MERCATOR

FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 30, 2015

PART I INFORMATION REQUIRED FOR FIRST QUARTER ANNOUNCEMENT

1.(a) An income statement and statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

(i) Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the quarter ended June 30, 2015 (in US$'000s)

	Group Quarter Ended Jun 30		
	2015	**2014**	**%**
Revenue	**8,545**	**16,549**	**-48%**
Vessel related costs	(9,321)	(12,525)	-26%
Depreciation expense	(6,979)	(9,212)	-24%
Employee costs and administrative expenses	(583)	(706)	-17%
Gain on derivative financial instruments	-	306	N/M
Finance cost	(1,557)	(1,535)	1%
Loss before income tax	**(9,895)**	**(7,123)**	**39%**
Income tax	(1)	-	N/M
Loss for the year, representing total comprehensive loss for the year.	**(9,896)**	**(7,123)**	**39%**

N/M : Not meaningful

1.(a)(ii) Notes to the Consolidated Statement of Profit or Loss and Other Comprehensive Income (in US$'000s)

		Group Quarter Ended Jun 30		
		2015	2014	%
	Loss before income tax is arrived at after (charging) / crediting the following:			
(A)	Gain arising from change in fair value of option on convertible bond	-	303	N/M
(B)	Reversal of provision for onerous contract	237	-	N/M
(C)	Finance cost	(1,557)	(1,535)	1%
(D)	Depreciation of property and equipment	(6,979)	(9,212)	-24%
(E)	Foreign exchange adjustment gain (loss)	19	-	N/M

N/M : Not meaningful

1.(b)(i) **Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year (in US$'000s)**

	Group		Company	
	As at June 30 2015	As at March 31, 2015	As at June 30 2015	As at March 31, 2015
ASSETS				
Current assets				
Cash and cash equivalents	1,224	8,434	559	4,592
Trade and other receivables	8,726	11,584	7,715	10,002
Inventories	473	1,514	375	1,416
	10,423	21,532	8,649	16,010
Asset classified as held for sale	-	8,000	-	8,000
Total current assets	10,423	29,532	8,649	24,010
Non-current assets				
Trade and other receivables	3,827	4,064	3,827	4,064
Subsidiaries	-	-	53,022	53,062
Available-for-sale investments	691	691	701	691
Property and equipment	369,663	374,937	263,907	267,728
Derivative financial instruments	1,346	1,346	1,346	1,346
Total non-current assets	375,527	381,038	322,803	326,891
Total assets	**385,950**	**410,570**	**331,452**	**350,901**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	17,600	21,931	14,007	17,657
Provision for onerous contract	2,892	1,916	2,892	1,916
Borrowings	175,512	37,372	112,179	32,246
Income tax payable	4	4	4	4
	196,008	61,223	129,082	51,823
Liability directly associated with asset classified as held for sale	-	8,000	8,000	8,000
Total current liabilities	196,008	69,223	137,082	59,823
Non-current liabilities				
Borrowings	-	140,296	-	87,192
Provision for onerous contract	20,742	21,955	20,742	21,955
Total non-current liabilities	20,742	162,251	20,742	109,147
Capital and reserves				
Share capital	213,694	213,694	213,694	213,694
Capital reserve	2,634	2,634	2,634	2,634
Equity option reserve	1,855	1,855	1,855	1,855
Fair value adjustment reserve	69	69	69	69
Accumulated losses	(49,052)	(39,156)	(44,624)	(36,321)
Equity attributable to owners of the company	169,200	179,096	173,628	181,931
Total liabilities and equity	**385,950**	**410,570**	**331,452**	**350,901**

1.(b)(ii) Aggregate amount of the group's borrowings and debt securities

(in US$ '000s)

	Group As at Jun 30, 2015		Group As at March 31, 2015	
	Secured	**Unsecured**	**Secured**	**Unsecured**
Amount repayable in one year or less	162,362	13,150	33,872	11,500
Amount repayable after one year	-	-	140,296	-
	162,362	13,150	174,168	11,500

Details of securities:
-Mortgage of vessels

1.(c) **Consolidated Statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

(in US$'000s)

	Group	
	Quarter Ended Jun 30, 2015	**Quarter Ended Jun 30, 2014**
Operating activities		
Loss before income tax	**(9,895)**	**(7,123)**
Adjustments for :		
Depreciation expense	6,979	9,212
Finance cost	1,557	1,535
Reversal of provision for onerous contract	(237)	-
Gain on fair value changes of derivative financial instruments	-	(303)
Operating cash flows before movements in working capital	**(1,596)**	**3,321**
Trade and other receivables	3,095	39
Inventories	1,041	(1,231)
Trade and other payables	(5,352)	(90)
Cash (used in) / generated from operations	**(2,812)**	**2,039**
Tax received	(1)	-
Net cash from operating activities	**(2,813)**	**2,039**
Investing activities		
Additions to property and equipment	(1,723)	(1,002)
Disposal of property and equipment	8,018	-
Purchase of available-for-sale investments	-	(15)
Net cash from / (used in) investing activities	**6,295**	**(1,017)**
Financing activities		
Interest expenses paid	**(440)**	(1,436)
Proceeds from bank loans	-	4,000
Repayment of bank loans	(11,902)	(4,994)
Proceeds of loan from immediate holding company	1,650	-
Proceeds from other borrowings	-	5,000
Release of restricted deposits with banks	2,000	(3,200)
Net cash used in financing activities	**(8,692)**	**(630)**
Net (decrease) / increase in cash and cash equivalents	(5,210)	392
Cash and cash equivalents at beginning of year	6,434	7,829
Cash and cash equivalents at end of the year	**1,224**	**8,221**

Note

Cash and cash equivalents at the end of the year is determined as follows:		
Cash and bank balances	1,224	11,421
Less: Pledged deposits	-	(3,200)
	1,224	8,221

1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (in US$'000s)

	Group					
	Share capital	Capital reserve	Equity option reserve	Fair value adjustment reserve	Accumulated profits (losses)	Total
Balance at April 1, 2014	213,694	2,634	1,855	(739)	86,210	303,654
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(7,123)	(7,123)
Balance at June 30, 2014	213,694	2,634	1,855	(739)	79,087	296,531
Balance at April 1, 2015	213,694	2,634	1,855	69	(39,156)	179,096
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(9,896)	(9,896)
Balance at June 30, 2015	213,694	2,634	1,855	69	(49,052)	169,200

1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year (in US$'000s)

	Company					
	Share capital	Capital reserve	Equity option reserve	Fair value adjustment reserve	Accumulated profits (losses)	Total
Balance at April 1, 2014	213,694	2,634	1,855	(739)	81,868	299,312
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(6,970)	(6,970)
Balance at June 30, 2014	213,694	2,634	1,855	(739)	74,898	292,342
Balance at April 1, 2015	213,694	2,634	1,855	69	(36,321)	181,931
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(8,303)	(8,303)
Balance at June 30, 2015	213,694	2,634	1,855	69	(44,624)	173,628

1 (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy backs, exercise of share option or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all outstanding convertibles, as well as the number of shares held as treasury shares, if any against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Date	Description	Number of ordinary shares	Share proceeds
			US$'000
April 01, 2015	**At the beginning of the year**	**1,361,435,003**	**213,694**
June 30, 2015	**At the end of the period**	**1,361,435,003**	**213,694**
April 01, 2014	**At the beginning of the year**	**1,361,435,003**	**213,694**
June 30, 2014	**At the end of the period**	**1,361,435,003**	**213,694**

Based on the terms of Bond Agreement, the price fixed for conversion of Bond is 16.337 (2015 : 16.337) Singapore cents per share . If the Bond holders decide to exercise their option to convert all bonds into ordinary equity shares of the company, the total number of shares to be issued on conversion will be 144,177,633 shares (At June 30, 2014 : 144,177,633 shares).

1 (d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at June 30, 2015 - 1,361,435,003 shares
As at March 31, 2015 - 1,361,435,003 shares

1 (d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company does not have any treasury shares.

2. Whether the figures have been audited or reviewed, in accordance with which auditing standard practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter.)

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The group has applied the same accounting policies and methods of computation in financial statements for the quarter ended June 30, 2015 as compared with the audited financial statements for the year ended March 31, 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends :-

	Group	
	Quarter Ended June 30, 2015	**Quarter Ended June 30, 2014**
(Loss) per ordinary share of the group, after deducting any provision for preference dividends:		
(a) Based on weighted average number of ordinary shares on issue; and	**(US$0.0073)**	**(US$ 0.0052)**
	i.e. (SG$0.0098)	**i.e. (SG$ 0.0065)**
Exchange rate 1 SGD=USD	1SG$=US$ 0.740	1SG$=US$0.7996
(b) On a fully diluted basis *	*	*

*There is no dilutive potential ordinary shares and no corresponding diluted loss per share.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group		Company	
	As at June 30 2015	As at March 31, 2015	As at June 30 2015	As at March 31, 2015
Net asset value per ordinary share based on total number of issued shares at the end of the year equivalent to :	**US$0.12 i.e. S$0.17**	**US$0.13 i.e. S$0.18**	**US$0.13 i.e. S$0.17**	**US$0.13 i.e. S$0.18**
Exchange rate	1SG$=US$0.740	1SG$=US$0.727	1SG$=US$0.740	1SG$=US$0.727

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Revenue

Revenue for the quarter ended June 30, 2015 registered a decrease of 48% to US$8.5million as compared to US$16.5million for the quarter ended June 30, 2014.

The decrease in revenue for the year is mainly due to fall in spot / contract rates and disposal of a vessel .

Vessel related costs:

The Group's vessel related costs decreased by 26 % to US$9.3million for the quarter ended June 30, 2015 from US$12.5million for the quarter ended June 30, 2014. The decrease for the year is mainly due to reduction in operating expenses, disposal of a vessel and reduction in vessel hire expenses.

Depreciation

Depreciation expense decreased by 24% to US$7.0million for the quarter ended June 30, 2015 as compared to US$9.2million for the quarter ended June 30, 2014. During the last quarter of the previous financial year ended March 31, 2015 the Group had made a provision for impairment in value of vessels which resulted in lower carrying value of the Property and equipment. The reduction in depreciation is due to the resultant impact of this provision for impairment and also on account of disposal of a vessel during the current quarter.

Employee costs and administrative expenses

Employee costs and administrative expenses for the quarter has decreased by 17% to US$0.6million as compared to US$0.7million in the corresponding period in 2014.

Derivative financial instruments

The derivative financial instruments comprised Freight Forward Agreements (FFAs).

There are no derivative financial instrument transaction during the quarter ended June 30, 2015. During the quarter ended June 30, 2014 the Group recorded a gain of US$0.3million on non-cash changes in market value of FFA.

Finance costs

Finance costs has marginally increased to US$1.6million for the quarter ended June 30, 2015 as compared to US$1.5million for the quarter ended June 30, 2014.

Loss

The above analysis has resulted in loss attributable to the equity holders of the Company of US$9.9million for the quarter ended June 30, 2015.

Statement of financial position and consolidated statement of cash flows

Current assets

Current assets of the Group as at June 30, 2015 decreased to US$10.4million from US$29.5million as at March 31, 2015 due to sale of vessel with a carrying amount of US$8million which was reclassified as asset held for sale in the financial year ended March 31, 2015 and lower trade and other receivables due to the decrease in revenue.

Non-current assets

Non-current assets of the Group includes advance charter hire, available -for- sale investment, property and equipment and fair value of option on convertible bond.

Non-current assets of the Group as at June 30, 2015 decreased to US$375.5 million from US$381.0million as at March 31, 2015. The decrease of US$5.5million is depreciation charge for the current year (US$6.9million) and reduction in advance charter hire (US$0.2million) offset by capitalization of dry dock cost.

Current liabilities

Current liabilities of the Group as at June 30, 2015 increased to US$196.0million from US$69.2million as at March 31, 2015. This is mainly on account of reclassification of long term loans during the quarter to Current liabilities due to the Group's non-fulfilment of covenants and payments under the loan agreements. The Group , along with its Independent Financial Advisor (IFA) and legal advisors, is in discussions with all lenders and certain creditors for standstill, refinancing, recapitalisation and restructuring plan ("Restructuring Plan"). Pending finalisation of same the entire loan outstanding has been classified as current liabilities.

Non-current liabilities

Non-current liabilities of the Group as at June 30, 2015 decreased to US$20.7 million from US$162.3million as at March 31, 2015. As explained above this is mainly due to reclassification of borrowings to Current Liabilities.

Equity

Equity of the Group as at June 30, 2015 decreased to US$169.2 million from US$179.1 million as at March 31, 2015.

This is primarily due to loss of US$9.9million for the year.

Debt to Equity

The debt to equity ratio of the Group stood at 1.04 as at June 30, 2015 (March 31, 2015:1.04).

9. Where a forecast, or a prospect statement has been previously disclosed to shareholders, any variance between it and the actual results.

None

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The dry bulk shipping industry continues to remain volatile with the Baltic Dry Index (BDI) closing at 800 points as on 30 June 2015 as compared to 596 points as on 01 April 2015. The BDI has recovered to 1118 points on 22 July 2015 after dropping to an unprecedented low level of 509 on 18 February 2015. The market freight rate for Panamax vessels closed at a rate of USD 6,734 per day as on 30 June 2015 as compared to USD 4,762 as on 01 April 2015. The average market rate for Panamax vessels for Q1 FY 2016 was USD 5,189 per day as against USD 6,304 in the corresponding period in the previous year.

Going forward, the industry expects strong demolition, contracting orderbook and reduced fleet growth. As per market reports, the current order book of dry bulk ships stands at a reduced level of 18.4% as against 23.0% in the previous year. In H1 CY 2015, demolition of 296 vessels for 20.9 mn dwt has been recorded as compared to 183 vessels for 8.5 mn dwt over the same period last year. The total dry bulk fleet is expected to grow by about 4% in CY 2015. As the year progresses, market reports expect the demand side to get stronger in connecting with rising volumes. However, given the uncertainty in global markets and slowdown in the Chinese economy, the market is expected to remain volatile. (Market reports: Clarksons, Braemar, BIMCO)

The cash flows and financials of the Group has been substantially impacted due to fall in freight rates and deterioration in dry bulk markets in the first half of CY 2015. The Group has been unable to meet certain covenants and payments under the loan agreements during the quarter ended June 30, 2015. The Group along with Independent Financial Advisor (IFA) and its legal advisors appointed during the Quarter evaluated various options and is in discussion with all lenders and certain creditors for standstill, refinancing, recapitalisation and restructuring plan ("Restructuring Plan"). The Group would make further announcements on developments in this matter.

11. If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and -

(b) (i) Amount per share : Nil

(ii) Previous corresponding period: Nil

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated.) –

Not applicable

(d) The date the dividend is payable – Not applicable

12. If no dividend has been declared (recommended), a statement to that effect.

In view of losses, no dividend has been declared during the period being reported.

13. Interested Persons Transactions –

Name of interested person and nature of transaction	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	
	Quarter ended June 30, 2015	Quarter ended June 30, 2014	Quarter ended June 30, 2015	Quarter ended June 30, 2014
Mercator Limited				
Net proceeds from sale of vessel.	US$8.2 million	-	-	-
Mercator International Pte Ltd (MIPL				
Interest payable on bonds	-	-	(US$0.3million)	(US$0.3million)
Interest payable on short term loan	-	-	(US$0.05million)	-
Target Ship Management Pte Ltd				
Ship Management fee	-	-	(US$0.5million)	-
Reimbursable expenses	-	-	(US$4.7million)	-

14. Negative Assurance

The Board of Directors of Mercator Lines (Singapore) Limited, do hereby confirm that, to the best of its knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the quarter ended 30 June 2015 to be materially false or misleading.

On behalf of the Board of Directors

Name : Shalabh Mittal
Designation : Managing Director & CEO
Dated: 22nd July 2015

Name : HUANG YUAN CHIANG
Designation : Director