ANNUAL REPORT & ACCOUNTS

for the year ended 2022

Contents

Chairman's Statement

2022 was the first full year of uninterrupted operation for Karanja Port. The coal jetty handled almost 1.0 Mn MT of coal, Memorandum of Undertakings ("MOUs") with JM Baxi and new contracts were also signed.

Revenue achieved during the year 2022 was £4.8 Mn. That momentum has continued with Q1 CY2023 revenue being £1.6 Mn, a more than double the £0.77 Mn achieved in Q1 of 2022.

Dry bulk traffic is a fundamental foundation for facilitating infrastructure development in the region. Karanja Port is well positioned to attract this bulk cargo.

We were proud of our performance for our first customer, Tata Daewoo, throughout the year. Tata Daewoo will shortly deliver the last few blocks of the Mumbai Trans Harbour Link, which has been constructed at the Facility. We were proud to have played our part in this achievement, but can also, look forward to using the concrete paved land being vacated by them in the next few months, which will be utilised for our container business operations. This 25 acre reinforced concreted land parcel can handle a throughput of almost 0.4 Mn TEUs per annum. We expect to achieve this throughput within 7 years, with there being a significant shift in the revenue mix from bulk cargo to container cargo.

The Company enhanced its business development team during the period and this additional resource is delivering results, with momentum expected to continue during the course of 2023.

The Company is pleased to report that it is in early stage discussions with a number of large shipping lines to handle containers at the Facility. This development is welcomed and will ensure over time both stable and more predictable revenue streams. The Facility's location is well placed to handle containers both from a road logistics perspective as well as by barge transportation. Contracts for container cargo provide predictable and long term revenue and the Company is hopeful of being able to announce progress in this regard during 2023.

One of the Board's principal priorities for 2022 was to further enhance the terms of its debt facility, to match the principal repayment with the cash flows that the business will generate in the next 2-3 years. Whilst that was not concluded during the year, as announced in the Company's recent fund raising, the Board is confident that this will be achieved.

The Company's original plan of making Karanja Port a hub for container handling is expected to take a major step in becoming a reality in 2023. The management worked in 2022 to get all approvals in place for getting this done including allotment of JNPA code.

The pick-up in Container handling business coupled with the growing Bulk Cargo handling businesses will drive further operational activity at the Port. The resulting increase in revenues coupled with the submission of proposal to the current lenders for restructuring of existing term debt to further 7 years (including 2 years moratorium on principal repayment) as well as moratorium on interest servicing for 12 months, will position the company to move ahead on its path to deliver the shareholder value.

On behalf of the Board, I should like to thank our investors for their continued support, as MPL builds towards its goal of being a key part of the logistics infrastructure in the region and a successful profitable company.

Finally, I should like to thank all our employees for their continued hard work during 2022.

DocuSigned by:

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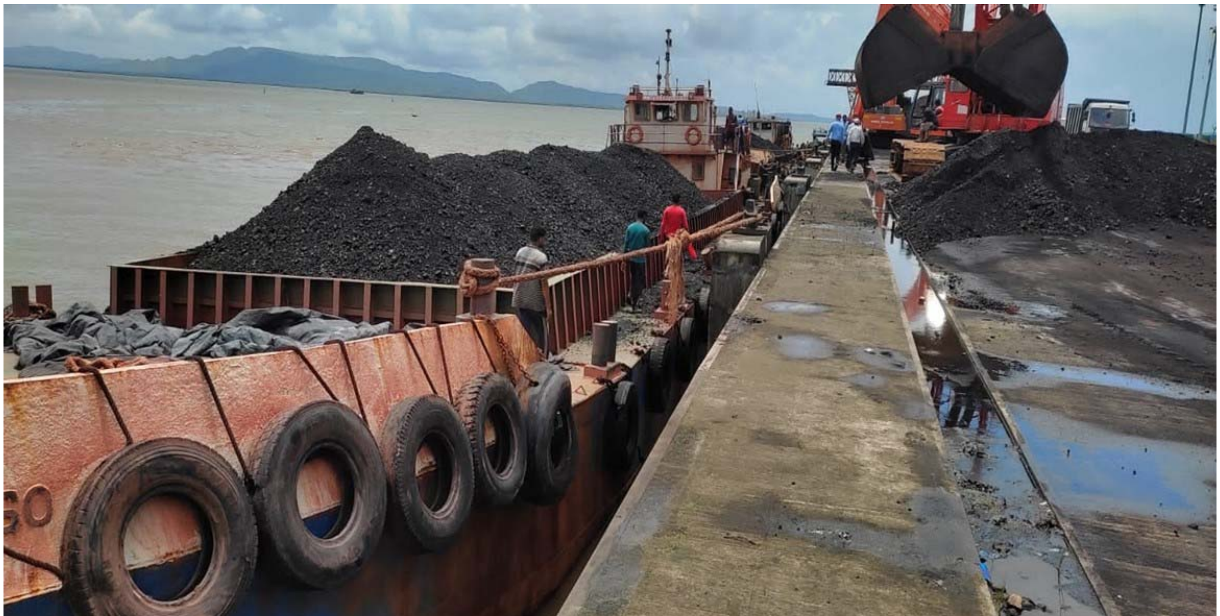
Jeremy Warner Allen

Chairman

Mercantile Ports & Logistics Limited

29 June, 2023

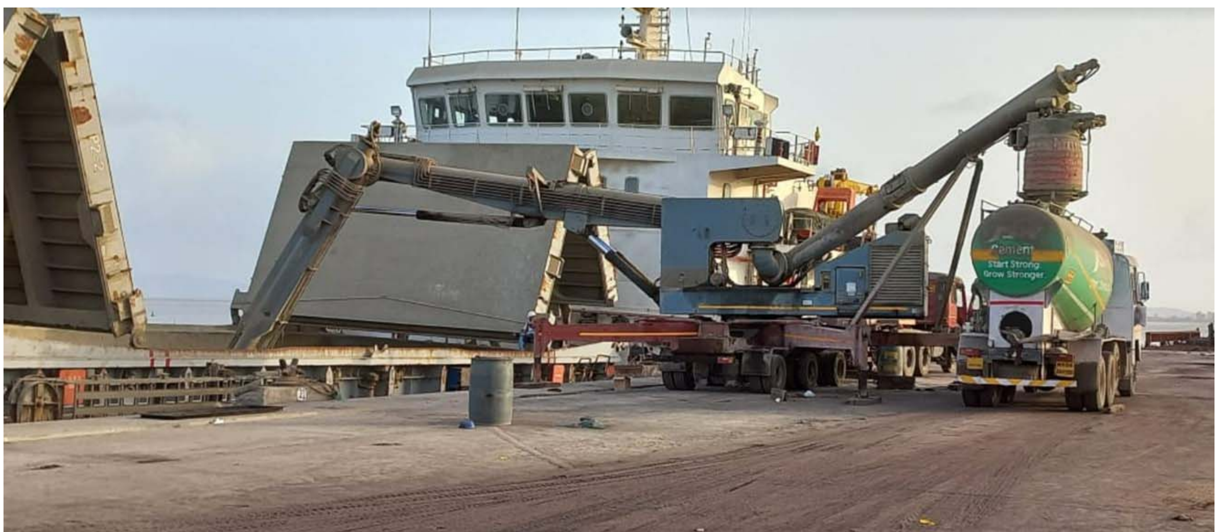
Operational Review



Barge carrying Coal berthed at Jetty

Inter-carting of Coal at storage area

Olivine flux lightered to a Barge



Pneumatic unloading of Cement from Barge

Indian Economy

On 6 December, 2022, the World Bank revised its GDP growth outlook for India for 2022-23 from 6.5% to 6.9%, (Source: India is better positioned to navigate global headwinds than other major emerging economies: New World Bank report https://www.worldbank.org/en/news/press-release/2022/12/05/india-better-positioned-to-navigate-global-headwinds-than-other-major-emerging-economies-new-world-bank-report) on the back of the economy's strong performance in Q2. The World Bank went on to say that the nation was “well placed” to steer through any potential global headwinds in 2023. The International Monetary Fund (IMF) expects India to grow by 5.9% in FY 2023–24 and by an average rate of 6.1% over the next five years.

Despite the global turmoil as a result of the dual shocks emerging from COVID and the Ukraine-Russia war, the long-term growth story of the Indian economy remains intact.

India emerged as the world's fifth-largest economy, overtaking the United Kingdom (UK) in 2022. It is set to surpass Japan and Germany to become the world's third-largest economy by 2029. (Source: India to emerge third-largest economy of world by 2029; Likely to surpass Germany by 2027, and Japan by 2029 (newsonair.gov.in)

However, capital investment, especially in the private sector, has not matched this growth, with India widely known as an attractive investment destination.

Operations Update

From an operations perspective, 2022 was the first full year of uninterrupted operations for the Port, with Karanja Port able to handle over c1.0 Mn MT of cargo. The Facility was able to demonstrate its ability to be a 24X7 facility with the commencement of night navigation enabling berthing / de-berthing of vessels at night. With all key aspects of port and logistics operation, including vessel navigation, yard operations and transportation, being carried out in a seamless manner, the Facility successfully handled over multiple types of cargo including coal, cement, olivine flux, metal scrap during the period. The volume of coal handled during this period, was inline with expectation and achieved the volume expectation set with the customer.

The Facility 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 the period.

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 2023. Karanja Port is being positioned as an evacuation alternative for containers coming to Jawaharlal Nehru Port Authority ("JNPA"), where currently, 6.0 Mn TEUs flow per annum. 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. (Source: https://jnPort.gov.in/projects_ongoing (10 million).

It is important to note that Karanja Port and JNPA have the same customs jurisdiction, the Jawaharlal Nehru Customs House (JNCH).

Further, the Facility has all other approvals in place (including allotment of code by JNPA & its terminals) to make the evacuation of TEUs, flowing into JNPA, from Karanja Port a reality. This will include both (1) containers that need only evacuation, storage and transportation – DPD containers that are Full Container Load; (2) containers that are yet to undergo Customs examination; and (3) containers that need to undergo de-stuffing operations that are not FCL.

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.

Going Concern

Fiscal year 2022 was the first full year of uninterrupted operations at the Facility. During the period from January 2022 to December 2022 alone, the port handled bulk cargo volumes to the tune of 1.2 Mn. MT. 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, based on the financial model which was prepared as part of approving the 2023 budget.

The Directors considered the cash forecasts prepared for twenty-four months beginning from 1 January 2023 up to 31st December 2024, together with certain assumptions for revenue and costs, to satisfy themselves of the appropriateness of the going concern used in preparing the financial statements.

The Group had considered the following inflows in the budget model prepared to mitigate funding risk as well as ensuring continuity in business:

a) £0.56 million cash balance as at 31 December 2022;
b) Additional line of unsecured credit from Hunch Ventures amounting to £4.5Mn;
c) Share subscription (balance) amount due from Hunch £1.1Mn;
d) The recent fund-raise of £8.2Mn (net of cost) which has just been concluded and closed
e) Expected cash flows from operations through to December, 2024.

The Directors took into account the risks and uncertainties, facing the business as set out on page 20, and a sensitivity analysis on the key revenue growth assumption and the effectiveness of available mitigating actions was carried out in the model.

The Indian subsidiary has been in discussion with its consortium of banks for restructuring the existing debt facility. The Directors are confident that a restructured debt facility will be afforded to the company, that will include an increase in the term of the loan by an additional 7 years as well as moratorium on principal repayments for a period of 2 years and a moratorium on interest payable for 12 months.

The existing consortium banks had previously restructured the debt facility in 2021 as a relief owing to the Covid-19 pandemic.

Based on the above indicators, after taking into account the recent fundraising and the renegotiation on the debt restructuring, the Directors believe that it remains appropriate to continue to adopt the going concern in preparing the forecasts.

However, the fact that the debt restructure has not been completed to date represents the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Conclusion

The Port is ramping up bulk cargo operations and is all set to commence container cargo commercial operations in 2023. It is well on its way to ramp up capacity utilization to achieve its targeted revenues and diversify its commodity mix towards handling a wider variety of bulk cargo as well as containers and liquids.

The Indian economy is expected to be remain buoyant. With the level of containerization in India remaining far below the global average, and overall port capacity in the country remaining short of demand, the business case for a Port & logistics facility like Karanja Port continues to stay robust.

Through the course of 2023, MPL will look to deepen its engagement with existing lenders on the one side and new and existing customers for incremental volumes on the other side. The focus will be to diversify its product / commodity mix towards container and liquid business, delivering enhanced and growing revenues through its container business.

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

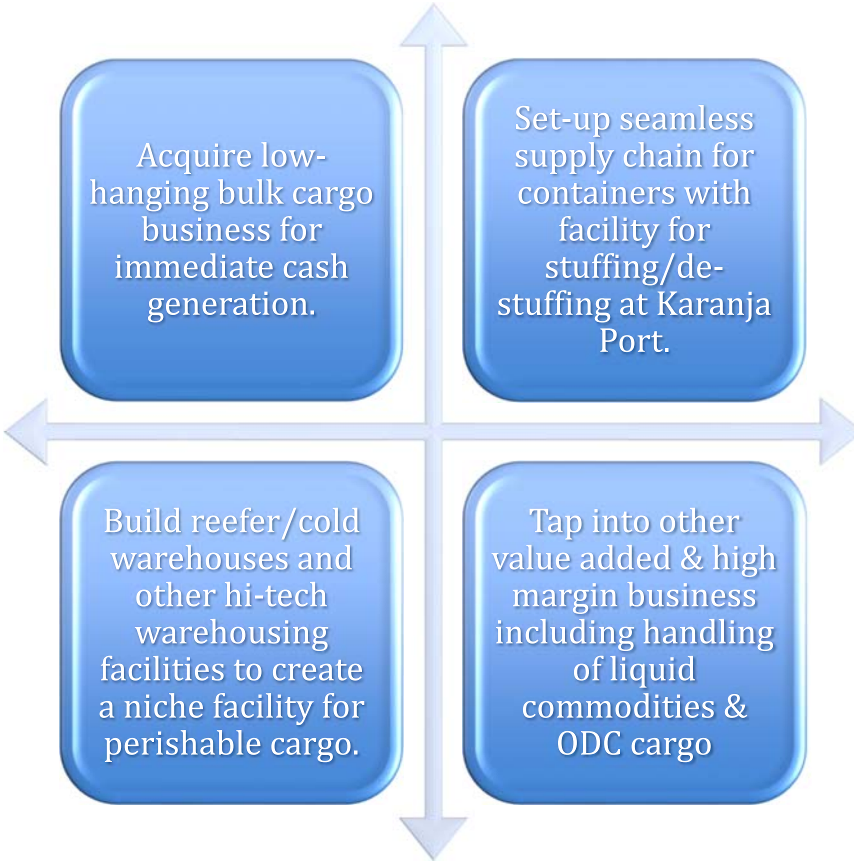
The Group's principal objective is to develop ports and logistics facilities in India and its sphere of influence. The Group's first project is at Karanja and in close proximity to the city of Mumbai and Navi Mumbai.

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

Our four-fold Strategy



Karanja Port (KTPL) – Gateway to west coast of India

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

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

The area in the immediate vicinity of the Karanja Port is expected to see a radical transformation of business dynamics of the region with projects of up to USD 20 billion being developed over the next 5 to 6-year period (Source: Times of India). The Port aims to cater to the requirements for building materials for these projects and will serve as the Port of choice for export and import from the region.

Karanja Port is strategically located enabling it to cater to the key hinterland of Maharashtra, Southern Gujarat, Northern Karnataka and Madhya Pradesh

Business Mix - Only infra access versus Port Services

At Karanja, we see primarily a mix of customers at the two ends of spectrum and in between:

Customers who ask for only infrastructure access at Karanja Port (landlord model)

(Lower ₹ per MT; Low yield Low cost of Servicing)

Higher margins

- Customers deploy all handling equipment such as crane, grabs, yard equipment, etc.
- Customers hire labour and vehicles for transPortation out of Karanja Port
- Customers pay an agreed ₹ per MT for using Karanja's Port facility (infra access)

Customers who seek end-to-end Port & logistics services from Karanja Port

(Higher ₹ per MT; High yield Bundled Services)

Moderate margins

- Customers opt for one or more of our services like Stevedoring, Barging, Cranage, Grabs, Inter carting, Weigh Bridge, TransPortation, etc.
- Customers may also opt for land for storage, building silo, etc. and pay Ground rent accordingly
- Karanja Port offers higher bundled pricing ₹ per MT

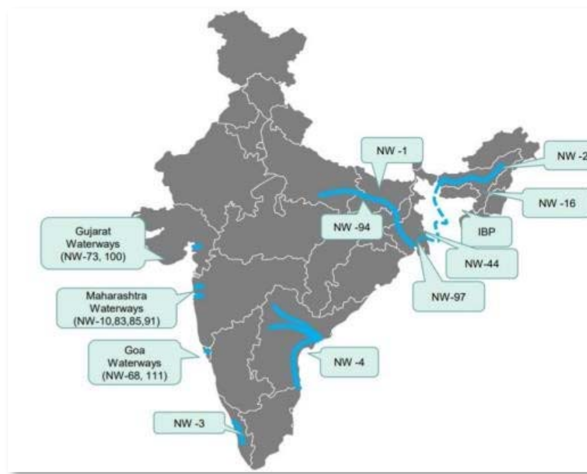
Key Unique Selling Points of Karanja Port

Location

Customs Clearance

Road Connectivity

National Waterway



Karanja Port is strategically positioned within one of the most economically vibrant areas of India. Below are key USPs.

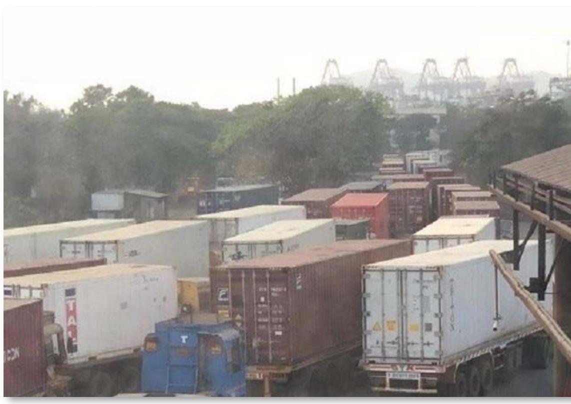
(1) Location - KTPL is located close to the key demand clusters of Maharashtra and has the potential to attract cargo across commodities. It is also in close proximity of two major Ports of India (JNPT and Mumbai Port). JNPA handled approximately 6.0 mn TEUs and Mumbai Port handled cargo to the tune of 63.61 Mn MT in 2022-23.

(2) 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.

(3) Road Connectivity – NH 4B (1.2 km) and SH 54 (3.5 km). This results in ease of cargo evacuation which allows customers to save on transaction costs and time.

(4) 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.

Growth Catalysts

Congestion at JNPT & Regional Road Network	Restrictions at MbPT
	
Perishables	**Infra Projects**
	

Karanja is a high growth industrial zone in the heart of Navi Mumbai with the following growth catalysts:

(1) Congestion in the regional road network around JNPA – While currently the authorities are already working on how to reduce the delay in evacuation of container cargo. The overall container handling capacity of JNPT will move up from 5.5mn containers to 10 mn containers when the fourth terminal of JNPT becomes active.

(2) 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.

(3) Perishables – Exports from west coast of India from states like Maharashtra, Karanja Port could become a Port of choice for perishable cargo, given the road connectivity with state and national highway.

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

Drivers for cargo related to infrastructure projects

US $ 2.3 bn

Mumbai Trans Harbor Link (MTHL) (16 km from Karanja)

- The MTHL bridge (located approx. 18km from Karanja Port) is expected to shorten the commute time between Mumbai and Navi Mumbai to 20 minutes from over 90 minutes currently. The ongoing construction of this longest seabridge of India has spurred significant regional development. The project by itself and the development around, is expected to consume significant volumes of construction material including cement, steel, clinker, fly ash etc which serves as a volume driver for the Port.
- source- https://en.wikipedia.org/wiki/Mumbai_Trans_Harbour_Link (refer second paragraph)

US $ 2.5 billion

Navi Mumbai International AirPort (18 kms from Karanja)

- The second international airPort of Mumbai city, also to be the largest in India, is currently under construction, and is responsible for spurring regional development. As is the case with MTHL, this project on its own as well the development of the region will be significant consumers of construction material such as cement, clinker, steel and fly ash amongt others, which are expected to flow through Karanja Port.
- Source- https://en.wikipedia.org/wiki/Navi_Mumbai_International_AirPort#:~:text=The%20original%20estimated%20cost%20of,billion%20(US%241.2%20billion). (refer third paragraph)

US $ 1.5 billion

JNPA's 4th Terminal operated by Port of Singapore

- The development of the 4th Terminal at JNPA and the consequent capacity addition will lead to significant opPortunities for Karanja Port in helping JNPA with easing of its evacuation bottlenecks by moving cargo through coastal waterways rather than via road resulting in incremental cargo /container volumes for Karanja Port.
- Source-https://timesofindia.indiatimes.com/india/pm-modi-opens-rs-7900-crore-4th-terminal-at-jnpt/articleshow/62971024.cms (refer title of the article)

US $ 75 bn

Mega City to be developed by the Reliance Group

- The planned megacity will be developed on the lines of a world class major international city with easy connectivity to airPort, Port and sea link connectivity to Mumbai & will attract investments worth over $75 Bn into the region.
- Source - https://indianconstructioninfo.com/buildings-cities/megacity-by-reliance/ (refer title of the article)

These announced/under construction projects give us confidence that local evacuation infrastructure is and will be more than capable of handling forecasted volumes and should entice, or require, customers to use the Port.

Financial Performance:

MPL delivered annual results nearing its revenue guidance for 2022.

Key Performance Indicators as 31 December 2022

- The Group recorded revenues of £ 4.87 million during the year versus £ 1.8 million during the previous year
- The gross borrowings is £ 41.5 million (previous year £ 45.2 million)
- Loss for the year £ 9.64 million (previous year £ 6.02 million)
- Debt Equity Ratio: 0.45 : 1 (previous year 0.43 : 1)
- Cash position: £ 0.6 million (previous year £ 4.78 million).

However, there were few other important events, subsequent to year-end, which are set out below:

(1) MOU signed with J.M. Baxi, one of the four terminal operators at JNPA. This opens doors for container business establishing Karanja as an evacuation alternative and port of choice.

(2) MPL raised Equity Funds of £8.2 Mn (net of cost)

(3) The Group has also submitted a proposal with the existing lenders for restructuring of the current debt and is confident of achieving the following terms:

a. Rephasement of existing term repayment from 7 years to 12-14 years;

b. Deferment of principal term loan repayment for a period of 24 months;

c. Interest moratorium for a period of 12 months.

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 advisors previous experience and reputation continues to be helpful in navigating any such hurdles along the way. Trade restrictions and regulatory policies stemming from geo-political events that can curb seamless functioning. We have focused on building strong quality control mechanisms to govern our operations and our client markets. Our compliant rich operations will ensure robust balance-sheet and operational efficiency.

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. We have additional line of unsecured credit from Hunch Ventures amounting to £4.5 million (INR 45 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. 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 Captain Ashok Shrivastava as Head of Business Development and Sales & Marketing respectively.

Captain 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 29 June, 2023

DocuSigned by:

Jay Mehta

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Jay Mehta

Director

Mercantile Ports & Logistics Limited

29 June, 2023

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 2022.

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, Mr. John Fitzgerald, Mr. Jeremy Warner Allen, Mr. Karanpal Singh, Mr. Amit Dutta (appointed from 11 January 2022), Mr. Dmitri Tsvetkov (appointed from 31 January 2022), Mr. Nikhil Gandhi.

Executive Directors – Mr. Jay Mehta (Managing Director).

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 International Standards Board, 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 Covid-19 pandemic coupled with the Russia-Ukraine war spiked inflationary pressure, forcing the central banks across the world to hike their key lending rates. In FY23, the Reserve Bank of India has hiked the repo rate several times. It has increased by 2.5 per cent between May 2022 and February 2023.

The interest rate hikes in India were more of a response to the rate hike by U.S. Fed increasing the Fed fund rate from 0.25% to expected 5.25% by June of 2023. This coupled with the collapse of Silicon Valley Bank in the U.S. heightened the fragile recovery in the investor sentiment globally.

The Indian subsidiary has signed a contract with Customers for handling container business.

The Group has also successfully closed the fund raise of £ 8.2 Mn. (net of costs), comprising of 101,949,999 – placement shares, 195,000,000 – subscription shares and 4,529,661 retail shares resulting in a total of 301,479,660 new ordinary shares.

Dividend

No dividend has been declared by the Board.

Signed for and on behalf of the Board on 29 June, 2023

Jay Mehta DocuSigned by: Jay Mehta E17778D07A8D40A...

Director

Mercantile Ports & Logistics Limited

29 June, 2023

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 500 INR 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, led 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, www.mercpl.com. 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

Non-Executive Director TP Group and Non-Executive

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 Remuneration Committee, Nomination Committee and a Member of Audit Committe

Lord Flight

Independent Non-Executive Director

Appointed to the Board as Independent Director

12 September 2016.

Skills and expertise

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

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

Key External Appointments

Non-Executive Director of Investec Asset Management Limited.

Committee membership

Member of the Remuneration Committee and Nomination 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

Dmitri 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. From November 2017 to May 2022, Mr. Tsvetkov has served as Chief Financial Officer of OPG Power Ventures PLC. From June 2022 to April 2023, Dimitri has been Chief Financial Officer and since April 2023 Chief Operating Officer & Group Director of Finance of i(x) Net Zero TLC. 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

Epiplex Limited

Committee membership

Chairman of Audit 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	4	1	2	1
Nikhil Gandhi	-	-	NA	NA
Lord Howard Flight	4	1	2	1
Jay Mehta	3	1	1	NA
John Fitzgerald	4	1	2	1
Karanpal Singh	2	1	NA	NA
Dmitri Tvestov	3	-	2	1
Amit Dutta	4	-	-	-

2022 Board Activities

Significant matters considered during the year.

	2022
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 20 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	During 2022 there was no equity fund raise.

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 33.

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 2022 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 Committee also considered the valuation done by an independent external expert valuer. As per the valuation report, the value of the cash generating unit (CGU) group (considering the discounting rate of 13.40% (post – tax)) was determined to be £131.53 Mn. The review did not result in any impairment, however, there was minimal headroom in the calculation. The group carried out sensitivity analysis on the following: a) reduction in Revenue by 10%, the assets would be impaired by £ 16.17 Mn. b) reduction in EBIDTA by 10%, the assets would be impaired by £ 11.70 Mn. c) increase in the discounting rate by 1%, the assets would be impaired by £ 11.20 Mn. Considering the above sensitivity analysis, the group's asset would be impaired. Taking the above into account, together with the documentation presented and the explanations given by management, the committee is satisfied with the thoroughness of the approach and judgements taken.

Going Concern (see note 2 to the financial statements) A going concern review is carried out annually by management to consider whether there is any indication of the Group not being able to continue in business for the foreseeable future and to confirm there is neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, assets and liabilities are recorded on the basis that the entity will be able to realise assets and discharge its liabilities in the normal course of business. Key judgements and assumptions around the availability of cash and borrowings, together with the future income and costs need to be considered in assessing the business risks that individually or collectively may cast significant doubt about the going concern.	The Audit Committee reviewed future budgets and cash flow forecasts to understand the Group's available liquidity and ability to continue as a going concern. The Committee reviewed and challenged the risks identified to the forecasts and the outcome of the downside scenario modelling and stress testing. The Audit Committee has taken into consideration the following in the forecast: The Directors considered the cash forecasts prepared for twenty-four months effective from 1 January 2023 up to 31st December 2024, together with certain assumptions for revenue and costs, to satisfy themselves of the appropriateness of the going concern used in preparing the financial statements. The group had considered the following inflows in the budget model prepared to mitigate funding risk as well as ensuring continuity in business: a) £0.56 million cash balance as at 31 December 2022; b) Additional line of unsecured credit from Hunch Ventures amounting to £4.5 million (₹45 crore); c) Subscription (balance) amount due from Hunch £1.1 Mn; d) The recent fund-raise of £8.2 Mn (net of cost) which has just been concluded and closed e) The group will also use the cash generated from operations to manage the projected costs until December, 2024. The group has also initiated a range of mitigating actions within its control for a reduction in all non-essential services. The Directors also took into account the principal risks and uncertainties facing the business referred to on page 20, and a sensitivity analysis on the key revenue growth assumption and the effectiveness of available mitigating actions was carried out. The Indian subsidiary has been, over the last 3-4 months are in discussion with its consortium of banks for restructuring the existing debt facility. The management is confident that a restructured debt facility will be afforded to the company, that will include: a) an increase in the term of the loan by an additional 7 years as well as; b) moratorium on principal repayments for a period of 2 years. The existing consortium banks had previously restructured the debt facility in 2021 as a relief owing to the Covid 19 pandemic.

	However, the fact that the debt restructure has not been completed to date represents the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.
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 2022, 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 cost and nature of non-audit work undertaken by the auditors and was in a position to take action if it believed that there was a threat to the auditors' independence through the award of this work.

Grant Thornton UK LLP 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.

As per the requirement of auditor rotation rules, the auditor 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 2022 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 2022, the Group maintained corporate broking relationships with Cenkos Securities PLC.

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

Visit our dedicated Investors page on our corporate website www.mercpl.com – Investors Reporting Contact our Investor Relations team: Investor Relations Email: mpl@newgatecomms.com.

Directors' Remuneration Report

The purpose of this report is to set out all the elements of the Directors' remuneration policy and the key factors that were taken into account in setting the policy and to report on how the Directors' remuneration policy has been implemented. It also sets out amounts awarded to Directors and provides details on the link between the entity's performance and Directors' remuneration.

Executive Directors' Service Contracts and Remuneration as at 31 December 2022

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 under his service agreement.

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:

	2022 **£ 000**	**2021** **£ 000**
Salary & Bonus	281	269
Fees	204	154
Other benefit	--	-
Pension Contributions	--	-
Total	**485**	**423**

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

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
Karanpal Singh	--	--	--	--	--
Amit Dutta	--	--	--	34	34
Dmitri Tsvetkov	--	--	--	42	42
Total	**281**	**--**	**--**	**204**	**485**

For year ended 31 December 2021	Directors' Salaries £ 000	Bonus Paid £ 000	Pension Contribution £ 000	Directors' fees £ 000	Total £ 000
Jay Mehta	89	--	--	--	89
Nikhil Gandhi	180	--	--	--	180
Jeremy Warner Allen	--	--	--	40	40
Lord Flight	--	--	--	40	40
John Fitzgerald	--	--	--	45	45
Peter Mills	29	--	--	--	29
Karanpal Singh	--	--	--	--	--
Total	**298**	**--**	**--**	**125**	**423**

Non-Executive Directors' Letters of Appointment and Fees

The Non-Executive Directors do not have service contracts with the Company. Their terms of appointment are governed by letters of appointment. The Company has a contractual obligation to provide 3 months' fees but no further benefits to any of the Non-Executive Directors upon termination of their Directorship.

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

During the financial year ending 31 December 2022 and 2021, 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 2023. 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 2022	Ordinary Shares held as at 31 December 2022	Change
Lord Flight (Non-Executive Director)	230,538	230,538	--
John Fitzgerald (Non-Executive Director)	56,583	56,583	--
Jeremy Warner Allen (Non-Executive Director)	519,545	519,545	--
Karanpal Singh (Non-Executive Director) *	11,819,712	11,819,712	--
Jay Mehta (Managing Director)	205,780	205,780	--

*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 for the year ended 31 December 2022, 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 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 31st December 2022 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
- comply with 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.

Material uncertainty related to going concern

We draw attention to the going concern note within note 2 a) to the group financial statements, which indicates that there is a material uncertainty related to going concern. The Directors considered the cash forecasts prepared for twenty-four months effective from 1 January 2023 up to 31st December 2024, including inflows in the budget model prepared to mitigate funding risk as well as ensuring continuity in business. The Indian subsidiary has been in discussion with its consortium of banks for restructuring the existing debt facility. The Directors are confident that a restructured debt facility will be afforded to the company, that will include an increase in the term of the loan by an additional 7 years as well as moratorium on principal repayments for a period of 2 years and a moratorium on interest payable for 12 months. However, the fact that the debt restructure has not been completed to date represents the existence of a material uncertainty. As stated in the going concern note within note 2 a), these events or conditions, along with the other matters as set forth in the going concern note within note 2 a), indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our evaluation of management's assessment of the entity's ability to continue as a going concern

Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included, but was not restricted to:

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

- Challenging the appropriateness of key judgements and key assumptions made in the group's cash flow forecast model, including the appropriateness of the sensitivities used during the forecast period;
- Assessing the projected level of liquidity headroom in the group's cash flow forecast model over the going concern period, which is up to 31 December 2024;
- Obtaining an understanding of the current status of the negotiations with the lenders; and
- Challenging management on the sufficiency and appropriateness of the disclosures within the notes to the financial statements.

Our responsibilities

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.

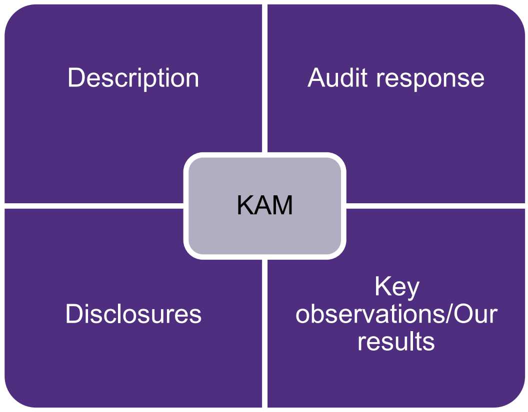
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

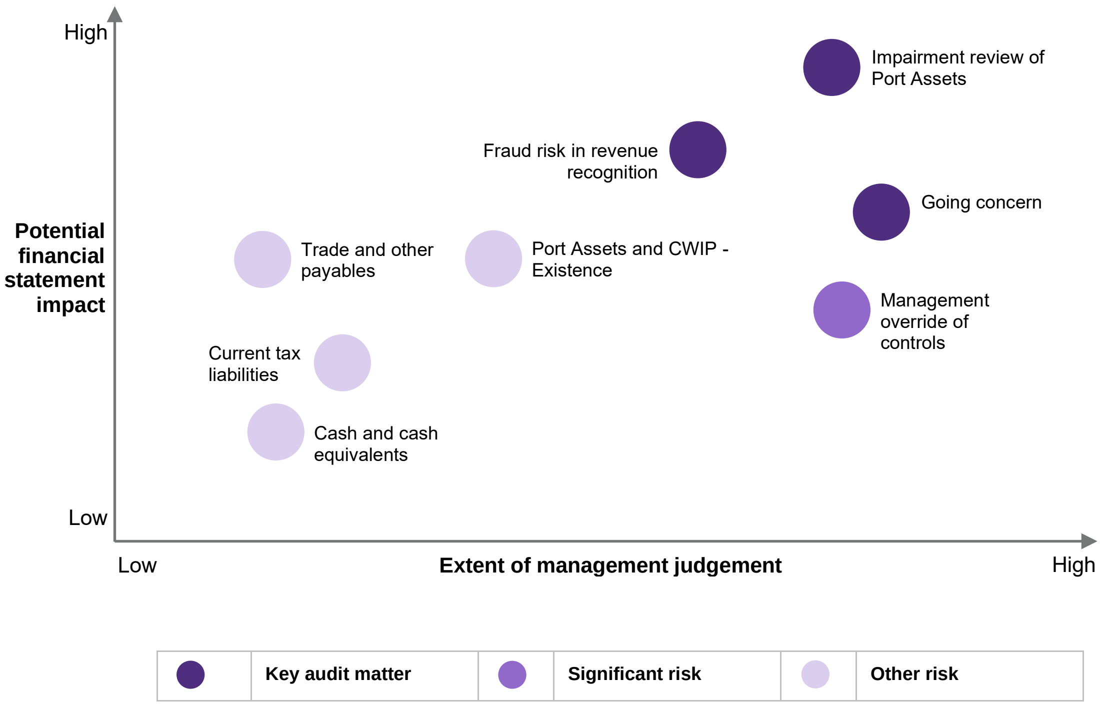
Grant Thornton	**Overview of our audit approach**
	Overall materiality: £1,000,000, which represents 0.70% of the group's total assets.
	Key audit matters were identified as: • Impairment review of port assets (same as previous year) • Fraud risk in revenue recognition (same as previous year); and • Going concern (same as previous year). Our auditor's report for the year ended 31st December 2021 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 with a site visit to India during the audit and included a full scope audit of the financial information of the trading entity in India, 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 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 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.



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

Key Audit Matter – group	How our scope addressed the matter – group
Impairment review of Port Assets 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 £127,382,000 (2021 £ 131,344,000).	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of the business processes and controls relevant to the impairment review; • Obtained management’s impairment model, which includes an assessment of the value in use of the port, and performed a recalculation to confirm the mathematical accuracy of the model;

Key Audit Matter – group	How our scope addressed the matter – group
This includes the value of the port assets in use as well as a portion of assets under development. The port was operational for a full year in 2022 after only being operational for part of 2021. As a result of difficult economic conditions driven by the COVID-19 pandemic and disruptions arising from the war in Ukraine, the planned growth has not materialised in accordance with previous forecasts. This indicates that the asset may be impaired. If there are indications of impairment, management are requirement 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 As a result of the existence of these judgements, we identified a significant risk of material misstatement due to error.	• Evaluated the competence, capability and objectivity of management's expert appointed to perform the Discounted Cash Flow (DCF) analysis; • Tested the accuracy of management's forecasting through a comparison of the prior year Board-approved forecasts to actual results during the year; • Determined whether the impairment forecasts reconciled to the going concern cashflow forecast; • Challenged the key inputs used in the impairment model, including examining revenue contracts signed during the year and post-year end to assess the reasonableness of management's revenue generation inputs; • Corroborated growth forecasts and key inputs relating to pricing and costs to available market data; • Used an internal expert to compare the discount rate used in the impairment model to the current interest rate being charged on the group's bank facility, whilst also factoring in the cost of equity for a typical ports and logistics company based in India; • Applied sensitivities to key inputs in the value in use calculations of the port to determine the headroom and robustness of the calculation; and • Identified and considered the adequacy of the disclosures relating to the sensitivity analysis of key inputs in the model that have been disclosed in the financial statements.
Relevant disclosures in the Annual Report & Accounts for the year ended 2022 • Financial statements: Note 3, Significant accounting judgements, estimates and assumptions, Impairment review and Note 12 (a), Property, plant and equipment.	**Key observations** We challenged management on key inputs used in the calculation of the value in use and consider them to be appropriate. We did not identify any material misstatements in relation to the carrying value of the port asset and we consider that the associated disclosures are in accordance with IAS 36.
Fraud risk in revenue recognition We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. Management have grown their customer base during the year by signing new contracts to perform more bulk cargo handling and the sale of coal. They continued to lease land during the year to existing customers.	In responding to the key audit matter, we performed the following audit procedures: • Assessment and testing of the application of the revenue recognition policies and whether they are in compliance with IFRS 15; • Obtained a detailed understanding of the business processes and controls relevant to revenue, along with performing a walkthrough test to assess their implementation;

Key Audit Matter – group	How our scope addressed the matter – group
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. There are pressures to reflect growth in revenue, while the company continues to ramp up their operations and utilise the port facility's capacity. This therefore represents a risk of fraudulent revenue recognition.	• Agreed 100% of the hiring jetty and dredging income to contract and bank receipt; • Agreed a sample of lease income to contract and bank receipt; • Agreed a sample of coal handling and distribution income, cargo handling income, sales of coal and wharfage income to evidence of occurrence such as loading slip, delivery note, contract and bank receipt; • Performing cut off procedures on invoices generated near the year end. This comprised agreeing items to evidence of occurrence such as loading slip and delivery note to determine whether the transaction was recorded in the correct period; • Reviewed the disclosures related to revenues to determine whether they were accurate and complete.

Relevant disclosures in the Annual Report and Accounts 2022	Key observations
• Financial statements: Note 2 (e), Significant Accounting Policies – Revenue recognition and Note 5, Revenue from operations.	Our audit work did not identify any material misstatements in revenue due to fraud. We consider that the associated disclosures are accurate and complete.

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:

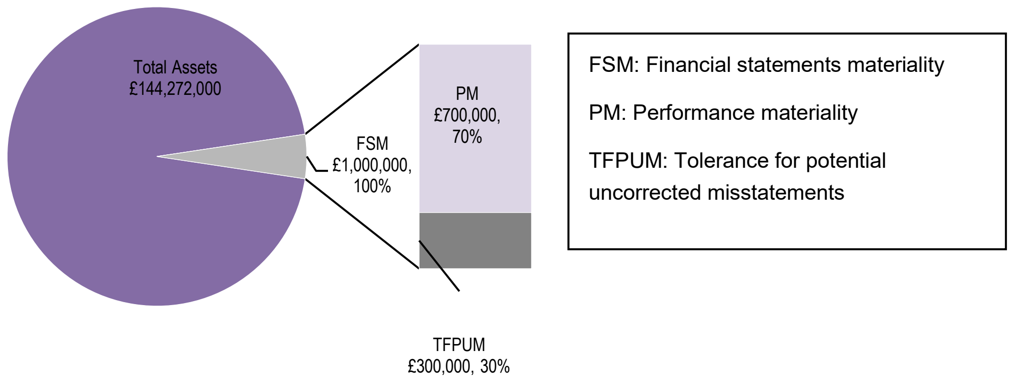
Materiality measure	Group
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£1,000,000, which is 0.70% of Total Assets.
Significant judgements made by auditor in determining the 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 on the consolidated statement of financial position;

Materiality measure	Group
	• 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 the same as the amount determined for the year ended 31st December 2021.
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	£700,000, which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the 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 associate 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.

Materiality measure	Group
Threshold for communication	£50,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – group



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

- The group 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.
- 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 also holds greater than 97% of group's assets and contributes to 90% of the group's loss before tax. As a result, was determined to be an individually financially significant component.

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. A site visit was carried out by the engagement team to observe operations and the port assets.

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	97%	100%	90%
Specific-scope audit	1	3%		10%
Analytical procedures	1	0%		0%

Changes in approach from previous period

- There were no significant changes in the audit approach since the previous year. We did not identify any new KAMs or significant risks. The main difference in the current year was that the full group engagement team were able to visit the port operations in India given the loosening of travel restrictions relating to COVID-19.

Other information

The other information comprises the information included in the annual report & accounts for the year ended 2022, other than the group financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report & accounts for the year ended 2022. Our opinion on the group financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 22, the directors are responsible for the preparation of the 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 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 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 verifying 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 maritime industry in which the client operates; and
  - the level of supervision of junior team members, and oversight provided by a quality control review
- There were no matters relating to non-compliance with laws and regulations or fraud that were communicated to the engagement team.

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.

DocuSigned by:

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Christopher Raab, ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date 29 June, 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
CONTINUING OPERATIONS			
Revenue	5	4,872	1,801
Cost of sales	6	(1,449)	(307)
Gross margin		3,423	1,494
Administrative expenses	7	(9,978)	(8,373)
OPERATING LOSS		**(6,555)**	**(6,879)**
Finance income	8(a)	38	40
Gains from extinguishment of debt	8(a)	--	5,408
Finance cost	8(b)	(5,543)	(4,576)
NET FINANCING COST		**(5,505)**	**872**
LOSS BEFORE TAX		**(12,060)**	**(6,007)**
Tax income /(expense) for the year	9	2,421	(14)
LOSS FOR THE YEAR		**(9,639)**	**(6,021)**
Loss for the year attributable to:			
Non-controlling interest		(18)	(5)
Owners of the parent		(9,621)	(6,016)
LOSS FOR THE YEAR		**(9,639)**	**(6,021)**
Other Comprehensive (Loss)/income:			
Items that will not be reclassified subsequently to profit or (loss)			
Re-measurement of net defined benefit liability	24	1	8
Items that will be reclassified subsequently to profit or (loss)			
Exchange differences on translating foreign operations		808	(673)
Other comprehensive expense for the year		**809**	**(665)**
Total comprehensive expense for the year		**(8,830)**	**(6,686)**
Total comprehensive expense for the year attributable to:			
Non-controlling interest		(18)	(5)
Owners of the parent		(8,812)	(6,681)
		(8,830)	**(6,686)**
Earnings per share (consolidated):			
Basic & Diluted, for the year attributable to ordinary equity holders	11	***(0.232p)**	***(0.231p)**

*1. On 13 September 2021 group has consolidated its share by way of issuing one new share for every hundred shares held.

2. The accompanying notes on page 56 to 90 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Assets			
Property, plant and equipment	12(a)	127,382	131,344
Intangible asset	12(b)	14	4
Non-current tax assets	19 (a)	2,108	--
Total non-current assets		**129,504**	**131,348**
Inventory of traded goods		96	--
Trade and other receivables	13	14,110	18,484
Cash and cash equivalents	14	558	4,783
Total current assets		**14,764**	**23,267**
Total assets		**144,268**	**154,615**
Liabilities			
Non-current			
Employee benefit obligations	17	53	43
Borrowings	18	39,165	39,932
Lease liabilities payable	20	1,611	1,562
Non-current liabilities		**40,829**	**41,537**
Current			
Employee benefit obligations	17	529	449
Borrowings	18	2,307	1,037
Current tax liabilities	19 (b)	17	415
Lease liabilities payable	20	817	795
Trade and other payable	20	8,388	10,171
Current liabilities		**12,058**	**12,867**
Total liabilities		**52,887**	**54,404**
Net assets		**91,381**	**100,211**
Equity			
Stated Capital	16	143,851	143,851
Retained earnings	16	(26,022)	(16,402)
Translation Reserve	16	(26,429)	(27,237)
Equity attributable to owners of parent		**91,400**	**100,212**
Non-controlling Interest		(19)	(1)
Total equity		**91,381**	**100,211**

1. The accompanying notes on page 56 to 90 form part of these consolidated financial statements.
2. The consolidated financial statements have been approved and authorized for issue by the Board on 29 June, 2023.

Jay Mehta
Director

DocuSigned by:
Jay Mehta
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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax		(12,060)	(6,007)
Non cash flow adjustments	22	11,748	5,149
		(312)	**(858)**
Operating (loss) before working capital changes			
Net changes in working capital	22	305	(4,669)
Taxes paid		(85)	--
Net cash used in operating activities		**(92)**	**(5,527)**
CASH FLOW FROM INVESTING ACTIVITIES			
Used in purchase of property, plant and equipment		(1,425)	(2,107)
Finance Income	8	38	27
Net cash used in investing activities		**(1,387)**	**(2,080)**
CASH FLOW FROM FINANCING ACTIVITIES			
From issue of additional shares	16	--	9,224
From borrowing		--	984
Subscription money received		2,452	--
Repayment of bank borrowing principal		(881)	(641)
Interest paid on borrowings		(4,217)	(810)
Principal repayment of lease liabilities		(138)	(96)
Interest payment on leasing liabilities principal		--	(131)
Net cash from financing activities		**(2,784)**	**8,530**
Net change in cash and cash equivalents		**(4,262)**	**923**
Cash and cash equivalents, beginning of the year		4,783	3,895
Exchange difference on cash and cash equivalents		37	(35)
Cash and cash equivalents, end of the year		**558**	**4,783**

The accompanying notes on page 56 to 90 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Stated Capital £000	Translation Reserve £000	Retained Earnings £000	Other Components of equity £000	Non-controlling Interest £000	Total Equity £000
Balance at 1 January 2022	**143,851**	**(27,237)**	**(16,402)**	**--**	**(1)**	**100,211**
Transaction with owners in their capacity as 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**
Balance at 1 January 2021	**134,627**	**(26,564)**	**(10,394)**	--	**4**	**97,673**
Issue of share capital	10,102	--	--	--	--	10,102
Share Issue cost	(878)	--	--	--	--	(878)
Transaction with owners	**143,851**	**(26,564)**	**(10,394)**	**--**	**4**	**106,897**
Loss for the year	--	--	(6,016)	--	(5)	(6,021)
Foreign currency translation difference for foreign operations	--	(673)	--	--	--	(673)
Re-measurement of net defined benefit liability	--	--	--	8	--	8
Re-measurement of net defined benefit liability transfer to retained earning	--	--	8	(8)	--	--
Total comprehensive income for the year	--	(673)	(6,008)	--	(5)	(6,686)
Balance at 31 December 2021	**143,851**	**(27,237)**	**(16,402)**	**--**	**(1)**	**100,211**

The accompanying notes on page 56 to 90 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 2022, 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 2022, the Group had 44 (Forty-four) (2021: 47 (Forty-seven)) employees.

2. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PREPARATION

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

Going Concern

Fiscal year 2022 was the first full year of operations at the facility. During the period from January 2022 to December 2022 alone, the port handled bulk cargo volumes to the tune of 1.2 Mn MT. 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, based on the financial model which was prepared as part of approving the 2023 budget.

The Directors considered the cash forecasts prepared for Twenty-four months effective from 1 January 2023 up to 31st December 2024, together with certain assumptions for revenue and costs, to satisfy themselves of the appropriateness of the going concern used in preparing the financial statements.
The group had considered the following inflows in the budget model prepared to mitigate funding risk as well as ensuring continuity in business:

a) £0.56 million cash balance as at 31 December 2022;
b) Additional line of unsecured credit from Hunch Ventures amounting to £4.5Mn;
c) Share subscription (balance) amount due from Hunch £1.1Mn;
d) The recent fund-raise of £8.2Mn (net of cost) which has just been concluded and closed
e) Expected cash flows from operations through to December, 2024.

The Directors took into account the risks and uncertainties facing the business referred to below, and a sensitivity analysis on the key revenue growth assumption and the effectiveness of available mitigating actions was carried out in the model.

The Indian subsidiary has been in discussion with its consortium of banks for restructuring the existing debt facility. The Directors are confident that a restructured debt facility will be afforded to the company, that will include an increase in the term of the loan by an additional 7 years as well as moratorium on principal repayments for a period of 2 years and a moratorium on interest payable for 12 months.

The existing consortium banks had previously restructured the debt facility in 2021 as a relief owing to the Covid-19 pandemic.

Based on the above indicators, after taking into account the recent fundraising and the renegotiation on the debt restructuring, the Directors believe that it remains appropriate to continue to adopt the going concern in preparing the forecasts.

However, the fact that the debt restructure has not been completed to date represents the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

(b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the results of the Company and entities controlled by the Company (its subsidiaries) up to 31 December 2022. 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	7.08	7.08
Karanja Terminal & Logistics Private Limited*	Karanja Terminal & Logistics (Cyprus) Ltd.	India	92.70	92.70

* 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 viz. trading which is incidental to providing port services.

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.

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.

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

Each of these services are distinct from the other. Customer may choose one or more of these distinct services and revenue recognition would be based on per metric tonne basis on satisfaction of each service obligation.

Revenue from sale of traded goods

Revenue from sale of traded goods is recognized on transfer of control to the customers, which is generally on dispatch of goods and no significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods. 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 long term basis to its customers. Leases are classified as finance lease whenever the terms of lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease. In some cases, the Group enters into cancellable lease / sub-lease transaction agreement, while in other cases, it enters into non-cancellable lease / sub-lease agreement. The Group recognises the income based on the principles of leases as set out in IFRS 16 "Leases" and accordingly in cases where the land lease / sub-lease agreement are cancellable in nature, the income in the nature of upfront premium received / receivable is recognised on operating lease basis i.e. 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.

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) 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.

(h) 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

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. The respective leased assets are included in the balance sheet based on their nature.

Initial direct costs incurred in negotiating and managing an operating lease are added to the cost of the leased asset and recognized as an expense over the term on the same basis as the lease income.

(i) INCOME TAX

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

Deferred tax

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

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

(j) FINANCIAL ASSETS

The 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 FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

(k) FINANCIAL LIABILITIES

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

(l) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The Group is in the process of constructing its initial project; the creation of a modern and efficient port and logistics facility in India. All the expenditures directly attributable in respect of the port and logistics facility under development are carried at historical cost under Capital Work in Progress as the Board believes that these expenses will generate probable future economic benefits. These costs include borrowing cost, professional fees, construction costs and other direct expenditure. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Cost includes expenditures that are directly attributable to the acquisition of the asset and income directly related to testing the facility is offset against the corresponding expenditure. The cost of constructed asset includes the cost of materials, sub-contractors and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Parts of the property, plant and equipment are accounted for as separate items (major components) on the basis of nature of the assets.

Depreciation is recognised in the Consolidated Statement of Comprehensive Income over the estimated useful lives of each part of an item of property, plant and equipment. For items of property, plant and equipment under construction, depreciation begins when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Thus, as long as an item of property, plant and equipment is under construction, it is not depreciated. Leasehold improvements are amortised over the shorter of the lease term or their useful lives.

Depreciation is calculated on a straight-line basis.

The estimated useful lives for the current year are as -

Assets	Estimated Life of assets
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.

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.

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 the 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.

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or impairment losses, if any. There is currently no impairment of property, plant and equipment.

(m) Trade receivables and payables

Trade receivables are financial assets 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.

(n) Advances

Advances paid to the EPC contractor and suppliers for construction of the facility are categorised as advances and will be offset against future work performed by the contractor.

(o) Cash and cash equivalents

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

(p) Stated capital and reserves

Shares have 'no par value'. Stated capital includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from stated capital, net of any related income tax benefits.

Foreign currency translation differences are included in the translation reserve. Retained earnings include all current and prior year retained profits.

(q) New standard and interpretation

There are no accounting pronouncements, which have become effective from 1 January 2023 that have a significant impact on the Group's consolidated financial statements.

(r) 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.

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- Effective date of amendments on disclosure of accounting policies
- Amendments to IAS 8 on accounting estimates
- Amendments to IAS 12 on deferred tax related to Assets and Liabilities from a single transaction.
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Recognition of income tax liabilities

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. 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 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.

By virtue of this order, the demand made by the Income tax department at present is not recoverable. As such the order of the Principal Commissioner of Income Tax (Appeals) is of a protective nature, hence the management has decided to prudently reverse the provisions and the interest accrued on the same for the subject years.

However, since the Income tax department has preferred an appeal in Supreme Court. 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.

Impairment Review

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 Committee also considered the valuation done by an independent external expert valuer.
As per the valuation report, the value of the cash generating unit (CGU) group (considering the discounting rate of 13.40%) was determined to be £131.53 Mn.

The review did not result in any impairment during the year, however there was minimal headroom in the calculation.

The group carried out sensitivity analysis on the following:

a) reduction in Revenue by 10%, the assets would be impaired by £ 16.17 Mn.
b) reduction in EBIDTA by 10%, the assets would be impaired by £ 11.70 Mn.
c) increase in the discounting rate by 1%, the assets would be impaired by £ 11.20 Mn.

Considering the above sensitivity analysis, the group's asset would be impaired.

Taking the above into account, together with the documentation presented and the explanations given by management, the committee is satisfied with the thoroughness of the approach and judgements taken.

4. 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.

5. REVENUE FROM OPERATION

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Sale of goods	561	--
Cargo handling income	1,968	710
Lease income	1,728	1,091
Other operating income	615	--
	4,872	**1,801**

The Company has given certain land portions on operating lease. These lease arrangement is for a period 40 months. Lease is renewable for further period on mutually agreeable terms.

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

Payments falling due	As on 31 Dec 22 INR in million	As on 31 Dec 22 £ million
2023	46.92	0.48
2024	9.60	0.10
2025	9.60	0.10
2026	9.60	0.10
Fifth year and above	48.00	0.49
Total	**123.72**	**1.27**

6. COST OF SALES

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Wharf-age expense	411	72
Other operating expense	1,134	235
Changes in inventory	(96)	--
	1,449	**307**

7. ADMINISTRATIVE EXPENSES

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Employee costs	635	577
Directors’ remuneration and fees	476	423
Operating lease rentals	9	13
Foreign exchange loss	68	84
Depreciation	6,231	3,132
Other administration costs	2,559	4,144
	9,978	**8,373**

8. (a) FINANCE INCOME

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Interest on bank deposits	38	40
Gain from extinguishment of debt*	--	**5,408**

* During the previous year, Group had received sanction from lenders for one-time restructuring (OTR) of loan. The 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 corresponding effect of debt modification has been considered in 2022 financials.

8. (b) FINANCE EXPENSES

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Interest on term loan	4,726	1,977*
Interest others	817	2,599
	5,543	**4,576**

* Interest on the term loan is capitalized against assets under construction up to March 2021. As major construction work is completed and assets under construction transferred into service, the capitalization of interest ceased on that part and interest expensed out to the profit and loss account from April 2021 onwards.

The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 13.45% up to 10 June 2021 and 9.5% effective from 11 June 2021.

The lenders have reset the interest rate from 9.5% pa to 9.55% p.a. on Term Loan and from 10.50% pa to 10.55% pa on FITL with effect from June 2022.

9. INCOME TAX

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Loss Before Tax	(12,060)	(6,007)
Applicable tax rate in India*	26.00%	26.00%
Expected tax credit	**(3,136)**	**(1,562)**
Reconciling items		
Non-deductible losses of MPL and Cyprus entities	320	994
Un-recognised deferred tax asset	2,025	--
Non-deductible expenses	791	568
Reversal of outstanding tax liability and interest thereon pertaining to earlier years	2,421	(14)
	2,421	**(14)**

* 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 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. 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 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.

By virtue of this order, the demand made by the Income tax department at present is not recoverable. As such the order of the Principal Commissioner of Income Tax (Appeals) is of a protective nature, hence the management has decided to prudently reverse the provisions and the interest accrued on the same for the subject years.

However, since the Income tax department has preferred an appeal in Supreme Court, 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.

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 INR: 67.46 crore (£6.76 Mn.) (2021- INR: 47.88 crore (£4.77 Mn.).

10. 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 22 £000	Year ended 31 Dec 21 £000
Audit Fees		
Fees payable to the auditor for the audit of the Group's financial statements *	171	130
Non-audit service:		
Interim Financial Statement Review	10	9
Non -audit services	110	80
	291	**219**

* This includes prior year overruns charged during the year aggregating to £ 12,500 (2021: £ 7,210).

11. EARNINGS PER SHARE

Both basic and diluted earnings per share for the year ended 31 December 2022 have been calculated using the loss attributable to equity holders of the Group of £9.621 million (prior year loss of £6.02 million).

	Year ended 31 Dec 22	**Year ended 31 Dec 21**
Loss attributable to equity holders of the parent	£ (9,621,000)	£ (6,016,000)
Weighted average number of shares used in basic and diluted earnings per share	41,499,699	26,000,334
EARNINGS PER SHARE		
Basic and Diluted earnings per share	(0. 232p)	(0. 231p)

On 9th September 2021 The group has successfully completed fund raise by placing 2,244,947,810 new Ordinary Shares at a price of 0.45 pence per share. Also on 13 September 2021 group has consolidated its share capital by way of issuing 1 share for every 100 shares.

12 (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 2022	**42**	**535**	**345**	**586**	**47**	**109,523**	**1,721**	**24,149**	**136,948**
Net Exchange Difference	0	4	2	3	0	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)	(1)	(0)	(2)	(0)	(26)	(3)	--	(33)
Charge for the year	(4)	(111)	(23)	(48)	(4)	(5,774)	(258)	--	(6,222)
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**	**1,00,065**	**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).

Borrowing costs capitalised during 2022 - Nil (2021: £ 1,051).

Amounts recognised in the statement of income are detailed below:

Particular	£000 31 Dec 2022	£000 31 Dec 2021
Depreciation on right-of-use assets	258	95
Interest expense on lease liabilities	181	175
Expense relating to short-term leases	9	13
Expense relating to low-value leases	0	1
	448	**284**

	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 2021	**41**	**136**	**262**	**577**	**25**	**50,214**	**1,733**	**80,801**	**133,789**
Net Exchange Difference	(1)	(1)	(2)	(3)	(1)	(352)	(12)	(566)	(938)
Additions	2	13	19	12	--	--	--	4,051	4,051
Transfers from CWIP ^	--	387	66	--	23	59,661	--	(60,137)	--
Disposals	--	--	--	--	--	--	--	--	--
Balance 31 Dec 2021	**42**	**535**	**345**	**586**	**47**	**109,523**	**1,721**	**24,149**	**136,948**
Depreciation									
Balance 1 Jan 2021	**(30)**	**(69)**	**(64)**	**(320)**	**(3)**	**(1,725)**	**(235)**	**--**	**(2,446)**
Net Exchange Difference	(2)	1	--	2	1	(29)	2	--	(27)
Charge for the year	(4)	(45)	(27)	(44)	(2)	(2,914)	(95)	--	(3,131)
Disposals	--	--	--	--	--	--	--	--	--
Transfer from computer to software	--	--	--	--	--	--	--	--	--
Balance 31 Dec 2021	**(36)**	**(115)**	**(91)**	**(362)**	**(4)**	**(4,668)**	**(328)**	**--**	**(5,604)**
Carrying amount 31 Dec 2021	**6**	**420**	**254**	**224**	**43**	**104,855**	**1,393**	**24,149**	**131,344**

^ During 2021, Company has capitalized an additional 22 acres of land, 340 meter of jetty and various support infrastructure cost and accordingly £ 60,137 thousand has been transferred from CWIP to under various head i.e. Port Asset £ 59,661 thousand, plant and machinery £ 23 thousand, Furniture £ 66 thousand and office equipment £ 387 thousand.

The Group has leased various assets including land and buildings. As at 31 December 2021, the net book value of recognised right-of use assets relating to land and buildings was £ 1.39 million (2020: £ 1.49 million). The depreciation charge for the period relating to those assets was £ 0.09 million (2020: £ 0.15 million).

Assets provided as security

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

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Vehicles	214	224
	214	**224**

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 £ 127,172,000 (2021: £131,124,000) 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 against the borrowing limit sanctioned in 2021 as per OTR is INR 462 crore [£46.32 million]. (2021: INR 475.57 crore (£47.41 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 2022, the contractual amount (net of advances) of INR 48.03 crores (£4.82 million) work is unexecuted. There were no other material contractual commitments.

12 (b). Intangible Asset

	Intangible Asset - Software £000
Gross carrying amount	
Balance 1 Jan 2022	**14**
Exchange Difference	0
Additions	19
Disposals	--
Balance 31 Dec 2022	**33**
Depreciation	
Balance 1 Jan 2022	**(10)**
Exchange Difference	(0)
Charge for the year	(9)
Disposals	--
Balance 31 Dec 2022	**(19)**
Carrying amount 31 Dec 2022	**14**

	Intangible Asset - Software £000
Gross carrying amount	
Balance 1 Jan 2021	**13**
Exchange Difference	(1)
Additions	2
Disposals	--
Balance 31 Dec 2021	**14**
Depreciation	
Balance 1 Jan 2021	**(9)**
Exchange Difference	--
Charge for the year	(1)
Disposals	--
Balance 31 Dec 2021	**(10)**
Carrying amount 31 Dec 2021	**4**

13. TRADE AND OTHER RECEIVABLES

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Deposits	1,442	2,493
Advances		
- Related Party	1,160	3,612
- Others	10,483	12,077
Accrued Interest of fixed deposits	3	2
Accrued Income	126	16
Debtors		
- Related Party	107	107
- Prepayment	102	134
- Others	687	43
	14,110	**18,484**

Advances include payment to EPC contractor of £ 7.29 million (2021: £ 7.09 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.

The debtors – other include trade receivable other £ 0.00 million (2021: £ Nil 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 and other 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.

14. CASH AND CASH EQUIVALENTS

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Cash at bank and in hand	389	4,571
Deposits*	169	212
	558	**4,783**

Cash at bank earns interest at floating rates based on bank deposit rates. The fair value of cash and short-term deposits is £0.56 million (2021: £4.78 million).

Included in cash and cash equivalents is £0.00 million (2021: £0.74 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 99.7436 for SOFP items and for profit and loss item GBP 1: INR 97.0625.

This balance is cumulatively a £26.43m loss to equity (2021: £27.31m 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 £26.43m due to appreciation of GBP against INR during the period 2018 to 2022. The closing rate at 31 December 2022 was GBP1: INR 99.7436, hence as compared to the translation loss reported between 2018-19, the same is insignificant in 2022. With the majority of funding now in India this risk is further mitigated. During 2022, the average and year-end spot rate used for INR to GBP were 97.0625 and 99.7436 respectively (2021: 100.30 and 101.67).

Translation risk sensitivity

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the cash and cash equivalents available with the Indian entity and INR denominated balance of MPL in India amounting to INR 39.99 million (£0.40 million) as on reporting date (prior year INR 106.12 million (£1.06 million)). In computing the below sensitivity analysis, the management has assumed the following % movement between foreign currency (INR) and the underlying functional currency GBP:

Functional Currency (£)	31 Dec 2022	31 Dec 2021
INR	+- 10%	+- 10%

The following table details the Group's sensitivity to appreciation or depreciation in functional currency vis-à-vis the currency in which the foreign currency cash and cash equivalents and borrowing are denominated:

Functional currency	£ (depreciation by 10%) £000	£ (appreciation by 10%) £000
Cash and cash equivalent		
31 December 2022	44.44	(36.36)
31 December 2021	117.56	(96.19)
Borrowing		
31 December 2022	(5,135.92)	4,202.12
31 December 2021	(5,144.55)	4,209.18

If the functional currency GBP had weakened with respect to foreign currency (INR) by the percentages mentioned above, for year ended 31 December 2022 then the effect will be change in profit and equity for the year by £4.17 million (2021: £4.11 million). If the functional currency had strengthened with respect to the various currencies, there would be an equal and opposite impact on profit and equity for each year. This exchange difference arising due to foreign currency exchange rate variances on translating a foreign operation into the presentation currency results in a translation risk.

(ii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

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 2022, 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% (2021: +/- 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	(454)	454	(336)	336
31 December 2024	(424)	424	(314)	314
31 December 2025	(373)	373	(276)	276
31 December 2026	(305)	305	(226)	226
31 December 2027	(224)	224	(166)	166
31 December 2028	(135)	135	(100)	100
31 December 2029	(42)	42	(31)	31
31 December 2030	-	-	-	-
31 December 2031	-	-	-	-
31 December 2032	-	-	-	-

(b) Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group’s maximum exposure (£ 2.81 Mn (2021: £ 9.05 Mn)) 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 31st December 2022

	Principal payments		Interest payments	
Payment falling due	**INR in Crore**	**£000**	**INR in Crore**	**£000**
Within 1 year	23.01	2,307	43.27	4,339
1 to 5 years	316.00	31,681	131.78	13,212
After 5 years	74.65	7,484	1.82	182
Total	**413.65**	**41,472**	**176.87**	**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 0.45 : 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 31st December 2021

	Principal payments		Interest payments	
Payment falling due	**INR in Crore**	**£000**	**INR in Crore**	**£000**
Within 1 year	10.40	1,037	44.36	4,423
1 to 5 years	202.04	20,144	145.95	14,551
After 5 years	251.97	25,122	36.94	3,683
Total	**464.41**	**46,303**	**227.25**	**22,657**

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 0.45 : 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

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

	Note	(Carried at amortised cost) Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Financial Assets			
Cash and Cash Equivalents	14	558	4,783
Trade and other receivables	13	2,252	4,263
		2,810	**9,046**
Financial Liability			
Borrowings	18	41,472	40,969
Trade and other payables	20	8,388	10,171
Employee benefit obligations	17	582	492
		50,442	**51,632**

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.

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 22		Year ended 31 December 21	
	No of shares	No of shares	No of shares	£000
Shares issues and fully paid:				
Beginning of the year	41,499,699	143,851	1,905,022,123	134,627
Addition in the year#	----	--	2,244,947,810	10,102
Share issue cost	--	--	--	(878)
Reduction of old shares due to consolidation of shares#	--	--	(4,149,969,933)	--
1 New shares issued for every 100 shares #	--	--	41,499,699	--
Closing number of shares	**41,499,699**	**143,851**	**41,499,699**	**143,851**

The stated capital amounts to £143.85 million (2021: £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 Nil (2021: 2,244.95 million) equity shares to various institutional and private investors, by way of a rights issue.

16.2 Other Components of Equity

Retained Earnings

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Opening Balance	(16,402)	(10,394)
Addition during the year	(9,621)	(6,016)
Re-measurement of net defined benefit liability	1	8
Closing balance	**(26,022)**	**(16,402)**

Accumulated losses of £ 28.41 million (2021: £16.40 million) include all current year retained profits.

Translation Reserve

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Opening Balance	(27,237)	(26,564)
Addition during the year	808	(673)
Closing balance	**(26,429)**	**(27,237)**

The translation reserve of £ 26.43 million (2021: £27.24 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 22 £000	Year ended 31 Dec 21 £000
Non- Current		
Pensions – defined benefit plans	53	43
	53	**43**
Current		
Wages, salaries	523	446
Pensions – defined benefit plans	6	3
	529	**449**

18. BORROWINGS

Borrowings consist of the following:

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Non-Current		
Bank loan (refer note 26)	39,165	39,932
	39,165	**39,932**
Current		
Bank loan (refer note 26)	2,307	1,037
	2,307	**1,037**

Borrowing

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 additional seven years including two year 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 impact of favourable response from the lenders on the proposal for re-phasement, will enable the group to manage its cash flow and focus more on operational stability and growth.

19 (a). NON-CURRENT TAX ASSETS

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Income tax *	2,108	--
Non-current tax assets	**2,108**	**--**

* The income tax pertains to self -assessment tax as well as withholding taxes paid during various assessment years.

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 Company is contesting the demands and the management believes that its position is likely to be upheld in the appellate process.

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

19 (b). CURRENT TAX LIABILITIES

Current tax liabilities consist of the following:

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Duties & taxes	17	59
Provision for Income Tax	--	356
Current tax liabilities	**17**	**415**

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

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Carrying amount 1 January	2,342	2,344
Interest provision on outstanding tax liability	--	14
Less: Reversal of tax liability and interest provision	(2,354)	--
Exchange difference	12	(16)
Carrying amount 31 December	--	2,342
Income tax paid (net of provision)	--	(1,986)
	--	**356**

The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. 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.

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 therefore not recognised the Deferred Tax Asset amounting to INR: 67.46 crore (£6.76 million).

20. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following:

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Non-Current		
Lease liability (refer note 26)	**1,611**	**1,562**
Current		
Lease Liability – (refer note 26)	**817**	**795**
Sundry creditors	8,400	10,174
Interest (prepaid)	(12)	(3)
	8,388	**10,171**

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	7,441
Finance charges	(189)	(183)	(175)	(171)	(167)	(4,127)	(5,013)
Net present values	817	62	72	31	20	1,426	2,428

Future minimum lease payments at 31 December 2021 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	980	219	210	211	170	5,578	7,368
Finance charges	(185)	(176)	(173)	(168)	(167)	(4,142)	(5,011)
Net present values	795	43	37	43	3	1,436	2,357

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	7.08%	Ordinary
HELD BY Karanja Terminal & Logistics (Cyprus) Ltd:				
Karanja Terminal & Logistics Private Ltd	India	Operating company - Terminal Project	92.70%	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 2.37% of issued share capital as at 31 December 2022 (as at 31 December 2021 – 2.37%) of Mercantile Ports & Logistics Limited.
- Lord Howard Flight holds 0.56% of issued share capital as on 31 December 2022 (as on 31 December 2021 – 0.56%) of Mercantile Ports & Logistics Limited at the year end.
- Jay Mehta holds 0.50% of issued share capital as on 31 December 2022 (as on 31 December 2021 – 0.50%) of Mercantile Ports & Logistics Limited at the year end.
- John Fitzgerald holds 0.14% of issued share capital as on 31 December 2022 (as on 31 December 2021 – 0.14%) of Mercantile Ports & Logistics Limited at the year end.
- Jeremy Warner Allen holds 1.19% of issued share capital as on 31 December 2022 (as on 31 December 2021 – 1.19 %) of Mercantile Ports & Logistics Limited at the year end.
- Karanpal Singh via Hunch Ventures and Investments Private Limited holds 28.48% of issued share capital as on 31 December 2022 (as on 31 December 2021 – 28.48%) of Mercantile Ports & Logistics Limited at the year end.

b) Key Managerial Personnel of the parent

Non-executive Directors

- Lord Howard Flight
- Mr. John Fitzgerald
- Jeremy Warner Allen
- Karanpal Singh
- Peter Mills – Resigned with effect from 31 January 2022
- Amit Dutta – With effect from 11 January 2022
- Dmitri Tsvetkov – With effect from 1 February 2022
- 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

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

e) Transaction with related parties

The following transactions took place between the Group and related parties during the year ended 31 December 2022:

	Nature of transaction	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Athos Hq Group Bus. Ser. Cy Ltd	Administrative fees	13	14
		13	**14**

The following table provides the total amount outstanding with related parties as at year ended 31 December 2022:

Transactions with shareholder having significant influence

	Nature of transaction	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
SKIL Global Ports & Logistics Limited			
Debtors	Advances	107	107
Hunch Ventures and Investment Limited*			
Advances recoverable in cash or in kind	Advances	1,110	3,562
Jay Mehta			
Advances recoverable in cash or in kind	Share Subscription	--	50
		1,217	**3,719**

* 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.

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 22 £000	Year ended 31 Dec 21 £000
Non-Executive Directors fees		
– Jeremy Warner Allen	40	40
– Lord Flight	40	40
– John Fitzgerald	45	45
– Peter Mills	3	29
– Karanpal Singh	--	--
– Amit Dutta	34	--
– Dmitri Tsvetkov	42	--
	204	**154**
Executive Directors Fees		
– Jay Mehta	93	89
– Nikhil Gandhi	188	180
	281	**269**
Total compensation paid to Key Managerial Personnel	**485**	**423**

Compensation to Key Managerial Personnel of the subsidiaries

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Directors' fees		
KTLCL – Cyprus	3	3
	3	**3**

Sundry Creditors

As at 31 December 2022, the Group had £3.29 million (2021: £3.25 million) as sundry creditors with related parties.

	Year ended 31 Dec 22 £000	Year ended 31 Dec 21 £000
Grevek Investment & Finance Private Ltd	3,292	3,254
	3,292	**3,254**

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 22 £000	Year ended 31 Dec 21 £000
Non-cash flow adjustments		
Depreciation	6,231	3,132
Finance Income	(38)	(40)
Finance cost	5,543	4,459
Re-measurement of net defined benefit liability	(1)	(8)
Advance written off*	--	3,000
Gain from extinguishment of debt (refer note 8(a))	--	(5,408)
Provision for Gratuity	13	14
	11,748	**5,149**
Increase/(Decrease) in trade and other payables	247	(668)
Decrease/(Increase) in trade and other receivables	154	(4,001)
Increase in inventory	(96)	--
	305	**(4,669)**

*Amount paid to contractor by way of shares, which was valued £3 million were written off due to non-acceptance/confirmation by contractor due to substantial fall in price of shares.

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 22 £000	Year ended 31 Dec 21 £000
Contribution to Provident Fund	12	8
Contribution to ESIC	2	1
	14	**9**

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 2 Mn. With effect from 20 Feb 2020 (2021: INR 2 Mn.).

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 22 £000	As at 31 Dec 22 £000
Statement of Comprehensive Income		
Net employee benefit expense recognised in the employee cost		
Current service cost	11	12
Interest cost on defined benefit obligation	3	2
Total expense charged to loss for the period	14	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)	(3)
Actuarial (gain) / loss arising on account of experience changes	3	(5)
Amount recognised in OCI	(1)	(8)
Closing amount recognised in OCI	(1)	(8)
Reconciliation of net liability / asset		
Opening defined benefit liability	46	40
Expense charged to profit or loss account	14	14
Amount recognised in Other Comprehensive (Income)	(1)	(8)
Closing net defined benefit liability	**59**	**46**

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 22 £000	As at 31 Dec 21 £000
Opening defined benefit obligation	46	40
Current service cost	11	11
Interest on defined benefit obligation	3	3
Re-measurement during the period due to :		
Actuarial (gain) arising on account of experience changes	(4)	(5)
Actuarial loss / (gain) arising from change in financial assumptions	3	(3)
Closing defined benefit obligation liability recognised in Consolidated Statement of Financial Position	59	46

Particulars	As at 31 Dec 22 £000	As at 31 Dec 21 £000
Net liability is bifurcated as follows :		
Current	6	3
Non-current	53	43
Net liability	**59**	**46**

25. CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	As at 31 Dec 22 £000	As at 31 Dec 21 £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.	7,695	--
The Income tax liability to the tune of ₹44.29 crores (£4.44 Mn) (exclusive of any interest or penalties) for the Assessment years 2013-14, 2014-15 and 2015-16 has been reversed in 2019 based on the Income Tax Appellate Tribunal (ITAT) judgement. For the Assessment years 2011-12 and 2012-13, based on the decision awarded in favour of the Indian subsidiary issued by the Principal Commissioner of Income Tax (Appeals) vide the order dated 20th March, 2023, the provisions for these years has been reversed. Cash outflows, if any, is determinable on receipt of judgments pending at respective authorities.	6,822	4,416
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	126

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

Particulars	Long-term borrowing £000	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**

*refer note 18 (borrowings)

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 2021	34,729	4,074	3,201	2,410	44,414
Cash-flows:					
– Repayment	(641)	--	(810)	(203)	(1,654)
– Proceeds	984	--	--	--	984
– Accrued during period	--	--	4,980	168	5,148
Non-cash:					
– Exchange difference	(226)	--	(51)	(18)	(295)
– Interest on term loan converted in to term loan	4,441	--	(4,441)	--	--
– Interest on term loan converted to FITL	2,882	--	(2,882)	--	--
– Gain on debt modification#	(5,408)	--	--	--	(5,408)
– Interest on term loan EIR adjustment#	134	--	--	--	134
– Reclassification*	3,037	(3,037)	-	--	--
31 December 2021	**39,932**	**1,037**	**(3)**	**2,357**	**43,323**

27. EVENTS OCCURRING AFTER REPORTING PERIOD

The Covid-19 pandemic coupled with the Russia-Ukraine war spiked inflationary pressure, forcing the central banks across the world to hike their key lending rates. In FY23, the Reserve Bank of India has hiked the repo rate several times. It has increased by 2.5 per cent between May 2022 and February 2023.

The interest rate hikes in India were more of a response to the rate hike by U.S. Fed increasing the Fed fund rate from 0.25% to expected 5.25% by June of 2023. This coupled with the collapse of Silicon Valley Bank in the U.S. heightened the fragile recovery in the investor sentiment globally.

The Indian subsidiary has signed a contract with Customers for handling container business.

The Group has also successfully closed the fund raise of £ 8.2 Mn. (net of costs), comprising of 101,949,999 – placement shares, 195,000,000 – subscription shares and 4,529,661 retail shares resulting in a total of 301,479,660 new ordinary shares.

28. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2022 were approved and authorised for issue by the Board of Directors on 29 June, 2023.