's head office, the term loan sanction of 10 June 2021 is still effective and as per the same, the total principal instalment for the 4 quarters as well as the interest for the period March 2023 to December 2023 remains unpaid and placed on abeyance.

The group has obtained an unsecured credit limit from KJS Concrete Private Limited (Hunch Ventures group company) amounting to £ 15 million

Dividend

No dividend has been declared by the Board.

Signed for and on behalf of the Board on 26 June, 2024

Jay Mehta

DocuSigned by:
Jay Mehta
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Director

Mercantile Ports & Logistics Limited

26 June, 2024

Corporate Social Responsibility

Social, community and human rights issues:

The Group's 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 CSR provisions are applicable to KTPL as its net worth exceeds c 47 million (INR 500 Crores).

The Group proposes to engage in several CSR initiatives over the tenure of its lease agreement with the Maharashtra Maritime Board. This will commence once the operations become profitable.

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

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

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

Corporate Governance Report

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

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

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

Reports on the activities of the principal Board Committees can be found on the following pages and their Terms of Reference are available on the Company's website, https://mercpl.com/upload/files/QAC.pdf. The Group Company Secretary provides support as the secretary for the principal Board Committees.

BOARD COMMITTEES

The Board of Directors are supported by the following committees:

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

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

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

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

Board of Directors:

Jeremy Warner Allen

Chairman

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

Skills and expertise

Jeremy joined the Group in December 2018. He has over 25 years' experience in capital markets, most recently as Executive Director, Board Member and Head of the Growth Companies Team at Cenkos Securities plc, where he advised a number of AIM companies over a period of 11 years. Whilst at Cenkos he was instrumental in supporting Mercantile Ports & Logistics Limited ("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

Deputy Chairman of OPG Power Ventures PLC

Committee membership

Member of the Nomination and Remuneration Committee.

Jay Mehta

Managing Director

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

Skills and expertise

Jay has over 20 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 Terminal & 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 Port & Logistics Facility. As Managing Director Jay has shown great persistence and leadership in overcoming the early difficulties related to securing environmental clearance and was key in securing the second and third round of equity finance.

Key External Appointments

None.

Committee membership

Board member.

John Fitzgerald

Independent Non-Executive Director

Appointed to the Board as Independent

Non-Executive Director on 20 September 2017.

Skills and expertise

John is an experienced Director working in the UK as well as for global ports business. His 30-year career working for the two largest UK privatised port businesses, Associated British Ports and Peel Ports, culminated in him running the UK's largest and most commercially successful port complex, ABP Humber Ports. Heading up ports large and small John has pioneered many significant long term business development schemes, and managed large scale capital projects both enhancing existing and creating new infrastructure, generating significant shareholder value, and delivering economic value-add to the regions he has worked in. He has recently served as regional Chairman for Confederation of British Industry. 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 and Nomination Committee and member of the Audit Committee.

Karanpal Singh

Non-Executive Director

Appointed to the Board as Independent Director

06 December 2018.

Skills and expertise

Mr. Karanpal Singh serves as a Founder of Hunch Ventures. Mr. Singh has had a successful background in Real Estate, Hospitality, Mining and Construction and is among a new generation of self-made entrepreneur 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 Private 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.

Amit Dutta

Non-Executive Director

Appointed to the Board as Independent Director

from 11 January 2022.

Skills and expertise

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

External Appointments

Astral Travels Private Ltd.

Sea Sport Marine Private Limited
Luxury Hues Consultancy Services (India) Private Limited
Quintessentially Lifestyle Services (India) Private Limited
LH Consulting Private Limited
Radiant Hues CRM Solutions Private Limited
Radiant Hues Consultancy Services Private Limited
Teamonk Global Foods Private Limited
Hues Lifestyle Services (India) Private Limited
Flyblade (India) Private Limited

Committee membership

None.

Dmitri Tsvetkov

Non-Executive Director

Appointed to the Board as Independent Director

from 31 January 2022.

Skills and expertise

Dmitry has over 27 years of financial, accounting, and operational experience, including substantial experience working with promoter/founder-led energy sector listed businesses in London, Africa, Asia, and Canada. Since January 2024, Tsvetkov has served as Chief Financial Officer of Nexwell Power. Previously he was CFO of AIM London Stock Exchange and Toronto Stock Exchange listed companies, incl. i(x) Net Zero Plc and OPG Power Ventures Plc. He holds the designations of Chartered Accountant (CA) from the Canadian Institute of Chartered Accountants, FCCA from the Association of Chartered and Certified Accountants in the United Kingdom, and CFA from the CFA Institute in the United States.

External Appointments

Clarion Petroleum Limited

Committee membership

Chairman of Audit Committee and member of the Remuneration Committee.

Nikhil Gandhi

Director

Appointed as non-executive Director

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

Skills and expertise

Nikhil is a first-generation entrepreneur with business interests in infrastructure, defence, oil and 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 and 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.

Committee membership

Board member.

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, one Executive Directors and six 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.

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

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

Director	Board	AGM/EGM	Audit	Remuneration
Jeremy Warner Allen	6	1	1	1
Nikhil Gandhi	0	0	0	0
Lord Howard Flight	3	0	1	0
Jay Mehta	6	0	0	0
John Fitzgerald	6	0	1	1
Karanpal Singh	5	0	0	0
Dmitri Tvestov	6	0	3	1
Amit Dutta	5	0	0	0

2023 Board Activities

Significant matters considered during the year.

	2023
Leadership	Reviewed 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 page 28 of the strategic report.
Corporate Governance	Review of 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	There was equity fund raise of GBP 9,444,390 comprising of 314812993 shares of 3 pence each.

Accountability

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

Risk Management Framework

Risk management is the responsibility of the Board and is integral to the achievement of our strategic objectives. The Board is responsible for establishing the system of risk management, setting the risk appetite of the Group and for maintaining a sound internal control system. The Audit Committee oversees certain elements of this responsibility on behalf of the Board.

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

Guidelines Regarding Insider Trading

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

Audit Committee

Members

During the year, the Committee was composed of three members, the three Independent Non-Executives. The Company has appointed Dmitri Tsvetkov as an Independent Non- Executive Director and Chairman of Audit Committee 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 41.

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.

Significant Issues

The Audit Committee identified the issues below as significant in the context of the 2023 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 judgements made were correct.

Impairment testing (see note 3 to the financial statements) An impairment review is carried out annually by management to consider whether there is any indication that the Port may be impaired (i.e. its carrying amount may be higher than its recoverable amount). Impairment results in a charge to the Consolidated Statement of Comprehensive Income. Key judgements and assumptions need to be made when valuing the Port and the quantum of potential future cash flows arising from this asset.	The Audit Committee considered the significant judgements, assumptions and estimates made by management in preparing the impairment review to ensure that they were appropriate. In particular, the cash flow projections, port capacity, tariffs used, margins, discount rates, inflation and sensitivity analysis were reviewed. The Audit Committee also considered external market factors to assess reasonableness of management assumptions. The Group's Port Asset represents its most significant asset and PPE totals £115.30 million as at 31 December 2023 prior to impairment. Management is required to assess whether they consider there are any indications that the Group's assets may be impaired as at 31 December 2023. This assessment is undertaken in line with IAS 36 Impairment of Assets. Management determined that the indicators of impairment were the market capitalisation of the Group being lower compared to the carrying value of the Port Asset and the group not performing in the financial year 2023 as per forecasted results. The future viability and recoverability of the Port Asset is underpinned by the results achieved to date and the prediction of future value based on the future cash inflows generated from the assets. The Company initiated a valuation exercise with the support of an independent external agency to assess the impact of impairment of the Port Asset at the Enterprise Value in its financial Projections over the lease period. Based on the assessment made, there is an impact of £9.85 million (GBP Nine Million Eight Hundred Fifty Thousand) impairment charge recognised in the year. The assessment of the recoverable amount of the Port Asset required significant judgement and estimation by management and was therefore considered to be a key audit matter.

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 Consolidated Statement of Cash Flows and note 2 (a) to the financial statements highlight that the Group meets its day-to-day working capital requirements through cash from operations and its equity proceeds. The ongoing war between Ukraine and Russia and the war waged by Israel on Palestine/Lebanon, has further impacted the business across the globe thus causing heavy losses due to restriction in the movement of vessels by Sea as well as Air. To add to this worsening situation is the frequent attacks by Houthis in the Red Sea has compelled most of the business to incur heavy losses due to the increase in cost as well as affect the delivery of their raw material/cargo etc. This has resulted in inflation. Our key commodity handled during the year viz. coal was also impacted by the surge in prices. The Group has considered the possible effects that may result in increase in cost of various commodities, container traffic etc. due to the war and similar situations thus impacting normal movement of cargo / vessels by Air/ Sea and also delay in deliveries thus causing huge losses to our clients and indirectly to us as well as increase in prices of commodities on the carrying amounts of receivables and other financial assets and we have carried out a severe but plausible downside scenario. Under the severe but plausible downside of a 40% reduction in sales for FY24 and FY25 compared to management's base case scenario, considering the repayment of amounts due of the balance sheet date of principal and interest, we are able to sail through with the following inflows: Opening cash balance of £3.05 million; subscriptions (balance) receivable from Hunch of £4.12 million; The balance shortfall would be secured through the Credit line limit of £15.0 million extended by KJS Concrete Private Limited (Hunch Ventures group company). Based on the severe but plausible analysis, we can conclude that the Group is in fair position to navigate the current situation caused by the war in the Middle East and Europe and preparation of the accounts on a going concern basis is appropriate. Further information on the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 16 to the financial statements details the Group's objectives, policies and processes for managing the capital and its exposures to credit risk and liquidity risk. The management's forecasts and projections, taking account of possible changes in operational performance, show that the Group should be able to operate within the level of its current facility. The Board has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence over a period of at least 18 months from the date of approval of the financial statements. Accordingly, the Board considers it appropriate to adopt the going concern as a source of accounting in preparing the financial statements.

	In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting is included in the Key audit matters section of our report.
Depreciation of Port assets With the facility having become operational, utilization of its berth and storage area will ramp up over a period driven by signing of new contracts. The accounting treatment of the Port asset into its components, along with the assessment of residual values and useful lives, is considered to be a complex component of the audit.	The Audit committee have assessed reasonableness of management assumptions in relation to both the useful life of the Port and the start date of depreciation. Taking this into account, together with the documentation presented and the explanations given by management, we were satisfied with the thoroughness of the approach and judgements taken. The depreciation of the asset began in September 2019 when the first part of the Port was placed into operation. The useful life was determined to be the remaining life of the lease. During 2023, no additional parts of the Port have been placed into service.

Financial Reporting

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

Internal Controls

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

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

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

The Committee is of the view that the Group has made significant improvements during the year. The Chairperson (Dmitri Tsvetkov) 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 non-audit work, the cost of which was £100k approved by the audit committee and the same was undertaken by the auditors and were in a position to take action if it believed that there was a threat to the auditors' independence through the award of this work. This was accrued for in the prior year accounts.

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

The audit engagement lead is required to be replaced after five years. Following this rule, the audit committee will discuss the same and will deliberate on the subject of external auditor continuity. As per the FRC's practice aid for audit committees, the future audit tenders will be carried out in line with the same, post the signing of 2023 audited financial statements.

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 2023, the Group maintained corporate broking relationships with Cavendish Financial PLC (erstwhile known as 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 2023

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

Jay Mehta – Managing Director

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

Nikhil Gandhi –Non-Executive Director

Nikhil Gandhi's service agreement is with Karanja Terminal & Logistics Private Limited and is entitled to receive a base payment and currently no other benefits is payable under his service agreement.
During the Covid -19 pandemic, Nikhil Gandhi, as gesture of goodwill deferred his 65% salary and later on permitted the waiver of the salary due to him. This resulted in a write-back amount of £171,185 and is considered under Other Income in the income statement.

He is no longer on the board of Indian subsidiary, but continues to be on the board of Mercantile Ports & Logistics Ltd as at the balance sheet date.

Post-Retirement Benefits

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

Table of Directors' Remuneration:

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

	2023 **£ 000**	**2022** **£ 000**
Salary & Bonus	263	281
Fees	201	204
Other benefit	--	--
Pension Contributions	--	--
Total	**464**	**485**

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

For year ended 31 December 2023	**Directors' Salaries** **£ 000**	**Bonus Paid** **£ 000**	**Pension Contribution** **£ 000**	**Directors' fees** **£ 000**	**Total** **£ 000**
Jay Mehta	88	--	--	--	88
Nikhil Gandhi	--	--	--	--	--
Jeremy Warner Allen	--	--	--	40	40
Lord Flight	--	--	--	36	36

John Fitzgerald	--	--	--	45	45
Karanpal Singh	--	--	--	--	--
Amit Dutta	--	--	--	35	35
Dmitri Tsvetkov	--	--	--	45	45
Total	**88**	**--**	**--**	**201**	**289**

For year ended 31 December 2022	Directors' Salaries £ 000	Bonus Paid £ 000	Pension Contribution £ 000	Directors ' fees £ 000	Total £ 000
Jay Mehta	93	--	--	--	93
Nikhil Gandhi	188	--	--	--	188
Jeremy Warner Allen	--	--	--	40	40
Lord Flight	--	--	--	40	40
John Fitzgerald	--	--	--	45	45
Peter Mills	--	--	--	3	3
Amit Dutta	--	--	--	34	34
Dmitri Tsvetkov	--	--	--	42	42
Total	**281**	**--**	**--**	**204**	**485**

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.

Pavan Bakshi has been an adviser to the MPL board on various business as well as finance related aspects and is drawing a remuneration in the capacity of Key Management Personnel and hence his name considered in the above table.

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

During the financial year ending 31 December 2023 and 2022, Karanpal Singh, the representative for Hunch Ventures, was not remunerated by the Company.

Performance Evaluation

The Board as a whole regularly reviews the effectiveness of its performance as a unit, as well as that of its committees and the individual Directors. John Fitzgerald as Chairman of the Remuneration Committee has agreed to look into performance evaluation of the other Directors, the Board (taken as a whole) and the Board's committees, which could not be exercised due to unavoidable circumstances; this will, however be done in conjunction with an outside advisor in 2024. He will be 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.

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

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

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

Interests in Shares

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

Particular	Ordinary Shares held as at 1 January 2023	Ordinary Shares held as at 31 December 2023	Change
Lord Flight (Non-Executive Director)	230,538	630,538	400,000
John Fitzgerald (Non-Executive Director)	56,583	645,510	588,927
Jeremy Warner Allen (Non-Executive Director)	519,545	3,852,878	3,333,333
Karanpal Singh (Non-Executive Director) *	11,819,712	136,819,712	125,000,000
Jay Mehta (Managing Director)	205,780	3,539,113	3,333,333
Nikhil Gandhi	--	983,512	983,512
Dmitri Tsvekov	--	291,743	291,743

*Shares held through Hunch Ventures and Investments Private Limited.

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

Opinion

Our opinion on the group financial statements is unmodified

We have audited the group financial statements of Mercantile Ports & Logistics Limited (the 'group') for the year ended 31 December 2023, 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 group 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 as adopted by the European Union ("IFRS").

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2023 and of its loss for the year then ended;
- are in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"); and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

Basis for opinion

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

Conclusions relating to going concern

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

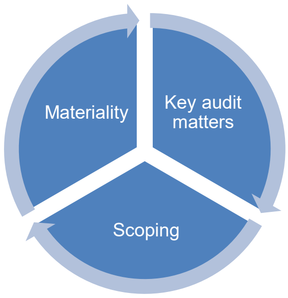
A description of our evaluation of management's assessment of the group's ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation, is included in the key audit matters section of our report.

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

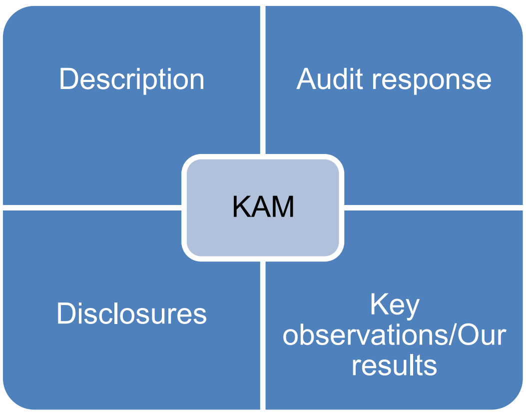
Our approach to the audit



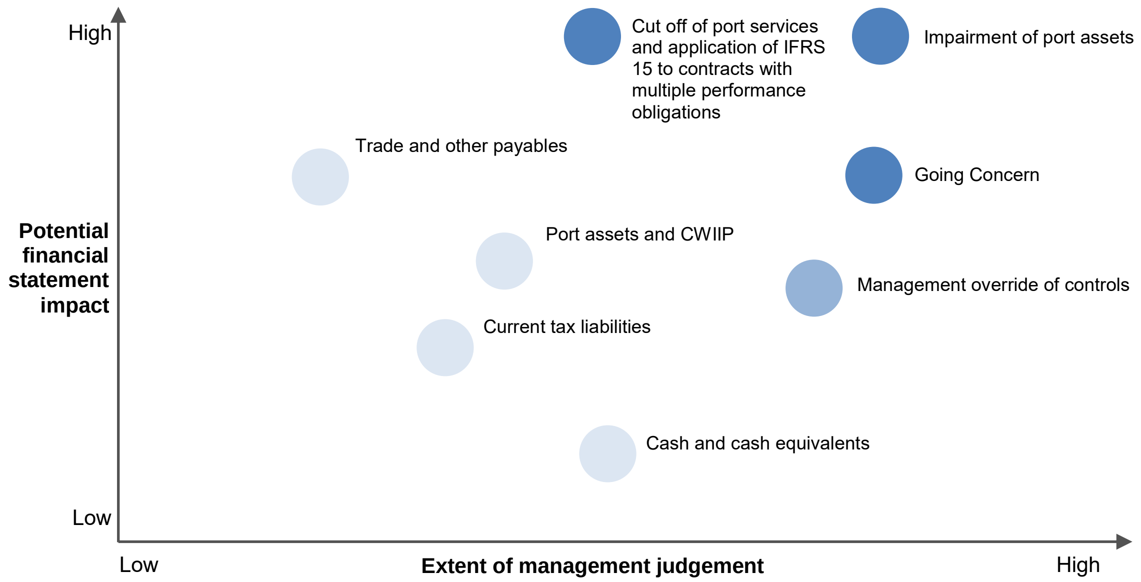
Overview of our audit approach
Overall materiality: £750,000, which represents 0.59% of the group's total assets.
Key audit matters were identified as: • Impairment review of port assets (same as previous year) • Fraud risk in revenue recognition (same as previous year; however, our fraud risk has been pinpointed to year-end cut-off of port services and the application of IFRS 15 to contracts with multiple performance obligations); and • Going concern (same as previous year) Our auditor's report for the year ended 31 December 2022 included no key audit matters that have not been reported as key audit matters in our current year's report.
The audit was performed by the group engagement team in the UK. This included a full-scope audit of the financial information of the Indian subsidiary, specific-scope audit procedures on the financial information of the parent company in Guernsey and analytical procedures on the financial information of the intermediate holding company in Cyprus. There were no changes to the scope of the audit since the previous year.

Key audit matters

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



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



	Key audit matter		Significant risk		Other risk

Key Audit Matter	How our scope addressed the matter
Impairment review of Port Assets Due to the subjectivity of the judgements detailed below, we identified the impairment review of port assets as one of the most significant assessed risks of material misstatement due to error. The port and logistics facility in Mumbai is the main operating asset of the group and is responsible for the generation of future revenues and cash flows in the group. At the end of the year, the facility had a carrying value of £115.2m (2022 - £127.4m). This includes the value of the port assets in use as well as a portion of assets under development. The market capitalisation of the group at year end is ca. £5.85m. The book	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of the control environment and business processes associated with the impairment, with a walkthrough test performed to assess the design and implementation effectiveness of related controls, including the methodology applied by management to identify indicators of impairment; • Obtained and tested management's model for mathematical accuracy and confirmed that the assumptions within the model are consistent with those of the going concern assessment;

Key Audit Matter	How our scope addressed the matter
value of the port assets (including CWIP) at 31 December 2023 is £106.75m, which is substantially higher than the value of the market cap. Furthermore, the operations have also generated losses of £11.4m prior to impairment and revenue of £5.4m respectively for year ended 31 December 2023 (year-end 31 December 2022: Revenue was £4.9m and loss was £ 9.64m). The planned growth has not materialised in accordance with previous forecasts. These factors indicate that the asset may be impaired. When there are indications of impairment, management is required to perform an impairment review of the port assets at the year end, in accordance with International Accounting Standard ('IAS') 36 'Impairment of Assets'. The assessment of the port asset for impairment requires management to make a number of significant judgements, including: • Discount rate applied; • Estimated forecasted revenues; and • Operating profit margins expected	• Challenged the key underlying assumptions used in the model such as revenue growth, margin, expenditure and capacity utilisation; • Corroborated the growth forecasts to the commencement and enforceability of client contracts, along with which of these have been signed and have commitments made by clients; • Compared management's assumptions against external economic forecasts that reflect the uncertainties inherent within the current economic environment' that could impact on the demand for services and growth potential; • Evaluated the competence, capability, and objectivity of management's expert appointed to support management in the calculation of the WACC (Weighted average cost of capital) and the Discounted Cash Flow (DCF) analysis; • Engaged our internal valuation experts to assess the reasonableness of the discount rate applied to forecast cash flows; • Applied sensitivities to key inputs in the value-in-use calculations of the port assets to determine the headroom and robustness of the calculation; and • Identified and considered the adequacy of the disclosures against the requirements of IAS 36.
Relevant disclosures in the Annual Report & Accounts for the year ended 2023 • Financial statements: Note 3, (significant accounting judgements, estimates and assumptions), Impairment review and Note 12.	**Key observations** Based on our review, we observed that management initially determined an impairment of £6.05 million in their model. We challenged the projection and growth rates used in this model. As a result of audit team challenge,

Key Audit Matter	How our scope addressed the matter
	management revisited their model and amended their impairment to be £9.85m.
Fraud risk in revenue recognition - Cut off of port services and application of IFRS 15 to contracts with multiple performance obligations We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. As detailed within the accounting policies to the group financial statements, the group substantially derives revenues from contracts with customers with regards to port operations and logistics services, sale of traded goods and long term leases. Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to fraudulent transactions. Management continues to apply the provisions of International Financial Reporting Standard ('IFRS') 15 'Revenue from Contracts with Customers'. We consider the application of this Standard to be complex given a significant proportion of the group's revenue is contract-based with multiple performance obligations, each of which may have different recognition requirements. Consequently, there is a significant risk over the identification of the IFRS 15 contract terms and accuracy and occurrence of revenue.	In responding to the key audit matter, we performed the following audit procedures: • Obtaining a detailed understanding of the manual and automated processes, and relevant controls, concerning the recognition of revenue, along with performing walkthrough tests to determine the implementation effectiveness of these; • Assessed management's analysis of the recognition of revenue for a sample of contracts to determine whether revenue recognition is in accordance with accounting policies and the detailed criteria within IFRS 15, corroborating key judgements made or specifics of these contracts with individuals outside of the finance team and with a third party where applicable; • Inspected a sample of contracts to agree the performance obligations and transaction price to the contract and confirm whether these have been appropriately recognised, along with the associated contract assets and liabilities; and • Tested a sample of revenue for the final two weeks of the year and first two weeks of 2024 to determine whether revenue has been recorded in the correct period.

Key Audit Matter	How our scope addressed the matter
With regards to port services, invoices are raised and posted to the system during the week before the vessel is due to arrive. Therefore, there is a risk due to timing differences between invoicing for port services and occurrence as port services. As a result, the significant risk is adjudged to relate the recognition of revenue around the year end (cut-off).	
Relevant disclosures in the Annual Report Financial statements: Note 2 (e), Significant Accounting Policies – Revenue recognition and Note 5, Revenue from operations.	**Our results** Our audit work did not identify material misstatements in revenue due to fraud.
Going Concern	
We identified going concern as one of the most significant assessed risks of material misstatement due to error. As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's business model including effects arising from macro-economic uncertainties such as the war between Ukraine/Russia and the war between Israel and Palestine/Lebanon which has adversely impacted the global shipping trade. We assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the	In responding to the key audit matter, we performed the following audit procedures: • Obtained management's base case and downside scenario forecasts for the period to 31 December 2025 together with supporting evidence for all key trading, working capital and cash flow assumptions; • Performed arithmetical accuracy procedures on each of management's forecast scenarios, including forecast liquidity; • Assessed the robustness of forecasts prepared by comparing actual results to amounts previously forecast to assess reliability of the forecasting process and assessing post-year end actual results to determine whether management's forecasts were accurate or whether there are otherwise any indicators that they may not be reliable;

Key Audit Matter	How our scope addressed the matter
group's financial resources or ability to continue operations over the going concern period. There have been positive developments in FY23, with the group successfully raising funds of £9.044 million which is being utilised to service debt and working capital requirements, resulting in a cash position at 31 December 2023 of £3m and management are aiming to renegotiate the debt agreements during the 2024. There has been a growth in revenue activities as compared to prior year with revenue earned amounting to £5.3 million (FY22: 4.87 million). However, the business has still made a loss for the period ending June 2023 of £11.1m (FY22: £9m) The debt position as at 31 December 2023 is £39.1m (including short term loans), as compared to £43.96 million at 31 December 2022. As at the end of December 2023 management have not yet been able to secure a debt restructuring that would include a moratorium on interest and principal repayments.	• Challenged the key underlying assumptions used in the model such as revenue growth, margin, expenditure and capacity utilisation; • Obtained management's severe but plausible downside scenario ('severe downside scenario'), where growth expectations are not achieved, the bank restructuring is not included and where all current debt obligations are immediately payable and no deferral of principal or interest is included; • Corroborated the growth forecasts to the commencement and enforceability of client contracts that have been entered into; • Obtained and analysed the funding arrangements in place and confirmed whether there is sufficient headroom in place to cover cash flow requirements during the period of at least 12 months from signing; and • Assessed the policies and disclosures in respect of going concern in the financial statements for appropriateness;
Relevant disclosures in the Annual Report • Financial statements: Note 2, Basis of preparation • Director Report	**Our results** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Our application of materiality

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

Materiality was determined as follows:

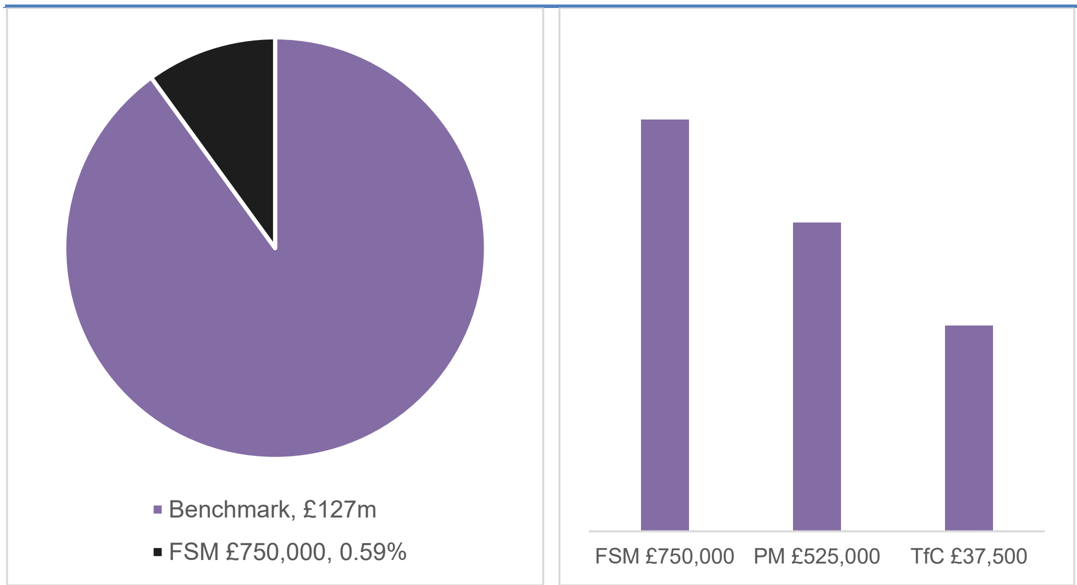
Materiality measure	Group
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	**£750,000 (2022 : £1,000,000)**, which represents **0.59%** of **total assets**
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • What measure a user of the financial statements would consider to be most important to them. This was determined to be total assets given this is the largest balance in the consolidated statement of financial position and how the entity expects to generate future sales; • Determining the level at which a user of the accounts would consider an error to be significant to them. We believe that there was not enough of a change in the business that would warrant using a higher materiality than the prior year; • Whether or not the revenue recognised would have a lower threshold or significance for an error. As a result, we decided to use a lower threshold for testing revenue. Total assets is considered the most appropriate benchmark 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 2022 to reflect that the assets base has decreased compared to the prior period. We have determined materiality at £750,000, with consideration to both total assets and loss before tax, to reflect the fact the business is now in its fourth year of operations.

Materiality measure	Group
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	£525,000 (2022: £700,000), which is 70% (2022: 70%) of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the following significant judgements: • Consideration of the control environment at the group and component levels; • The quantum and volume of audit adjustments and unadjusted misstatements in the prior year; and • The inherent risks associated with market pressures of publicly trading businesses.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
Specific materiality	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; • Related party transactions; • Cash; and • Revenue
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.
Threshold for communication	£37,500 (2022: £50,000), which represents 5% of financial statement materiality, and misstatements below that

Materiality measure	Group
	threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the threshold for communication to the audit committee.

Overall materiality Group



FSM: Financial statement materiality, PM: Performance materiality, TfC: Threshold for communication to the audit committee

An overview of the scope of our audit

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

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

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile. The group's operations and finance function is resourced in Mumbai, India, and the accountants for the component based in Cyprus report into the central finance function.

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

The group engagement team obtained an understanding of the control environment for each significant component. We also assessed the risks of material misstatement for each component.

Identifying significant components

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

The Karanja Terminal & Logistics Private Limited (KTLPL) component (based in India) generates 100% of the group's revenue. KTLPL contributes to 92% of the group's loss before tax and 93% of the group's total assets. As a result, KTLPL has been identified as the only individually financially significant component of the group.

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

A full scope audit of the financial information using component materiality was performed on the significant component, KTLPL. The KAMs for revenue recognition and impairment of the port asset relate to this component.

An audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit procedures) was performed on the parent company, Mercantile Ports & Logistics Ltd (based in Guernsey).

Analytical procedures at group level (analytical procedures) were performed on the remaining component within the group, Karanja Terminal and Logistics (Cyprus) Ltd (based in Cyprus).

Performance of our audit

All audit procedures were performed by the group engagement team based in the UK with the support from Grant Thornton Bharat LLP, which is involved in the current year audit as part of the Group audit team. Grant Thornton Bharat LLP visited the client site and performed the audit at the client premises and also visited the port assets located in India. The group audit team directed procedures and testing performed and held regular teleconferences to discuss issues and supervise testing.

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

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage LBT
Full-scope audit	1	95% (2022: 97%)	100% (2022: 100%)	92% (2022: 90%)
Specific-scope audit	1	5% (2022: 3%)	0%	8% (2022: 10%)
Analytical procedures	1	0%	0%	0%
Total	**3**	**100%**	**100%**	**100%**

Changes in approach from previous period

We have considered the revenue cut off only and application of IFRS 15 to contracts with multiple performance obligations as our KAM for this year audit. In the prior year we considered the KAM to be fraud in revenue recognition throughout the period and contracts with multiple performance obligations.

Other information

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

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 in the group financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 30, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We identified the following laws and regulations as being of significance in the context of the group: International Financial Reporting Standards as adopted by the European Union ("IFRS"); Indian tax laws and The Companies (Guernsey) Law, 2008; We obtained an understanding of the legal and regulatory framework applicable to the group through discussions with management, research into the industry and our experience. We have determined that management ensures compliance with the framework through the following means: including tests of detail within our audit approach to identify potential issues of non-compliance; and obtaining internal policies and assessing alignment to relevant standards and implementation thereof.

Our audit work was designed to identify non-compliance with such laws and regulations and included the following audit procedures:

- enquiring of management; inspecting board minutes and examining legal and professional fees to identify if there were any instances of non-compliance; inspecting regulatory announcements and performing a review of publicly available information; and examining correspondence with Indian tax authorities.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation; knowledge of the industry in which the client operates; and the level of supervision of junior team members, and oversight provided by a quality control review.

We communicated relevant laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Grant Thornton UK LLP
London
26 June 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
CONTINUING OPERATIONS			
Revenue	4	5,462	4,872
Cost of sales	5	(2,417)	(1,449)
Gross margin		3,045	3,423
Administrative expenses	6	(3,266)	(3,747) *
Other income		590	--
Depreciation	11a	(5,581)	(6,231) *
Impairment loss	11a	(9,853)	--
OPERATING LOSS		**(15,065)**	**(6,555)**
Finance income	7(a)	25	38
Finance cost	7(b)	(6,225)	(5,543)
NET FINANCING COST		**(6,200)**	**(5,505)**
LOSS BEFORE TAX		**(21,265)**	**(12,060)**
Tax income /(expense) for the year	8	--	2,421
LOSS FOR THE YEAR		**(21,265)**	**(9,639)**
Loss for the year attributable to:			
Non-controlling interest		(43)	(18)
Owners of the parent		(21,222)	(9,621)
LOSS FOR THE YEAR		**(21,265)**	**(9,639)**
Other Comprehensive (Loss)/income: **Items that will not be reclassified subsequently to profit or (loss)**			
Re-measurement of net defined benefit liability	24	27	1
Items that will be reclassified subsequently to profit or (loss)			
Exchange differences on translating foreign operations		(5,015)	808
Other comprehensive expense for the year		**(4,988)**	**809**
Total comprehensive expense for the year		**(26,253)**	**(8,830)**
Total comprehensive expense for the year attributable to:			
Non-controlling interest		(43)	(18)
Owners of the parent		(26,210)	(8,812)
		(26,253)	**(8,830)**
Earnings per share (consolidated): Basic & Diluted, for the year attributable to ordinary equity holders	10	**(0.105p)**	**(0.232p)**

* Depreciation has been re-grouped from Administrative expenses to present it separately. This is considered to be a change in accounting policy from prior year, but is deemed to considered to provide more useful information on entity performance for the period, due to the significance of depreciation to the statement of comprehensive income and clearer understanding of entity trading performance.

1. The accompanying notes on page **68 to 109** form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Assets			
Property, plant and equipment	11(a)	105,355	127,382
Intangible asset	11(b)	63	14
Non-current tax assets	19 (a)	--	2,108
Total non-current assets		**105,418**	**129,504**
Current tax assets	19 (b)	2,114	--
Inventory of traded goods		72	96
Trade and other receivables	12	16,339	14,110
Investments	13	173	--
Cash and cash equivalents	14	2,881	558
Total current assets		**21,579**	**14,764**
Total assets		**126,997**	**144,268**
Liabilities			
Non-current			
Employee benefit obligations	18	35	53
Borrowings	19	36,399	39,165
Lease liabilities payable	20	1,457	1,611
Non-current liabilities		**37,891**	**40,829**
Current			
Employee benefit obligations	17	276	529
Borrowings	18	10,672	2,307
Current tax liabilities	19 (c)	61	17
Lease liabilities payable	20	335	817
Trade and other payable	20	4,131	8,388
Current liabilities		**15,475**	**12,058**
Total liabilities		**53,366**	**52,887**
Net assets		**73,631**	**91,381**
Equity			
Stated Capital	16	152,354	143,851
Retained earnings	16	(47,217)	(26,022)
Translation Reserve	16	(31,444)	(26,429)
Equity attributable to owners of parent		**73,693**	**91,400**
Non-controlling Interest		(62)	(19)
Total equity		**73,631**	**91,381**

1. The accompanying notes on page **68 to 109** form part of these consolidated financial statements.
2. The consolidated financial statements have been approved and authorized for issue by the Board on 26 June, 2024.

Jay Mehta
Director

DocuSigned by:
Jay Mehta
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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax		(21,265)	(12,060)
Non cash flow adjustments	22	21,548	11,748
Operating (loss) before working capital changes		**283**	**(312)**
Net changes in working capital	22	(224)	305
Taxes paid		(6)	(85)
Net cash used in operating activities		**53**	**(92)**
CASH FLOW FROM INVESTING ACTIVITIES			
Used in purchase of property, plant and equipment (PPE)		(1,651)	(1,425)
Sale proceeds of PPE		6	--
Finance Income	8	25	38
Net cash used in investing activities		**(1,620)**	**(1,387)**
CASH FLOW FROM FINANCING ACTIVITIES			
From issue of additional shares		5,640	--
Fund raise cost		(941)	--
Subscription money received (from the previous fund raise)		797	2,452
Repayment of bank borrowing principal		(99)	(881)
Interest paid on borrowings		(749)	(4,217)
Principal repayment of lease liabilities		(737)	(138)
Interest payment on leasing liabilities principal		(9)	--
Net cash from financing activities		**3,902**	**(2,784)**
Net change in cash and cash equivalents		**2,335**	**(4,262)**
Cash and cash equivalents, beginning of the year		558	4,783
Exchange difference on cash and cash equivalents		(12)	37
Cash and cash equivalents, end of the year		**2,881**	**558**

The accompanying notes on page **68 to 109** form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Stated Capital	Translation Reserve	Retained Earnings	Other Components of equity	Non-controlling Interest	Total Equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2023	**143,851**	**(26,429)**	**(26,022)**	--	**(19)**	**91,381**
Issue of share capital	9,444	--	--	--	--	9,444
Share Issue cost	(941)	--	--	--	--	(941)
Transaction with owners	**152,354**	**(26,429)**	**(26,022)**	--	**(19)**	**99,884**
Loss for the year	--	--	(21,222)	--	(43)	(21,265)
Foreign currency translation difference for foreign operations	--	(5,015)	--	--	--	(5,015)
Re-measurement of net defined benefit liability	--	--	--	27	--	27
Re-measurement of net defined benefit liability transfer to retained earning	--	--	27	(27)	--	--
Total comprehensive income for the year	--	(5,015)	(21,195)	--	(43)	(26,253)
Balance at 31 December 2023	**152,354**	**(31,444)**	**(47,217)**	--	**(62)**	**73,631**
Balance at 1 January 2022	**143,851**	**(27,237)**	**(16,402)**	--	**(1)**	**100,211**
Transaction with owners	--	--	--	--	--	--
Loss for the year	--	--	(9,621)	--	(18)	(9,639)
Foreign currency translation difference for foreign operations	--	808	--	--	--	808
Re-measurement of net defined benefit liability	--	--	--	1	--	1
Re-measurement of net defined benefit liability transfer to retained earning	--	--	1	(1)	--	--
Total comprehensive income for the year	--	808	(9,620)	--	(18)	(8,830)
Balance at 31 December 2022	**143,851**	**(26,429)**	**(26,022)**	--	**(19)**	**91,381**

The accompanying notes on page **68 to 109** form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The consolidated financial statements of the Company comprise of the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The consolidated financial statements have been prepared for the year ended 31 December 2023, and presented in UK Sterling (£).

The principal activities of the Group are to develop, own and operate a port and logistics facilities. As of 31 December 2023, the Group had 45 (Forty-five) (2022: 44 (Forty-four)) 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.

Climate Change and its impact on Karanja Port

Introduction

Climate change poses a significant threat to global sea ports, which are critical nodes in international trade and transportation. The rising sea levels, increased frequency and intensity of storms, and shifting weather patterns associated with climate change present multifaceted challenges to port operations and infrastructure.

The company has anticipated following key impacts of climate change for its operational activity:

1. **Sea Level Rise:**

- **Inundation of Port Facilities**: Rising sea levels may inundate low-lying port areas, causing structural damage to port infrastructure such as berth, open and covered storage yard, storm water drain and road.
- **Increased Flooding:** Higher sea levels exacerbate the risk of flooding, particularly during high tides and storm surges, leading to operational disruptions and increased maintenance costs. This may lead to a significant downtime for revival and smooth operation.

2. **Extreme Weather Events:**

- **Storm Surges:** More frequent and severe storms can cause significant damage to port infrastructure, delay shipping schedules, and increase the risk of accidents and cargo loss. In 2020, Karanja Port was impacted severely by cyclone named "Nisarga" which led to financial loss of approximately 0.7 mn (₹7 Crore). Similar natural catastrophic situations can be anticipated in future with major financial implication.
- **High Winds and Heavy Rainfall:** These conditions can disrupt loading and unloading operations, damage cargo, and pose safety risks to port employees/workers. However, this is covered in the Port insurance.

3. **Temperature Changes:**

- **Thermal Expansion**: Higher temperatures cause thermal expansion of sea water, contributing to sea level rise, leading to additional maintenance cost.

4. Infrastructure Stress:

- **Wear and Tear**: Increased exposure to saltwater and extreme weather conditions accelerates the wear and tear on port infrastructure leading to increase in maintenance cost and significant stress to capital cost.

- **Adaptation and Resilience Costs**: Ports need to invest in resilient infrastructure and adaptive measures, such as raising berth levels in future and improving drainage systems.

Karanja Port has adapted following strategies to mitigate the above anticipated challenges:

1. Infrastructure Upgrade:

- **Elevating Structures**: Raising the height of berth, ground level of open and covered storage yard and other critical infrastructure can help mitigate the risk of flooding. This will increase the expected lifespan on the project and ROI.

- **Storm Surge Drainage**: Constructing storm surge drainage can protect Karanja port from water logging or flood caused due to rising sea levels and storm surges.

2. Operational Changes:

- **Flexible Scheduling**: Emergency management plan for such extreme climate changes are already in place in Karanja Port for Implementing flexible scheduling of the operational vessels to compensate the delays caused by extreme weather and can help the port to maintain operational efficiency.

- **Enhanced Monitoring**: The operations team is already vigilant and has adopted advanced weather forecasting and sea level monitoring systems to provide early warnings and improve preparedness for extreme events.

3. Environmental and Regulatory Measures:

- **Adopting and complying to Environmental Regulations**: Karanja Port is already complying with all the relevant environmental regulations and international guidelines to ensure that ports contribute to global climate mitigation efforts.

- **Sustainable Practices:** Karanja Port has adopted sustainable practices, such as waste management, water stewardship, efficient use of power, optimum vessel and equipment operations to reduce emissions from port operations to help mitigate the port's environmental footprint.

4. Collaborative Efforts:

- **Stakeholder Engagement:** Karanja Port promotes involvement of internal and external stakeholders for example improvement of local community by preferring engagement of local contractors and candidates for employment. Out of the total staff strength, the company has employed 34% locals at the port currently and implementing the policies in the benefit of employees.

CONCLUSION

Since Karanja Port is on the frontline of climate change impacts, facing such significant challenges requires immediate and sustained action. MPL board has been in serious discussion internally to address this concern through strategic planning, infrastructure investment, and collaborative efforts. Karanja Port, can enhance its resilience to climate change and ensure the continuity of trade and transportation. Addressing these challenges proactively will be critical in safeguarding the economic and operational stability of the port. However, the Management has secured the port with a full coverage by insuring the asset to mitigate from all risk of uncertainties and eventualities.

Going Concern

In determining the appropriate basis of preparation of the financial statements for the period ended 31 December 2023, the Directors are required to consider whether the Group can continue in operational existence for a period of at least 12 months from the approval of these financial statements. The Board has concluded that the Group is a going concern and the Annual Report and Accounts have been prepared on that basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the trading position of the Group.

The financial year 2023 has been a year engulfed in War between Ukraine/Russia and the latest being the war between Israel and Palestine/Lebanon which has adversely impacted the shipping business across the world and results for the period.

MPL board has assessed the Group's ability to operate as a going concern for the next 18 months from the date of signing the financial statements to the 31st December 2025, based on the financial model which was prepared as part of approving the 2024 budget. This is considered the appropriate period of assessment, as it is in line with the board approved budgets and captures the seasonality of cash flows. The current principal loan repayments since March 2023 quarter till the balance sheet date as well as the interest for the period from March 2023 to December 2023 is unpaid, due to the current restructuring proposal being at an advanced stage with the head office of the lead banker, the precondition of the proposed sanction would be to prepay the over dues up to December 2023 prior implementing the restructuring plan, on sanctioning of the restructuring.

However, the operations at the Karanja Port are in the process of ramp up with the signing of fresh contracts with a large cement company and announcement of ongoing business with one of India's largest Oil & Gas company for their operations at our port, and the Directors are very optimistic about the business potentials at the Port for the period 2024 onwards and hence have considered the cash forecasts Twenty Four months from 1 January 2024 up to 31st December 2025, together with certain assumptions for revenue and costs, to satisfy on the appropriateness of the going concern used in preparing the financial statements.

Regarding financing, the group had capital of £ 2.88 million cash balance as at 31 December 2023. While the Indian subsidiary has already submitted the fresh proposal in February, 2023 for restructuring of the term loan with its current consortium of lenders, the board is confident of getting the sanction by end of June 2024 and the proposal is in its final phase of sanction. Payments of principal and interest have not been made since March 2023 while bank negotiations are ongoing.

The directors have prepared a base case scenario, in which sales are forecast to increase significantly due to the ramp up of operations set out above. Management have prepared a severe but plausible downside scenario ('severe downside scenario'), where growth expectations are not achieved, the bank restructuring is not included and all payments of principal and interest are made, including contractual payments due by 31st December not yet paid. The severe downside scenario has a significant adverse impact on sales, gross margin and cash flows including a 40% reduction in sales for FY24 and FY25 against Managements' base case scenario.

The severe downside scenario modelled indicates that there would be a shortfall of cash within the going concern period. To cope with an eventuality of any shortfall during the period, an additional line of unsecured credit limit from KJS Concrete Private Limited (Hunch Ventures Group Company) amounting to £ 15 million is availed to mitigate funding risk as well as ensuring continuity in business.

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

A range of mitigating actions within the control of management has been assumed, including managing our regular vendors with bare minimum support and extension of credit during these critical years and also controlled expenditure on all non-essential services.

The directors have determined that, over the period of the going concern assessment, there is not expected to be a significant impact resulting from climate change

The Group continues to closely monitor and manage its liquidity risk. In assessing the Group's going concern status, the Directors have taken account of the financial position of the Group, anticipated future utilization of available fund, its capital investment plans and forecast of gross operating margins as the business evolves and ramps up. The Company has had frequent conversations to date with its longstanding syndicate and advisors.

Based on the above indicators, after taking into account the recent fundraising and the renegotiation on the debt restructuring, and line of credit from Hunch Ventures that would cover any shortfall in a severe but plausible downside scenario, the Directors believe that it remains appropriate to continue to adopt the going concern in preparing the forecasts.

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 2023. Subsidiaries are entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through holding more than half of the voting rights. The financial statements of the subsidiaries are prepared for the same period as the Company using consistent accounting policies. The fiscal year of Karanja Terminal & Logistics Private Limited (KTPL) ends on March 31 and its accounts are adjusted for the same period for consolidation.

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

Non-controlling interest

Non-controlling interest, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interest.

c) LIST OF SUBSIDIARIES

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

Subsidiary	Immediate Parent	Country of Incorporation	% Voting Rights	% Economic Interest
Karanja Terminal & Logistics (Cyprus) Ltd	Mercantile Ports & Logistics Limited	Cyprus	100.00	100.00
Karanja Terminal & Logistics Private Limited*	Mercantile Ports & Logistics Limited	India	8.11	8.11
Karanja Terminal & Logistics Private Limited*	Karanja Terminal & Logistics (Cyprus) Ltd.	India	91.67	91.67

Karanja Terminal & Logistics (Cyprus) Ltd is wholly owned subsidiary of Mercantile Ports and Logistics Limited. Karanja Terminal & Logistics (Cyprus) Ltd holds 91.67% shares, Mercantile Ports & Logistics Limited holds 8.11% shares in Karanja Terminal & Logistics Private Limited and the balance 0.22% (50,0000 shares out of 22,968,727) is held by various other minority shareholders.

* Financial year end for Karanja Terminal & Logistics Private Limited ("KTLPL") is April to March, as same is governed by Companies Act 2013, but for preparing group financials we have considered January to December period.

d) FOREIGN CURRENCY TRANSLATION

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

- Karanja Terminal & Logistics (Cyprus) Ltd ("KTLCL") - Euro
- Karanja Terminal & Logistics Private Limited ("KTLPL") - Indian Rupees

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

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date).
In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than GBP are translated into GBP upon consolidation.

On consolidation, the assets and liabilities of foreign operations are translated into GBP at the closing rate at the reporting date. The income and expenses of foreign operations are translated into GBP at the average exchange rates over the reporting period. Foreign currency differences are recognised in other comprehensive income in the translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserves shall be transferred to the profit or loss in the Consolidated Statement of Comprehensive Income.

e) REVENUE RECOGNITION

Revenue mainly consists of services relating to use of the port by customers and includes services such as hiring of land, wharf-age, hiring of equipment, loading/unloading, stevedoring, storage and from value added activities i.e. trading activities which is incidental to providing port services.

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

Performance obligations are satisfied on handing over the land and / or equipment to the customer / lessee, completion of loading/unloading, stevedoring services, providing storage facilities and shipment of goods on customers' vehicle.

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. Recognizing revenue as and when performance obligation(s) are satisfied.

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

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

Contract asset – The Group's recognises contract asset i.e. right to consideration in exchange for goods or services that the Group has transferred to a customer,

Contract liability – The Group's obligation to transfer goods and services to a customer for which the Group has received consideration (or the amount is due) from the customer.

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

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

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

Port operation and logistics services

Revenue from port operation services including cargo handling, storage, other ancillary port and logistics services including the end-to-end value-added services with respect to coal supply and delivery are measured based upon cargo handled at rates specified under the contract and charged on per metric tonne basis.

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

Revenue is recognized in the accounting period in which the services are rendered and completed till reporting date. Amounts are invoiced based on the estimated arrival date of the vessel provided by the customer, and revenue recognised when the service is provided.

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

Performance obligations are considered on a contract-by-contract basis against the requirements of IFRS 15. For each service the customer can benefit from the good or service with "resources that are readily available to the customer". The nature of the promise to the customer is considered within the context of the individual customer contract and whether the promise to transfer a combined item of overall port services, which can vary on a per customer basis.

Revenue from sale of traded goods

Revenue from sale of traded goods i.e. coal is recognized on transfer of control to the customers, which is generally on dispatch of goods to the customer. The delivery is handled by the customer and therefore control is deemed to have been transferred to the customer at this point and is invoiced on delivery.

Sales are stated exclusive of Goods and Service Tax ("GST").

Income from long term leases

As a part of its business activity, the Group sub-leases land on a short-term basis to its customers.

The headlease is not a short-term lease and thus the sublease must be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the economic useful life of the underlying asset.

As a part of its business activity, the Group sub-leases land on a short-term basis to its customers. It is concluded that the subleases is an operating lease because none of the indicators for a finance lease in IFRS 16 are present.

The lease income is recognised from the sublease on a straight-line basis over the period of lease / sub-lease agreement / date of memorandum of understanding takes effect over lease period and annual lease rentals are recognised on an accrual basis.

Amounts are invoiced as the service provided, on either a monthly or ad hoc usage basis depending on the customer.

Interest income

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

f) Borrowing cost

Borrowing costs directly attributable to the construction of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the period in which they are incurred and reported under finance costs.

g) Share based payments

The Group has entered into a equity-settled share-based arrangement with its service provider.

All services received in exchange for the grant of any share-based payment are measured at the fair value of services received. The service provider is rewarded with share-based payments, the number of shares issued in exchange for the services received based on the fair values of services.

All share-based payments is recognised as an expense in the Statement of Comprehensive Income with a corresponding credit to Share Capital up to the nominal value of the shares issued with any excess being recorded as Share Premium.

h) EMPLOYEE BENEFITS

i) Defined contribution plan (Provident Fund)

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

ii) Defined benefit plan (Gratuity)

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

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

iii) Short term benefits

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

i) Leases

As a lessee

The Company mainly has lease arrangements for converting the waterfront into reclamation of land for construction of Port for terminal and logistics operations. The land thus reclaimed consist of the open space and also offices, warehouse spaces and equipment.

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

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

- The lease term changes or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;

- The lease payments change due to the changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate;

- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

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

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

As a lessor

As a lessor the Group classifies its leases as either operating or finance leases. The Group assessed whether it transfers substantially all the risks and rewards of ownership. Those assets that do not transfer substantially all the risks and rewards are classified as operating leases. The Group has currently not entered into any lease that is classified as finance lease.

Lease income from operating leases where the Company is a lessor is recognized in income on a straight-line basis over the lease term unless a systematic basis more representative of the pattern in which benefit from the use of the underlying asset is diminished is suitable

j) INCOME TAX

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Calculation of current tax is based on tax rates and tax laws that have been substantively enacted by the end of the reporting period.

Deferred tax

The income tax is being 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.

k) FINANCIAL ASSETS

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

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

Classification and 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 FVTPL or 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 IFRS 9.

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 IFRS 9'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.

l) FINANCIAL LIABILITIES

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 , 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). In the periods presented, the corporation does not have any financial liabilities categorised as FVTPL or FVOCI.

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.

m) PROPERTY, PLANT AND EQUIPMENT

MPL's balance sheet contains significant property, plant and equipment, and right-of-use assets primarily comprising of assets relating to port, office, plant and machinery, vehicles and other movable assets. Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

The Indian subsidiary has constructed and developed the port which is now fully operational. The basic infrastructure is ready, however, depending on the specification of the customer and cargo dimension, the ground improvement etc. will be carried out and made worthy for operation and once complete will be accordingly transferred from Capital Work-in-Progress to Property, Plant and Equipment when the assets deemed ready to use. Hence, the Group has been prudently transferring the assets to Property, Plant and Equipment on the basis of utilisation of space for operations.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets are recognised in profit or loss within other income or other expenses.

Right-of-use assets:

Right-of-use assets, the cost is equivalent to the present value of the future lease payments relating the leased assets. This note also details nay additions and disposals during the year, and shows depreciation, which is an expense in the income statement to reflect the usage of these assets.

Right of use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities (present value of future lease payments) adjusted for any lease payments made at or before the commencement date, less any lease incentives received. (See note on lease liabilities accounting policy).

Depreciation is calculated by estimating how many years the asset is expected to be in use, which is also known as the useful economic life (UEL) of the asset. The depreciation charge reduces the initial value of the assets over the time and spread evenly over their UELs. The value after deducting accumulated depreciation is known as the net book value.

No depreciation is charged during the course of construction on the Port Assets. Depreciation is calculated for all other assets to write off the cost or valuation, less residual value, on a straight-line basis over the following expected UELs:

Useful economic lives

The estimated useful lives for the current year are as -

Assets	Estimated Life of assets
Lease hold Land Development	Over the period of Concession Agreement by Maharashtra Maritime board (MMB).
Marine Structure, Dredged Channel	Over the period of Concession Agreement by Maharashtra Maritime board (MMB).
Non-Carpeted Road other than RCC	3 Years
Office equipment	3-5 Years
Computers	2-3 Years
Computer software	5 Years
Plant & machinery	15 Years
Furniture	5-10 Years
Vehicles	5-8 Years

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

Right-of-use assets depreciated over the shorter of the lease period and estimated useful life.

Impairment of Property, Plant and Equipment

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the property, plant and equipment may be impaired. When impairment indicators exist, Management compares the carrying value of the property, plant and equipment with the fair value determined as the higher of fair value less cost of disposal or value in use, also refer note 3.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

MPL has a sole Cash Generating Unit (CGU) namely, Karanja Port in India since inception. The Port Assets are reviewed for evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. Impairment testing is performed on cash generating units (CGUs) which is the Port itself, this being the lowest level of separately identifiable cash flows.

An impairment loss is recognised as follows:

Description	**Amount in £ million**
Enterprise Value	108.72
Carrying Value of the CGU	(118.57)
Net Enterprise Value (Impairment)	(9.85)

From the above, it is evident that an impairment loss is recognised on the amount by which the asset's net book value exceeds its recoverable amount, the latter being the higher of the asset's fair value less cost to dispose and value in use. Value in use calculation is performed using cash flow projections, discounted at a post-tax rate, which reflects the asset specific risks and the time value of money.

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or impairment losses, if any. Based on the impairment review performed the property, plant and equipment are impaired to the extent of £ 9.85 million.

When an impairment loss subsequently reverses, the carrying amount of the CGU is increased to the revised estimate of the recoverable amount, but ensuring the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the CGU in prior years. A reversal of an impairment loss is recognised as a credit to the income statement when recovery of performance is considered reasonably certain.

n) Trade receivables and payables

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

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

o) 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.

p) Cash and cash equivalents

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

q) 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.

r) New standard and interpretation

There are no accounting pronouncements, which have become effective from 1 January 2024 that have a significant impact on the Group's consolidated financial statements.

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

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

- Amendments to IAS 1 – Presentation of Financial Statements relating to Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current
- Amendments to IFRS 16 – Leases relating to Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 – Statement of Cash Flows and IFRS 7– Financial Instruments: Disclosures relating to Supplier Finance Arrangements
- Amendments to IFRS 7
- IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 – Climate-related Disclosures

CRITICAL ACCOUNTING ESTIMATE

a) Impairment

In line with the accounting policy, management assessed the value in use of the CGU when testing for impairment. This requires estimation of the present value of future cash flows expected to arise from the continuing operation of the CGU. These estimates require assumptions over various factors, in particular future sales, future margin performance and considering the consolidated costs. Each of these areas are critical in estimating the present value of future cash flows. Were there to be significant changes in these estimations, the amount recognised in respect of impairment during the year could be materially impacted, or impairment charges recognised in previous years may be reversed.

While the operations at the Karanja Port is in the process of ramp up with reputed corporates including one of India's largest Oil & Gas company and a large cement company for their operations at Karanja Port, the Directors are very optimistic about the business potential at the Port for the period 2024 onwards. The capacity utilisation of the port in essence drives the revenue and the EBIDTA generated by MPL through its CGU. The optimum utilisation of the Port capacity is the essence and a driving force which ramps up the revenue as well as the EBIDTA margin of the group. The CGU will be cash positive the moment capacity utilisation crosses the 35-40% range.

The Management is optimistic of the business growth and the future prospect on behalf of Karanja Port. The optimism is supported by recent Traffic study done by KPMG for demand assessment of ports in Mumbai for Karanja Port which management consider highlights the opportunities available to seize upon.

However, while the Karanja Port is in the process of ramp up of the operations and the Directors remain optimistic about the business potential at the Port for the period 2024 onwards, the delays in ramp up of operations post covid-19 and results against expectations, have identified an indicator of impairment and an impairment review has been performed.

Impairment testing is performed on cash generating units (CGUs) which is the Port itself, this being the lowest level of separately identifiable cash flows.

An impairment loss is recognised as follows:

Description	Amount in £ million
Enterprise Value	108.72
Carrying value of CGU	(118.57)
Net Enterprise Value (Impairment)	(9.85)

Value in use calculation is performed using cash flow projections, discounted at a pre-tax post IFRS -16 rate, which reflects the asset specific risks and the time value of money.

The impairment review considers the VIU of the CGU compared to the carrying value in the first instance, and subsequently for fair value less cost to dispose if the VIU is lower than the carrying value. The VIU calculation is based on the remaining life of the Port assets i.e. the balance valid lease period using the latest forecast data to adjust the specific cash flows. The recoverable amounts of the impaired CGU are based on the VIU.

The growth rate and operating margins used in the estimate cash flows are based on the current contracts on hand as well as advanced negotiations with the current clients on their expansion of activities at Karanja port as follows:

1) Esquire Contract (Existing Customer):

    a. Increase in the estimated imports of coal for 2024 from 1.5 million MT to 2-2.5 million MT;

    b. Import of Silica Sand /Gypsum

    c. Import of Steel / TMT bars

2) One of India's largest Oil & Gas company :

    a. Increasing the number of OSV vessels to at least 25 vessels per month per berth;

    b. Increase the number of dedicated berth from 1 to 3 by 2026;

    c. Discussions underway for use of Karanja Port facilities for Rig repair and maintenance;

    d. Use of Karanja Port facilities by 3rd party vendors/ partners/contractors/ associates for Oil & Gas sector operations;

    e. Storage and supply of consumables to OSVs;

    f. Supply of bunkers and Water supply to OSVs;

    g. Other allied services.

3) Existing customer, had paused operations, restarted in 2024

    a. They are intending to do full scale operation of berthing cements and also on the verge of creating Silos at the Port for their uninterrupted supply to their plant.

4) Rudra Marine (onboarded with plan to executed in 2024)

    a. They will set up 3 tanks to facilitate storage for Base Oil, Edible Oil and Bitumen.

5) Lucky Marine: (onboarded with plan to executed in 2024)

    a. Container operations are expected to commence operation and ramp up during 2024.

    b. Contract signed

6) Project Cargo (new customer)

   a. The Indian subsidiary is also in advanced negotiations with Afcons infrastructure for the similar space which was earlier assigned to Tata Daewoo JV, for constructing the new bridge from Uran to Revas Bridge for a period of 24- 30 months.

The key assumptions used in the VIU calculation are;

- **A post-tax discount rate** of 13.5% (2022: 13.4%) was calculated using the weighted average cost of capital (WACC). An assessment was made of the risks associated with the cashflows based on the forecast assumptions and a risk adjustment included in the WACC.

- Port utilisation estimated to peak at 75% by 2030 (driven by bulk and container cargo). It is important to note that this is a conservative assumption. Generally, Ports operate at much higher capacity utilisation levels even beyond 100 percent. In the current case, we have remained conservative and assumed peak capacity utilisation around 75%.

- The forecast assumes that port utilization will be 26% in 2024, 31% in 2025, 41% in 2026 and 50% in 2027. The expected sales growth as a result of increase in port utilisation with a CAGR ranging between from 50% to 60% to 2028 with steady growth of 0-1% per annum thereafter.

Based on the impairment review carried out, the group recognised a net impairment of £9.85 million for the year. In the VIU calculations, no specific impact has been included in respect of climate change as it is not expected to be materially different to the forecast assumptions during the forecast period. Certain movable assets are expected to be replaced at the end of their UEL by those that have a lower impact on the environment. Cash outflows that are directly associated with CGUs have been included in the discounted cash flow modelling.

Sensitivities in the impairment modelling

The impairment model is prepared on very conservative assumptions. Generally, Ports operate at 100-110% of the installed capacity as peak capacity utilisation. In addition, ramp up in capacity utilisation is steep preponing cash flows at higher or peak capacity utilisation.

In case of MPL, not only the ramp up in capacity utilisation is assumed to be gradual, but also the peak capacity utilisation is taken at 77% instead of 110% in the impairment model. To add to the conservative assumptions, the tariff revenue on handling per MT of cargo is also assumed to be constant while G&A expenses are assumed to see a steady incline year on year.

However, the below sensitivity analysis reflects a reasonably plausible alternative scenario for impairment evaluation.

Sensitivity Adjustment	**Net Impairment Impact £ in mn**	
Decrease in port utilisation by 2%	Additional Charge	-£8.25
Increase in port utilisation by 2%	Additional Release	£8.25
EBITDA decreased by 2%	Additional Charge	-£1.88
EBITDA increased by 2%	Additional Release	£1.88
G&A increased by 5%	Additional Charge	-£2.22
G&A decreased by 5%	Additional Release	£2.22
WACC increased by 50 bps	Additional Charge	-£5.37
WACC decreased by 50 bps	Additional Release	£5.79

The management exercised a sensitivity analysis on the financial model for the immediate future to ascertain the impact of increase/ decrease under various heads in the model:

i. **Port Capacity utilization:**

Increase: Catalyst drivers for Revenues are majorly the Bulk Cargo and Container Cargo. Any increase in traffic at the Port will enhance the Port utilization, which will contribute to the improvement of business performance and thus release the charge on the impaired asset.

Decrease: Decrease in the Port Utilization capacity due to climate conditions, deferment of operations may adversely impact and thus increase the charge of impairment on the asset.

ii. **General & Administration Expense:**

Increase: Major Cost contributing to G&A are the Cost of Personnel, Insurance, Professional Fees and Travel. The increase is cost depends on the economic situation and changes considering the inflation, beyond the assumed rate. This would further impair the asset proportionately.

Decrease: Any reduction due to better negotiations on the Insurance, Professional fees, Travel rates, would reduce the impact of impairment on the asset.

iii. **EBIDTA:**

Increase: Revenue generated from land rentals, which is 100% margin business, will directly reduce & release the charge on the impairment of the asset and improve the EBIDTA margin.

Decrease: Increase in cost of operations such as equipment hire, stevedoring etc cost, if hiked, then would adversely impact the EBIDTA margin and would contribute and increase the impairment of asset.

iv. **Weighted Average Cost of Capital (WACC):**

Increase: Increase in the WACC by 50 basis point will also contribute to additional charge on the impaired asset. This may occur if the Reserve Bank increases the REPO rate which will have direct impact on the rate of interest on the term debt.

Decrease: a decrease in the WACC by 50 basis point will release and reduce the charge on the impaired asset. This again depends solely on the market condition and Reserve bank policy.

b) Recognition of income tax assets in respect of tax

MPL group's Indian subsidiary had filed a writ petition in Hon'ble High court for seeking relief against the order passed by the Income Tax Appellate Tribunal (ITAT) for the two assessment years 2011-12 and 2012-13, which was decided in favour of the group's Indian subsidiary. Therefore, the major portion of the tax pertains to the amounts paid under protest for the Assessment Year (AY) 2011-2012 (£0.45 Mn) and AY 2012-13 (£1.47 Mn). These amounts were deposited as a precondition for filing appeals with the Income-tax authorities for these years.

The Principal Commissioner of Income Tax (Appeals) vide its order dated 20th March, 2023, issued an order in favour of the Group's subsidiary for the assessment years 2011-12 and 2012-13. As such, as a result of a tax previous paid in respect of 2011-12 and 2012-13 is expected to be returned to the Indian subsidiary and as such an asset has been recognised of £2.1m.

The Indian subsidiary has received the refund order u/s. 264 read with section 260 of the Income Tax Act for the assessment year 2011-12 as well as 2023-23 vide the order dated 20th June, 2023 totalling to £2.97 Million (₹.31.52 crores).

Since the Income tax department has preferred an appeal in Supreme Court and in light of the uncertainty of the final outcome, there remains a risk over the amount recognised. However, the chances of appeal are considered remote and as such, on the basis of highly probable an asset was recognised in respect of the amount receivable.

As per these orders, the matter was sent back to the files of Principal Commissioner of Income Tax (Appeals) for re-adjudication following the ITAT orders for assessment years 2013-14 to 2015-16. The status of open litigations for AY 2013-14 to AY 2015-16 remain unchanged during FY 2022-23 i.e., the matter is yet to be adjudicated and the outcome of appeal before Hon'ble Bombay High Court is pending.

3. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Board of Directors of are identified as the Chief operating decision maker. The Group has only one operating and geographic segment, being the project on hand in India and hence no separate segmental report presented.

4. REVENUE FROM OPERATION

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Sale of goods	1,456	561
Cargo handling income	1,683	1,968
Lease income	1,188	1,728
Other operating income	1,135	615
	5,462	**4,872**

Revenue from Sale of goods is "Point in time" and other revenue heads are "Over the time". Other operating income relates to income from dredging, coal handling and distribution income and wharfage.

Certain portions of the port have been designated for leasing portions. The lease has been classified as operating lease because it does not transfer substantially all the risks and rewards incident to ownership and it does not fulfil other conditions mentioned in IFRS 16 applicable to be classified as finance lease.

The major customer for sale of goods is Radha Krishna Trading Company, followed by Mahakali Fuel Pvt. Ltd. The major customer for Cargo Handling Income is Esquire Shipping & Trading Pvt Ltd. The major customer for Lease income is Daewoo-TPL JV and for Other Operating Income the major customer is Daewoo-TPL JV, followed by Esquire Shipping & Trading Pvt Ltd.

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

Payments falling due	As on 31 Dec 23 INR in million	As on 31 Dec 23 £ million
2024	9.60	0.09
2025	9.60	0.09
2026	9.60	0.09
2027	9.60	0.09
Fifth year and above	38.40	0.37
Total	**76.80**	**0.73**

5. COST OF SALES

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Wharf-age expense	479	411
Other operating expense	1,919	1,134
Changes in inventory	19	(96)
	2,417	**1,449**

6. ADMINISTRATIVE EXPENSES

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Employee costs	556	635
Directors' remuneration and fees	281	476
Operating lease rentals	--	9
Foreign exchange loss	(3)	68
Other administration costs	2,432	2,559
	3,266	**3,747**

7. (a) FINANCE INCOME

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Interest on bank deposits	25	38

Management has tested the OTR for debt modification under IFRS 9. The revised cash out flow discounted at original EIR 13.45% resulted in net gain of £5.41 million and was effected accordingly in 2021. The recognized gain is spread over the remaining term of the modified debt using the effective interest method, and therefore has been considered in the 2023 financials.

7. (b) FINANCE EXPENSES

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Interest on term loan	4,398	4,726
Interest others	1,827	817
	6,225	**5,543**

With regard to interest on term loan of £ 4.40 million, the actual interest paid during the period is £ 1.54 million. The unpaid portion is primarily due to the proposal submitted for restructuring of loan in February 2023 for considering re-phasement of debt facility from 7 years to 14 years of repayment with cut-off date as 1 April 2023, under consideration. The interest on term loan also proposes a moratorium period of 2 years viz. April 2023 to March 2025 (interest considered in the financial statements for the period January 2023 to December 2023).

8. INCOME TAX

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Loss Before Tax	(21,265)	(12,060)
Applicable tax rate in India*	26.00%	26.00%
Expected tax credit	**(5,529)**	**(3,136)**
Reconciling items		
Non-deductible losses of MPL and Cyprus entities	378	320
Un-recognised deferred tax asset on tax losses	5,151	2,025
Non-deductible expenses	--	791
Reversal of outstanding tax liability and interest thereon pertaining to earlier years	--	2,421
	--	**2,421**

* Considering that the Group's operations are presently based in India, the effective tax rate of the Group of 26% (prior year 26%) 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.

MPL group's Indian subsidiary had filed a writ petition in Hon'ble High court for seeking relief against the order passed by the Income Tax Appellate Tribunal (ITAT) for the two assessment years 2011-12 and 2012-13, which was decided in favour of the group's Indian subsidiary. Therefore, the major portion of the tax pertains to the amounts paid under protest for the Assessment Year (AY) 2011-2012 (£0.45 Mn) and AY 2012-13 (£1.47 Mn). These amounts were deposited as a precondition for filing appeals with the Income-tax authorities for these years.

The Principal Commissioner of Income Tax (Appeals) vide its order dated 20th March, 2023, issued an order in favour of the Group's subsidiary for the assessment years 2011-12 and 2012-13. As such, as a result of a tax previous paid in respect of 2011-12 and 2012-13 is expected to be returned to the Indian subsidiary and as such an asset has been recognised of £2.1m. Since the Income tax department has preferred an appeal in Supreme Court and in light of the uncertainty of the final outcome, there remains a risk over the amount recognised and as such there was judgement taken that the amount was expected to be recovered.

As per these orders, the matter was sent back to the files of Principal Commissioner of Income Tax (Appeals) for re-adjudication following the ITAT orders for assessment years 2013-14 to 2015-16. The status of open litigations for AY 2013-14 to AY 2015-16 remain unchanged during FY 2022-23 i.e., the matter is yet to be adjudicated and the outcome of appeal before Hon'ble Bombay High Court is pending. As such a contingent liability continues to be recognised in respect of amounts potentially due.

The Indian Subsidiary has received the refund order u/s. 264 read with section 260 of the Income Tax Act for the assessment year 2011-12 as well as 2023-23 vide the order dated 20 June 2023 totalling to £2.97 Million (₹.31.52 crores).

Since the Income tax department has preferred an appeal in Supreme Court and in light of the uncertainty of the final outcome, the Group has disclosed the same under the head of contingent liability in note no 25.

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.

As at 31st December 2023 due to uncertainty that Indian entity will generate sufficient future taxable income to offset business losses incurred to realise deferred tax assets, the management has not recognised the Deferred Tax Asset amounting to (£ 5.43mn) (Gross tax losses: £ 20.9mn) (2022- (£ 6.4 mn). (Gross tax losses: £ 24.6mn).

	Year ended 2023	Year ended 2022
Deferred tax liabilities	(1,886)	(362)
Offset against deferred tax assets	1,886	362
Deferred tax liabilities	--	--

As a result of amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' deferred tax has been recognised in respect of IFRS 16 leases. In applying the standard at the beginning of the earliest comparative period presented, a deferred tax asset has been recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised resulting in an amendment to the amounts recognised at 31st December 2022.

9. AUDITORS' REMUNERATION

The following are the details of fees paid to the auditors, Grant Thornton UK LLP and Indian auditors, in various capacities for the year:

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Audit Fees		
Audit fees payable to Grant Thornton UK LLP for the Group accounts audit *	184	162
Audit fees payable to auditors of subsidiary companies	7	9
Non-audit service:		
Interim Financial Statement Review	5	10
Fees payable to grant Thornton UK LLP in respect of advisory work on the equity placing	--	110
	196	**291**

* This includes the additional fees charged during the year in respect of the prior year audit aggregating to £ 30,000 (2022: £ 12,500).

10. EARNINGS PER SHARE

Both basic and diluted earnings per share for the year ended 31 December 2023 have been calculated using the loss attributable to equity holders of the Group of £18.40 million (prior year loss of £9.621 million).

	Year ended 31 Dec 23	Year ended 31 Dec 22
Loss attributable to equity holders of the parent	£ (21,221,801)	£ (9,621,000)
Weighted average number of shares used in basic and diluted earnings per share	201,581,972	41,499,699
EARNINGS PER SHARE		
Basic and Diluted earnings per share	(0.105p)	(0. 232p)

The group has successfully completed fund raise by private placement of 301,479,660 and 13,333,333 new Ordinary Shares on 28 June 2023 and 31 July 2023 respectively at a price of 0.03 pence per share.

11 (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 2023	**49**	**570**	**472**	**626**	**63**	**110,533**	**2,035**	**24,894**	**139,242**
Net Exchange Difference	(3)	(34)	(91)	(38)	(4)	(6,463)	(123)	(1,497)	(8,253)
Additions	1	46	53	5	--	101	--	724	930
Transfers from CWIP ^	--	--	--	--	--	--	--	(64)	(64)
Disposals	--	(3)	--	(24)	--	--	(253)	--	(280)
Balance 31 Dec 2023	**47**	**579**	**434**	**569**	**59**	**104,171**	**1,659**	**24,057**	**131,575**
Depreciation									
Balance 1 Jan 2023	**(41)**	**(227)**	**(114)**	**(412)**	**(8)**	**(10,468)**	**(589)**	**--**	**(11,859)**
Net Exchange Difference	3	17	19	26	--	616	110	--	791
Charge for the year	(3)	(111)	(27)	(47)	(4)	(5,197)	(177)	--	(5,566)
Disposals	--	1	--	13	--	--	253	--	267
Impairment	--	--	--	--	--	(9,853)	--	--	(9,853)
Balance 31 Dec 2023	**(41)**	**(320)**	**(122)**	**(420)**	**(12)**	**(24,902)**	**(403)**	**--**	**(26,220)**
Carrying amount 31 Dec 2023	**6**	**259**	**312**	**149**	**47**	**79,269**	**1,256**	**24,057**	**105,355**

The Group has leased various assets including land and buildings. As at 31 December 2023, the net book value of recognised right-of use assets relating to land and buildings was £ 1.26 million (2022: £ 1.45 million). The depreciation charge for the period relating to those assets was £ 0.18 million (2022: £ 0.26 million).

Amounts recognised in the statement of income are detailed below:

Particular	£000 31 Dec 2023	£000 31 Dec 2022
Depreciation on right-of-use assets	177	258
Interest expense on lease liabilities	173	181
Expense relating to short-term leases	--	9
	350	**448**

	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 2022	**42**	**535**	**345**	**586**	**47**	**109,523**	**1,721**	**24,149**	**136,948**
Net Exchange Difference	--	4	2	3	--	777	10	140	936
Additions	7	31	125	36	16	233	304	605	1,357
Transfers from CWIP ^	--	--	--	--	--	--	--	--	--
Disposals	--	--	--	--	--	--	--	--	--
Balance 31 Dec 2022	**49**	**570**	**472**	**625**	**63**	**110,533**	**2,035**	**24,894**	**139,241**
Depreciation									
Balance 1 Jan 2022	**(36)**	**(115)**	**(91)**	**(362)**	**(4)**	**(4,668)**	**(328)**	**--**	**(5,604)**
Net Exchange Difference	--	(1)	--	(2)	--	(26)	(3)	--	(32)
Charge for the year	(5)	(111)	(23)	(48)	(4)	(5,774)	(258)	--	(6,223)
Disposals	--	--	--	--	--	--	--	--	--
Balance 31 Dec 2022	**(41)**	**(227)**	**(114)**	**(412)**	**(8)**	**(10,468)**	**(589)**	**--**	**(11,859)**
Carrying amount 31 Dec 2022	**8**	**343**	**358**	**213**	**55**	**100,065**	**1,446**	**24,894**	**127,382**

The Group has leased various assets including land and buildings. As at 31 December 2022, the net book value of recognised right-of use assets relating to land and buildings was £ 1.45 million (2021: £ 1.39 million). The depreciation charge for the period relating to those assets was £ 0.26 million (2021: £ 0.09 million).

Movable Assets taken against loan provided as security

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

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Vehicles	150	214
	150	**214**

The vehicles, which are free from encumbrances, will also form as a subservient charge of hypothecation towards securitisation of debt.

All other immovable and movable property with a carrying value of £ 105,268,233 (2022: £127,172,000) is under hypothecation in favour of the "Term lenders".

The Port facility being developed in India has been hypothecated by the Indian subsidiary as security for the bank borrowings (revised outstanding as at 31st December 2023 as against the borrowing limit sanctioned in 2021 as per OTR is INR 460 crore [£43.36 million] (2022: INR 462 crore (£46.32 million)) for part financing the build out of the facility.

The Indian subsidiary has estimated the total project cost of INR 1,404 crore (£138.10 million) towards construction of the port facility. Out of the aforesaid project cost, the contract signed with the major contractor is INR 1,049 crores (£105.21 million). As of 31 December 2023, the contractual amount (net of advances) of INR 48.03 crores (£4.82 million) work is unexecuted. There were no other material contractual commitments.

11 (b). Intangible Asset

	Intangible Asset – Software £000
aGross carrying amount	
Balance 1 Jan 2023	**33**
Exchange Difference	(1)
Additions	--
Transfers from CWIP ^	64
Disposals	--
Balance 31 Dec 2023	**96**
Depreciation	
Balance 1 Jan 2023	**(19)**
Exchange Difference	1
Charge for the year	(15)
Disposals	--
Balance 31 Dec 2023	**(33)**
Carrying amount 31 Dec 2023	**63**

	Intangible Asset - Software £000
Gross carrying amount	
Balance 1 Jan 2022	**14**
Exchange Difference	--
Additions	19
Disposals	--
Balance 31 Dec 2022	**33**
Depreciation	
Balance 1 Jan 2022	**(10)**
Exchange Difference	--
Charge for the year	(9)
Disposals	--
Balance 31 Dec 2022	**(19)**
Carrying amount 31 Dec 2022	**14**

12. TRADE AND OTHER RECEIVABLES

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Deposits	1,043	1,442
Advances		
- Related Party	4,113	1,160
- Others	9,297	10,483
Accrued Interest of fixed deposits	3	3
Accrued Income	--	126
Debtors		
- Related Party	--	107
- Prepayment	95	102
- Trade Debtors	1,788	687
	16,339	**14,110**

Advances include payment to EPC contractor of £ 6.16 million (2022: £ 7.29 million) towards mobilisation advances and quarry development. These advances will either be recovered as a deduction from the invoices being raised by the contractor over the contract period or refunded.

'Advances to Related Party' include receivables towards share application money of £ 4.11 million (Dec 2022: £ 1.16 million).

'Break down of Trade Debtors:
£ 1.32 million (2022: £ 0.64 million) receivable from the single major customer, which includes £ 0.02 million (2022: £ 0.00 million) which is past due for 30 days' management estimate that amount is fully realisable hence no provision for expected credit loss is made for the same amount.

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

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

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

13. INVESTMENTS

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Deposits*	173	--
	173	**--**

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

14. CASH AND CASH EQUIVALENTS

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Cash at bank and in hand	2,881	389
Deposits*	--	169
	2,881	**558**

Cash at bank earns interest at floating rates based on bank deposit rates. The fair value of cash and short-term deposits is £ 3.05 million (2022: £0.56 million).

Included in cash and cash equivalents is £0.71 million (2022: £0.00 million) that is within a bank account in the name of Hunch Ventures (Karanja), as a result of the 2018 and 2021 share sale. The Company is the beneficiary of the account. During the year, we have been able to draw money out of this account to cover working capital throughout the year.

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

15. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Board of Directors carries out risk management.

(a)Market Risk

(i)Translation risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market foreign exchange rates. The Company's functional and presentation currency is the UK Sterling (£). The functional currency of its subsidiary Karanja Terminal & Logistics Private Limited (KTLPL) is INR and functional currency of Karanja Terminal & Logistics (Cyprus) Ltd.

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

While consolidating the Indian subsidiary accounts the group has taken closing rate of GBP 1: INR 106.1053 for SOFP items and for profit and loss item GBP 1: INR 102.7267.

This balance is cumulatively a £31.44m loss to equity (2022: £26.43m loss). This is primarily due to a movement from approximately 1:70 to 1:100 between 2010 to 2013 and the translation reserve reaching a loss of £21.6m at 31 December 2013 and further increase in translation reserve from £21.6m to £31.44m due to appreciation of GBP against INR during the period 2018 to 2023. The closing rate at 31 December 2023 was GBP1: INR 106.1053, hence as compared to the translation loss reported between 2018-19, the same is insignificant in 2023. With the majority of funding now in India this risk is further mitigated. During 2023, the average and year-end spot rate used for INR to GBP were 102.7267 and 106.1053 respectively (2022: 97.0625 and 99.7436).

Translation risk sensitivity

The foreign currency risk management are referring to is the translation of the Indian subsidiary from INR to GBP, which impacts on the translation reserve through OCI. As such this is not considered relevant to the disclosure requirements of IFRS 7.

The amounts included in KTPL are all denominated in INR (including the loan) which is disclosed as the functional currency and the amounts in MPL parent in GBP which is disclosed. As such there isn't considered to be any material foreign currency 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.

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 enable RBI and the banks to lower the base rate in the near future.

Interest rate sensitivity

At 31 December 2023, 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% (2022: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Year	Profit for the Year £000		Equity, net of tax £000	
	+1%	-1%	+1%	-1%
31 December 2023	(574)	574	(425)	425

(b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group's maximum exposure (£ 9.16 million (2022: £ 2.81 million)) to credit risk is limited to the carrying amount of financial assets recognised at the reporting date.

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

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

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

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

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

(c) Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its financial obligations. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities.

The Indian subsidiary which is currently availing the term loan facility has again approached the current consortium of lenders for a re-phasement of current Term Loan, Funded Interest Term Loan (FITL) and Guaranteed Emergency Credit Line (GECL) for 14 years including 2 years moratorium on the consolidated term debt due to the cascading impact on the business of the Indian subsidiary due to the relapse of Covid 19 pandemic.

The Group is in an advanced stage of negotiation with the current consortium of lenders and is confident of obtaining a favourable response from the lenders shortly.

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.

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.

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

As at 31 December 2023:

	Principal payments		Interest payments	
Payment falling due	**INR in Crore**	**£000**	**INR in Crore**	**£000**
Within 1 year	70	6,584	76	7,186
1 to 5 years	316	29,794	99	9,370
After 5 years	37	3,512	4	338
Total	**423**	**39,890**	**179**	**16,894**

The above table represents the current loan which is active and does not include the impact of the re-structuring proposal under consideration.

The present composite rate of interest ranges from 7.95% to 10.55% and closing exchange rate has been considered for the above analysis.

In addition, the Group's liquidity management policy involves considering the level of liquid assets necessary to meet the funding requirement; monitoring SOFP liquidity ratio against internal requirements and maintaining debt financing plans. The current debt equity ratio with the lenders is 0.64:1.

As a part of monitoring SOFP liquidity ratio, management monitors the debt-to-equity ratio and has specified optimal level for debt-to-equity ratio of 1:1.

As at 31 December 2022:

	Principal payments		Interest payments	
Payment falling due	**INR in Crore**	**£000**	**INR in Crore**	**£000**
Within 1 year	23	2,307	43	4,339
1 to 5 years	316	31,681	132	13,212
After 5 years	75	7,484	2	182
Total	**414**	**41,472**	**177**	**17,733**

The present composite rate of interest ranges from 7.95% to 10.55% and closing exchange rate has been considered for the above analysis.

In addition, the Group's liquidity management policy involves considering the level of liquid assets necessary to meet the funding requirement; monitoring SOFP liquidity ratio against internal requirements and maintaining debt financing plans. The current debt equity ratio with the lenders is 0.64 : 1.

As a part of monitoring SOFP liquidity ratio, management monitors the debt-to-equity ratio and has specified optimal level for debt-to-equity ratio of 1:1.

Financial Instruments

Fair Values

The different levels per the IFRS 13: Fair Value Measurement fair value hierarchy have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

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

	Note	Year ended 31 Dec 23 £000	Restated Year ended £000
Financial Assets at Amortised Cost			
Trade and other receivables	13	6,102	2,252
Investments	14	173	--
Cash and cash equivalents	15	2,881	558
		9,156	**2,810**
Financial Liability at Amortised Cost			
Borrowings	19	47,071	41,472
Trade and other payables	20	4,131	8,388
Lease liabilities	20	1,792	2,428
		52,994	**52,288**

The carrying amount of financial assets and financial liabilities have been disclosed in accordance with IFRS 7. However, the prior year did not included lease liabilities, and note that employee liabilities were incorrectly included. As such the prior year comparative has been restated.

All the financial assets and financial liabilities are considered to be level 1, except for borrowings which are level 2.

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.

Maturity profile of financial liabilities

The table below presents the maturity profile of the Group's financial liabilities using the contractual undiscounted cash flows.

	Within 1 year £ 000	1-2 years £ 000	2-5 years £ 000	More than 5 years £ 000	Total
As at 31 December 2023					
Borrowings	10,672	5,419	27,886	3,094	**47,071**
Interest on borrowings	7,186	3,419	5,951	338	**16,894**
Trade and other payables	4,131	--	--	--	**4,131**
Lease liabilities (including vehicle loan)	507	232	527	5,060	**6,326**
As at 31 December 2022					
Borrowings	2,307	10,543	28,622	--	**41,472**
Interest on borrowings	4,393	4,113	8,746	1,623	**18,875**
Trade and other payables	8,388	--	--	--	**8,388**
Lease liabilities (including vehicle loan)	1,006	245	637	5,593	**7,481**

16. EQUITY

16.1 Issued Capital

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

Particulars	Year ended 31 December 23		Year ended 31 December 22	
	No of shares	£000	No of shares	£000
Shares issues and fully paid:				
Beginning of the year	41,499,699	143,851	41,499,699	143,851
Addition in the year#	314,812,993	9,444	--	--
Share issue cost	--	(941)	--	--
Closing number of shares	**356,312,692**	**152,354**	**41,499,699**	**143,851**

The stated capital amounts to £152.35 million (2022: £143.85 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 314.81 million (2022: Nil) equity shares to various institutional and private investors, by way of a rights issue.

The Company has recognized the services received in a share-based payment transaction when the services are received in accordance with IFRS 2 – Share-based payment.

Shares issued during the year includes 13,359,166 for value shares £ 400,775 issued to Cavendish Financial PLC (erstwhile known as Cenkos Securities PLC) as the consideration for the fair value of services rendered pertaining to private placement of shares.

The transaction costs are incremental costs directly attributable to the equity transaction that otherwise would have

been avoided and have therefore been accounted for as a deduction from equity.

16.2 Other Components of Equity

Retained Earnings

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Opening Balance	(26,022)	(16,402)
Addition during the year	(21,222)	(9,621)
Re-measurement of net defined benefit liability	27	1
Closing balance	**(47,217)**	**(26,022)**

Accumulated losses of £ 47.54 million (2022: £ 26.02 million) include all current year retained profits.

Translation Reserve

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Opening Balance	(26,429)	(27,237)
Addition during the year	(5,015)	808
Closing balance	**(31,444)**	**(26,429)**

The translation reserve of £ 31.22 million (2022: £ 26.43 million) is on account of exchange differences relating to the translation of the net assets of the Group's foreign operations which relate to subsidiaries, from their functional currency into the Group's presentational currency being Sterling.

17. EMPLOYEE BENEFIT OBLIGATIONS

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Non- Current		
Pensions – defined benefit plans	35	53
	35	**53**
Current		
Wages, salaries	267	523
Pensions – defined benefit plans	9	6
	276	**529**

18. BORROWINGS

Borrowings consist of the following:

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Non-Current		
Bank loan (refer note 26)	33,305	39,165
Loan from others *	3,094	--
	36,399	**39,165**
Current		
Bank loan (refer note 26)	6,584	2,307
Interest payable	4,088	--
	10,672	**2,307**

Borrowing

The term loan facility currently is as per existing sanction which was issued on 10 June 2021 against which the quarterly principal repayments for the entire 2023 is overdue, and the interest on these facilities is overdue from March 2023 till December 2023. The interest rate on term loan is 9.55%, on FITL is 10.55% and GECL is 8%.

The Indian subsidiary which is currently availing the term loan facility has approached the current consortium of lenders for a re-phasement of current term loan under Resolution framework for re-structuring of the current debt for a period of 14 years instead of 7 years (including moratorium of 2 years) and Funded Interest Term Loan (FITL) of 2 years, repayable in 5 years from the second quarter of 2025 onwards.

The proposal is at the Head office level of the Lead banker and is expected to be sanctioned shortly, which will enable the group to manage its cash flow and focus more on operational stability and growth.

* **Loan from others**: This amount pertains to unsecured loan from Grevek Investments & Finance Pvt. Ltd.

19 (a). NON-CURRENT TAX ASSETS

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Income tax *	--	2,108
Non-current tax assets	**--**	**2,108**

19 (b). CURRENT TAX ASSETS

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Income tax *	2,114	--
Current tax assets	**2,114**	**--**

* The income tax pertains to self -assessment tax as well as withholding taxes paid for the assessment years 2011-12 to 2024-25.

The Indian subsidiary has received the refund order for the Assessment years 2011-12 as well as 2012-13 and is expected to be transferred to the bank account within one year.

(Refer Note 25 for disclosure of Contingent liabilities in respect of these matters)

19 (c). CURRENT TAX LIABILITIES

Current tax liabilities consist of the following:

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Duties & taxes	61	17
Current tax liabilities	**61**	**17**

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

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Carrying amount 1 January	--	2,342
Interest provision on outstanding tax liability	--	--
Less: Reversal of tax liability and interest provision	--	(2,354)
Exchange difference	--	12
Carrying amount 31 December	--	--
Income tax paid (net of provision)	--	--
	--	**--**

The Group recognises liabilities for anticipated tax issues based on assessment of whether additional taxes will be due, and whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

Where the outcome of assessment by the Income Tax department on these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made. The Group discharges the tax liability based on income tax assessment.

Based on the judgements passed by Income Tax Tribunal in favour of the Indian Subsidiary for the assessment years 2013-14 to 2015-16, the Commissioner of Income Tax - CIT-(A) has relied upon the ITAT judgement and issued order in favour of the Indian subsidiary for the assessment years 2011-12 and 2012-13 as well.

20. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Non-Current		
Lease liability (refer note 26)	**1,457**	**1,611**
Current		
Lease Liability – (refer note 26)	**335**	**817**
Sundry creditors	4,131	8,400
Interest (prepaid)	--	(12)
	4,131	**8,388**

Future minimum lease payments at 31 December 2023 were as follows -

	Minimum lease payments due						
	Within 1 year	1 – 2 Year	2 – 3 Year	3 – 4 Year	4 – 5 Year	After 5 Year	Total
Lease payments	507	232	190	176	161	5,060	6,326
Finance charges	(172)	(165)	(161)	(158)	(157)	(3,721)	(4,534)
Net present values	335	67	29	18	4	1,339	1,792

Future minimum lease payments at 31 December 2022 were as follows -

	Minimum lease payments due						
	Within 1 year	1 – 2 Year	2 – 3 Year	3 – 4 Year	4 – 5 Year	After 5 Year	Total
Lease payments	1,006	245	247	202	188	5,593	7,481
Finance charges	(189)	(183)	(175)	(171)	(167)	(4,127)	(5,012)
Net present values	817	62	72	31	21	1,466	2,469

21. RELATED PARTY TRANSACTIONS

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

Name	Country of Incorporation	Field Activity	Ownership Interest	Type of share Held
HELD BY The Company (MPL):				
Karanja Terminal & Logistics (Cyprus) Ltd.	Cyprus	Holding Company	100%	Ordinary
Karanja Terminal & Logistics Private Ltd.	India	Operating company - Terminal Project	8.11%	Ordinary
HELD BY Karanja Terminal & Logistics (Cyprus) Ltd:				
Karanja Terminal & Logistics Private Ltd.	India	Operating company - Terminal Project	91.67%	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 0.28% of issued share capital as at 31 December 2023 (as at 31 December 2022 – 2.37%) of Mercantile Ports & Logistics Limited.

- Lord Howard Flight holds 0.18% of issued share capital as on 31 December 2023 (as on 31 December 2022 – 0.56%) of Mercantile Ports & Logistics Limited at the year end.

- Jay Mehta holds 0.99% of issued share capital as on 31 December 2023 (as on 31 December 2022 – 0.50%) of Mercantile Ports & Logistics Limited at the year end.

- John Fitzgerald holds 0.18% of issued share capital as on 31 December 2023 (as on 31 December 2022 – 0.14%) of Mercantile Ports & Logistics Limited at the year end.

- Jeremy Warner Allen holds 1.08% of issued share capital as on 31 December 2023 (as on 31 December 2022 – 1.25 %) of Mercantile Ports & Logistics Limited at the year end.

- Karanpal Singh via Hunch Ventures and Investments Private Limited holds 38.40% of issued share capital as on 31 December 2023 (as on 31 December 2022 – 28.48%) of Mercantile Ports & Logistics Limited at the year end.

b) Key Managerial Personnel of the parent

Non-executive Directors
- Lord Howard Flight – Resigned w.e.f. 24 November 2023
- Mr. John Fitzgerald
- Jeremy Warner Allen
- Karanpal Singh
- Amit Dutta
- Dmitri Tsvetkov
- Nikhil Gandhi

Executive Directors
- Mr. Jay Mehta (Managing Director)

c) Key Managerial Personnel of the subsidiaries

Directors of KTLPL (India)
- Mr. Jay Mehta
- Mr. Rakesh Bajaj

Directors of Karanja Terminal & Logistics (Cyprus) Ltd - KTLCL (Cyprus)
- Ms. Andria Andreou
- Ms. Chrystalla Stavrou

Others
- Mr. Pavan Bakshi

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
- Grevek Investment & Finance Private Limited
- Athos Hq Group Bus. Ser. Cy Ltd
- John Fitzgerald Limited
- KJS Concrete Private Limited
- Himangini Singh
- Fiona Gupta

e) Transaction with related parties

The following transactions took place between the Group and related parties during the year ended 31 December 2023

	Nature of transaction	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Athos Hq Group Bus. Ser. Cy Ltd	Administrative fees	10	13
		10	**13**

The following table provides the total amount outstanding with related parties as at year ended 31 December 2023:

Transactions with Key Managerial Personnel of the subsidiaries

See Key Managerial Personnel Compensation details as provided below -

Advisory services fee
None

Compensation to Key Managerial Personnel of the parent
Fees paid to persons or entities considered Key Managerial Personnel of the Group include:

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Non-Executive Directors fees		
– Lord Flight	36	40
– John Fitzgerald	45	45
– Jeremy Warner Allen	40	40
– Peter Mills	--	3
– Amit Dutta	35	33
– Dmitri Tsvetkov	45*	42
	201	**203**
Executive Directors Fees		
– Jay Mehta	88	93
– Nikhil Gandhi	--	188
	88	**281**
Others		
– Pavan Bakshi #	**175**	**175**
Total compensation paid to Key Managerial Personnel	**464**	**659**

* Includes £ 10,000 (2022: Nil) paid as sitting fees to Dmitri Tsvekov for attending Audit Committee meetings.

Pavan Bakshi has been instrumental in playing a key management role by providing pivotal support to the board and hence he is added as a Key Management Personnel.

Compensation to Key Managerial Personnel of the subsidiaries

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Directors' fees		
KTLCL – Cyprus	3	3
	3	**3**

Transactions with shareholders / entity having significant influence

	Nature of transaction	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Provision created for doubtful advances for advance given to SKIL Infrastructure Ltd.	Provision for doubtful advances	107	--
Shares issued to Hunch Ventures and Investment Limited	Share subscription	3,750	--
Shares issued to Jay Mehta	Share subscription	100	--

Sundry Creditors

As at 31 December 2023, the Group had £3.09 million (2023: £3.29 million) as sundry creditors with related parties.

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Grevek Investment & Finance Private Ltd.	3,094	3,292
	3,094	**3,292**

Receivable from the shareholders having significant influence

	Nature of transaction	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
SKIL Global Ports & Logistics Limited			
Debtors	Advances	107	107
Less: Provision for doubtful advances		(107)	--
Hunch Ventures and Investment Limited*			
Advances recoverable in cash or in kind	Advances	4,113	1,110
		4,113	**1,217**

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

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

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

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

Ultimate controlling party

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

22. CASH FLOW ADJUSTMENTS AND CHANGES IN WORKING CAPITAL

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

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Non-cash flow adjustments		
Depreciation	5,581	6,231
Impairment loss	9,853	--
Finance Income	(25)	(38)
Finance cost	6,225	5,543
Re-measurement of net defined benefit liability	(27)	(1)
Provision for Gratuity	17	13
Loss on disposal of PPE	7	--
Balances written back	(190)	--
Provision for doubtful advances	107	--
	21,548	**11,748**
Increase/(Decrease) in trade and other payables	49	247
Decrease/(Increase) in trade and other receivables	*(124)	154
Current investments (deposits with bank)	(173)	--
Increase in inventory	24	(96)
	(224)	**305**

* Excludes £ 3.8 million receivable towards share application money.

23. CAPITAL MANAGEMENT POLICIES AND PROCEDURE

The Group’s capital management objectives are:

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

Capital

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

24. EMPLOYEE BENEFIT OBLIGATIONS

a. ***Defined Contribution Plan:***

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

	Year ended 31 Dec 23 £000	Year ended 31 Dec 22 £000
Contribution to Provident Fund	22	12
Contribution to ESIC	2	2
	24	**14**

b. ***Defined Benefit Plan:***

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

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to each period-end by reference to market yields of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience. The assumptions used for the valuation of the defined benefit obligation are as follows:

Key Assumptions		
Particulars	**31 Dec 23**	**31 Dec 22**
Discount rate	7.40% p .a.	7.46% p.a.
Salary growth rate	6.00% p.a.	6.00% p.a.
Withdrawal rate	2.00% p.a at younger ages reducing to 7.00% p.a% at older ages	2.00% p.a at younger ages reducing to 7.00% p.a% at older ages

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 23 £000**	**As at 31 Dec 22 £000**
Statement of Comprehensive Income		
Net employee benefit expense recognised in the employee cost		
Current service cost	12	11
Interest cost on defined benefit obligation	4	3
Total expense charged to loss for the period	16	14
Amount recorded in Other Comprehensive Income (OCI)		
Opening amount recognised in OCI		
Re-measurement during the period due to:		
Actuarial (gain) arising from change in financial assumptions	--	(4)
Actuarial (gain) / loss arising on account of experience changes	(27)	3
Amount recognised in OCI	(27)	(1)
Closing amount recognised in OCI	(27)	(1)
Reconciliation of net liability / asset		
Opening defined benefit liability	56	46
Expense charged to profit or loss account	15	14
Amount recognised in Other Comprehensive (Income)	(27)	(1)
Closing net defined benefit liability	**44**	**59**

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 23 £000	As at 31 Dec 22 £000
Opening defined benefit obligation	59	46
Current service cost	10	11
Interest on defined benefit obligation	4	3
Re-measurement during the period due to:		
Actuarial (gain) arising on account of experience changes	--	(4)
Actuarial loss / (gain) arising from change in financial assumptions	(27)	3
Benefits paid	(2)	--
Closing defined benefit obligation liability recognised in Consolidated Statement of Financial Position	**44**	**59**

Particulars	As at 31 Dec 23 £000	As at 31 Dec 22 £000
Net liability is bifurcated as follows:		
Current	9	6
Non-current	35	53
Net liability	**44**	**59**

The present value of the DBO was measured using the Projected Unit Credit (PUC) method.

The weighted average duration of the defined benefit obligation at 31 December 2023 is 10.67 years (2022: 7.7 years).

25. CONTINGENT LIABILITIES

Particulars	As at 31 Dec 23 £000	As at 31 Dec 22 £000
Bank guarantee issued to Maharashtra Pollution Control Board towards issuing the consent to operate the Port	30	30
The Commissioner Of Customs - Jawaharlal Nehru Custom House towards the collateral for acting as a custodian of the Cargo handled at the Port	100	100
There is an ongoing arbitration proceeding initiated by the Indian subsidiary with the dredging sub-contractor for claiming damages for non-performance under dredging contract to the tune of ₹214 crores (£21.5 Mn) and a counter claim made by the sub-contractor for ₹76.75 crores (£7.69 Mn). The matter is under arbitration act in the jurisdiction of Mumbai. Based on the legal opinion obtained, management is confident that the outcome will be in favour of the Company. The counter claim made by the sub-contractor on the Company is considered as a contingent liability. As of the Balance sheet date the cross examination of the witnesses of the Claimant is underway.	7,695	7,695
The Income tax liability to the tune of ₹48.12 crores (£4.54 Mn) (exclusive of any interest or penalties) for the Assessment years 2013-14, 2014-15 and 2015-16.	4,535	6,822

MPL group's Indian subsidiary had filed a writ petition in Hon'ble High court for seeking relief against the order passed by the Income Tax Appellate Tribunal (ITAT) for the two assessment years 2011-12 and 2012-13, which was decided in favour of the group's Indian subsidiary. The Indian subsidiary has received the refund order u/s. 264 read with section 260 of the Income Tax Act for the assessment year 2011-12 as well as 2012-2013 and as such the amount in respect of these two years is no longer considered a contingent liability. As per these orders, the matter was sent back to the files of Principal Commissioner of Income Tax (Appeals) for re-adjudication following the ITAT orders for assessment years 2013-14 to 2015-16. The status of open litigations for AY 2013-14 to AY 2015-16 remain unchanged during FY 2023-24 i.e., the matter is yet to be adjudicated and the outcome of appeal before Hon'ble Bombay High Court is pending. Cash outflows, if any, is determinable on receipt of judgments pending at respective authorities.		

26. CAPITAL COMMITMENTS

Particulars	As at 31 Dec 23 £000	As at 31 Dec 22 £000
Estimated value of contracts in capital account in relation to property, plant and equipment remaining to be executed and not provided for (net of advances)	4,815	4,815

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

Particulars	Long-term borrowing £000	Current maturity of long-term borrowing £000	Leased liabilities £000	Total £000
1 January 2023	39,165	2,295	2,428	43,888
Cash-flows:				
- Repayment	--	(99)	(737)	(836)
- Repayment of principal	--	(749)	(9)	(758)
Non-cash:				
- Exchange difference	(2,382)	(267)	(129)	(2,778)
- Accrued during the period	--	4,981	239	5,220
- Interest on term loan EIR adjustment	1,033	--	--	1,033
- Reclassification	(1,417) *	4,511	--	3,094
31 December 2023	**36,399**	**10,672**	**1,792**	**48,863**

* The amount is net of re-classification of Loan from Others £ 3.09 million from Trade Payables in the previous year to non-current borrowings in the current year. The £3.1m was advanced as financial assistance during the port construction due to the delay in disbursement from lenders. As a result of the cash constraint on account of Covid-19

an agreement was signed 31st May 2023 that the advances will not be called until the company becomes adequately cashflow surplus or 3 years, whichever is earlier.

Particulars	Long-term borrowing £000	Current maturity of long-term borrowing £000	Interest on long term borrowing £000	Leased liabilities £000	Total £000
1 January 2022	39,932	1,037	(3)	2,357	43,323
Cash-flows:					
- Repayment	--	(881)	--	(138)	(1,019)
- Accrued during period	--	--	5,372	171	5,543
- Paid during the year	--	--	(4,217)	--	(4,217)
Non-cash:					
- Exchange difference	239	--	(19)	38	258
- Interest on term loan converted to FITL	517	--	(517)	--	--
- Interest on term loan EIR adjustment	628	--	(628)	--	--
- Reclassification*	(2,151)	2,151	--	--	--
31 December 2022	**39,165**	**2,307**	**(12)**	**2,428**	**43,888**

28. EVENTS OCCURRING AFTER REPORTING PERIOD

a. New projects / contracts:

The Indian subsidiary has commenced a business relationship with a large Oil and Gas Company. The MPL facility is currently handling Offshore vessels for this customer and is looking to widen its scope of activities in the offshore sector to include heavy fabrication works and other logistics. Business with the offshore sector is expected to become a significant contributor to revenue growth going forward.

The Indian subsidiary has also successfully signed the contract with a large cement company for the cement cargo for an initial period of 1 year, which will be extended on an annual basis.

b. Status of the re-structuring proposal:

Update of the proposal with the existing lenders for restructuring of the current debt on the following terms:

i. Rephasement of existing term repayment from 7 years to 12-14 years;
ii. Deferment of principal term loan repayment for a period of 24 months;
iii. Interest moratorium for a period of 24 months.

c. New unsecured credit limit

Unsecured credit limit from KJS Concrete Private Limited (Hunch Ventures group company) amounting to £ 15 million.

29. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2023 were approved and authorised for issue by the Board of Directors on 26 June 2024.