MERCATOR

FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED SEPTEMBER 30, 2014

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 Comprehensive Income

For the half year ended September 30, 2014 (in US$'000s)

	Group Quarter Ended September 30			Group Half Year Ended September 30		
	2014	**2013**	**%**	**2014**	**2013**	**%**
Revenue	**14,325**	**21,415**	**-33%**	**30,874**	**35,316**	**-13%**
Vessel related costs	(10,208)	(15,217)	-33%	(22,735)	(25,030)	-9%
Depreciation expense	(8,504)	(8,744)	-3%	(17,716)	(17,346)	2%
Employee costs and administrative expenses	(770)	(808)	-5%	(1,476)	(1,535)	-4%
(Loss) Gain on derivative financial instruments	368	(545)	N/M	672	(545)	N/M
Other operating income	4	4	0%	7	10	-30%
Finance cost	(1,510)	(1,535)	-2%	(3,045)	(3,047)	0%
Loss before income tax	**(6,295)**	**(5,430)**	**16%**	**(13,419)**	**(12,177)**	**10%**
Income tax	-	**(1)**	N/M	-	**32**	N/M
Loss for the year	**(6,295)**	**(5,431)**	**16%**	**(13,419)**	**(12,145)**	**10%**
Other comprehensive loss :						
Items that may be reclassified subsequently to profit or loss:						
Available -for-sale investments :						
Loss arising during the year	-	-	0%	-	-	0%
Reclassification to profit & loss from equity on disposal of available-for-sale investments	-	-	0%	-	-	0%
Other comprehensive loss for the year, net of tax	**-**	**-**	**0%**	**-**	**-**	**0%**
Total comprehensive loss for the year	**(6,295)**	**(5,431)**	**16%**	**(13,419)**	**(12,145)**	**10%**
Loss attributable to :						
Owners of the Company	(6,295)	(5,431)	16%	(13,419)	(12,145)	10%
Non-controlling interest	-	-	0%	-	-	0%
	(6,295)	**(5,431)**	**16%**	**(13,419)**	**(12,145)**	**10%**
Total comprehensive loss attributable to :						
Owners of the Company	(6,295)	(5,431)	16%	(13,419)	(12,145)	10%
Non-controlling interest	-	-	0%	-	-	0%
	(6,295)	**(5,431)**	**16%**	**(13,419)**	**(12,145)**	**10%**

N/M : Not meaningful

1.(a)(ii) **Notes to the Consolidated Statement of Comprehensive Income (in US$'000s)**

		Group Quarter Ended September 30			Group Half Year Ended September 30		
		2014	2013	%	2014	2013	%
	(Loss) / Profit before income tax is arrived at after (charging) / crediting the following:						
(A)	Valuation gain/(loss) on derivatives (including FFAs), net *	368	(545)	N/M	672	(545)	N/M
(B)	Other income including interest income	4	4	0%	7	10	-30%
(C)	Provision for onerous contracts	(237)	(380)	-38%	(477)	(520)	-8%
(D)	Interest on borrowings	(1,510)	(1,535)	-2%	(3,045)	(3,047)	0%
(E)	Depreciation	(8,504)	(8,744)	-3%	(17,716)	(17,346)	2%
(F)	Foreign exchange gain/(loss)	-	-	0%	-	-	0%

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 Sep 30 2014	As at March 31 2014	As at Sep 30 2014	As at March 31 2014
ASSETS				
Current assets				
Cash and cash equivalents	12,501	7,829	7,858	5,713
Trade and other receivables	16,407	19,553	10,750	12,611
Inventories	2,631	1,239	1,583	250
Total current assets	31,539	28,621	20,191	18,574
Non-current assets				
Trade and other receivables	4,538	5,015	4,538	5,015
Subsidiaries	-	-	74,009	71,859
Available-for-sale investments	607	592	617	592
Property and equipment	462,258	478,972	334,050	347,376
Derivative financial instruments	1,686	1,015	1,686	1,015
Total non-current assets	469,089	485,594	414,900	425,857
Total assets	**500,628**	**514,215**	**435,091**	**444,431**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	23,356	21,257	20,133	16,273
Provision for onerous contract	5,489	5,965	5,489	5,965
Borrowings	19,339	15,813	15,600	13,522
Income tax payable	4	4	4	4
Total current liabilities	48,188	43,039	41,226	35,764
Non-current liabilities				
Borrowings	161,460	166,777	105,855	108,610
Derivative financial instruments	-	-	-	-
Trade and other payables	745	745	745	745
Total non-current liabilities	162,205	167,522	106,600	109,355
Capital, reserves and non-controlling interest				
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	(739)	(739)	(739)	(739)
Accumulated profits	72,791	86,210	69,821	81,868
Equity attributable to owners of the company	290,235	303,654	287,265	299,312
Non-controlling interest	-	-	-	-
Total equity	290,235	303,654	287,265	299,312
Total liabilities and equity	**500,628**	**514,215**	**435,091**	**444,431**

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

(in US$ '000s)

	Group As at Sep 30, 2014		Group As at March 31, 2014	
	Secured	**Unsecured**	**Secured**	**Unsecured**
Amount repayable in one year or less	19,339	-	15,813	-
Amount repayable after one year	161,460	-	166,777	-
	180,799	-	182,590	-

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	
	Half Year Ended Sep 30, 2014	**Half Year Ended Sep 30, 2013**
Operating activities		
Loss before income tax	**(13,419)**	**(12,177)**
Adjustments for :		
Depreciation expense	17,716	17,346
Interest income	(7)	(10)
Finance cost	3,045	3,047
Reversal of provision for onerous contracts	(477)	(520)
(Reversal of) Allowance for doubtful receivables	-	-
Write off of bad debts	-	-
Gain on fair value changes of derivative financial instrument	(672)	-
Operating cash flows before movements in working capital	6,186	7,686
Trade and other receivables	3,624	(705)
Inventories	(1,392)	(1,117)
Trade and other payables	(2,900)	(7,416)
Cash generated from operations	5,518	(1,552)
Tax received (paid)	(0)	32
Net cash from operating activities	5,518	(1,520)
Investing activities		
Additions to property and equipment	(1,002)	(396)
Purchase of available-for-sale investments	(15)	-
Net cash (used in) from investing activities	(1,017)	(396)
Financing activities		
Interest expenses paid	(2,848)	(2,820)
Interest received	7	10
Proceeds from bank loans	4,000	6,000
Repayment of bank loans	(5,988)	(3,434)
Proceeds from other borrowings	5,000	-
Restricted deposits with a bank	(2,000)	-
Net cash used in financing activities	(1,829)	(244)
Net (decrease) increase in cash and cash equivalents	2,672	(2,160)
Cash and cash equivalents at beginning of year	7,829	9,842
Cash and cash equivalents at end of the year (Note A)	**10,501**	**7,682**

Note A

Cash and cash equivalents at the end of the period is determined as follows:		
Cash and bank balances	12,501	7,682
Less: Pledged deposits	(2,000)	-
	10,501	**7,682**

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	Attributable to owners of the Company	Non-controlling interest	Total
Balance at April 1, 2013	**209,480**	**2,634**	**-**	**(457)**	**108,967**	**320,624**	**-**	**320,624**
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(12,145)	(12,145)	-	(12,145)
Other comprehensive loss for the period	-	-	-	-	-	-	-	-
Transactions with owners, recognised directly in equity								
Issue of share capital	4,215	-	-	-	-	4,215	-	4,215
Balance at September 30, 2013	**213,695**	**2,634**	**-**	**(457)**	**96,822**	**312,694**	**-**	**312,694**
Balance at April 1, 2014	**213,694**	**2,634**	**1,855**	**(739)**	**86,210**	**303,654**	**-**	**303,654**
Total comprehensive loss for the period								
Loss for the year	-	-	-	-	(13,419)	(13,419)	-	(13,419)
Other comprehensive loss for the period	-	-	-	-	-	-		-
Balance at September 30, 2014	**213,694**	**2,634**	**1,855**	**(739)**	**72,791**	**290,235**	**-**	**290,235**

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	Total
Balance at April 1, 2013	**209,480**	**2,634**	**-**	**(457)**	**104,513**	**316,170**
Total comprehensive loss for the period						
Loss for the period	-	-	-	-	(12,550)	(12,550)
Other comprehensive loss for the period	-	-	-	-	-	-
Transactions with owners, recognised directly in equity						
Issue of share capital	4,215	-	-	-	-	4,215
Balance at September 30, 2013	**213,695**	**2,634**	**-**	**(457)**	**91,963**	**307,835**
Balance at April 1, 2014	**213,694**	**2,634**	**1,855**	**(739)**	**81,868**	**299,312**
Total comprehensive loss for the period						
Loss for the year	-	-	-	-	(12,047)	(12,047)
Other comprehensive loss for the period	-	-	-	-	-	-
Balance at September 30, 2014	**213,694**	**2,634**	**1,855**	**(739)**	**69,821**	**287,265**

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
1-Apr-13	**At the beginning of the year**	**1,316,294,879**	**209,480**
2-May-13	**Shares issued during the year as compensation for early termination of chartered-in vessels**	**45,140,124**	**4,215**
30-Sep-14	**At the end of the period**	**1,361,435,003**	**213,695**
1-Apr-14	**At the beginning of the year**	**1,361,435,003**	**213,695**
30-Sep-14	**At the end of the period**	**1,361,435,003**	**213,695**

Based on the terms of Bond Agreement, the price fixed for conversion of Bond is 16.337 (2013 : 16.503) 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 September 30, 2013 : 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 Sep 30, 2014 - 1,361,435,003 shares
As at March 31, 2014 - 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 half year ended September 30, 2014 as compared with the audited financial statements for the year ended March 31, 2014.

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 September 30 2014	**Quarter Ended September 30 2013**	**Half Year Ended September 30 2014**	**Half Year Ended September 30 2013**
Earnings 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 Exchange rate 1 SG$=US$	**US$ = (0.005) i.e.SG$ = (0.006)** 1SG$=US$0.7844	**US$ = (0.004) i.e.SG$ = (0.005)** 1SG$=US$0.7954	**US$ = (0.010) i.e. SG$ = (0.013)** 1SG$=US$0.7844	**US$ = (0.009) i.e. SG$ = (0.011)** 1SG$=US$0.7954
(b) On a fully diluted basis *	*	*	*	*

*There is no dilutive potential ordinary shares and no corresponding diluted earnings 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 September 30, 2014	**As at March 31, 2014**	**As at September 30, 2014**	**As at March 31, 2014**
Net asset value per ordinary share based on total number of issued shares at the end of the year equivalent to :	**US$0.21 i.e. S$0.27**	**US$0.22 i.e. S$0.28**	**US$0.21 i.e S$0.27**	**US$0.22 i.e. S$0.28**
Exchange rate	1SG$= 0.7844US$	1SG$= 0.794 US$	1SG$= .7844US$	1SG$= 0.794 US$

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.

Revenues

Revenue for the quarter ended September 30, 2014 decreased to US$14.3 million as compared to US$21.4million for the quarter ended September 30, 2013.

Revenue for the half year ended September 30, 2014 registered a decrease of 13% to US$30.9million as compared to US$35.3million for the half year ended September 30, 2013.

The decrease in revenue is mainly due to fall in spot rates unscheduled repair for the vessels and new contracts at lower than the previous rates.

Vessel related costs

The Group's vessel related cost for the quarter ended September 30, 2014 decreased by 33% to US$10.2million from US$15.2 million for the quarter ended September 30, 2013.

The Group's vessel related cost for the half year ended September 30, 2014 decreased by 9% to US$22.7million from US$25.0million for the half year ended September 30, 2013.

The decrease for the quarter and half year is mainly due to reduction in number of voyage charters resulting in lower voyage expenses.

Depreciation

Depreciation expense decreased marginally to US$8.5million for the quarter ended September 30, 2014 as compared to US$8.7million for the quarter ended September 30, 2013.

Depreciation expense increased to US$17.7million for the half year ended September 30, 2014 as compared to US$17.3million for the half year ended September 30, 2013.

The increase for the half year is mainly due to the amortisation of dry dock cost. .

Employee costs and other expenses

Employee cost and other expenses for the quarter ended September 30, 2014 remained constant at US$0.8 million.

Employee cost and other expenses for the half year ended September 30, 2014 also remained almost constant at US$1.5 million.

Derivative Financial Instruments

During the year the company entered into Freight Forward Agreements (FFAs) to hedge its exposure on freight rates.

For the quarter ended September 30, 2014, the Group recorded a gain of US$0.4million towards non-cash changes in market value of FFA.

For the half year ended September 30, 2014, the Group recorded a gain of US$0.7million towards non-cash changes in market value of FFA .

Finance costs

Finance costs for the quarter ended and half year ended September 30, 2014 remained almost constant at USD 1.5 million and USD 3.0 million respectively.

Profit / Loss

The above analysis resulted in a loss for the quarter and half year ended 30 September 2014.

Loss attributable to the equity holders of the Company for the quarter ended September 30, 2014 is US$ 6.3million has arisen due to the various factors mentioned above.

Loss attributable to the equity holders of the Company for the half year ended September 30, 2014 is US$13.4million has arisen due to the various factors mentioned above.

Balance Sheet and Cash Flow

Current Assets

Current assets of the group as at September 30, 2014 increased to US$31.6million from US$28.6 million as at March 31, 2014. This is mainly due to increase in cash balance.

Non-Current Assets

Non-current assets of the group as at September 30, 2014 decreased to US$469.1million from US$485.6million as at March 31, 2014 mainly due to depreciation on vessels.

Current Liabilities

Current Liabilities of the group as at September 30, 2014 increased to US$48.2million from US$43.0 million as at March 31, 2014 due to additional commodity trade transaction of US$5million. (March 31, 2014: US$5 million). Current liabilities include loan due for repayment within the next one year amounting to US$19.3million as at September 30, 2014 (March 31, 2014: US$15.8 million)

Non-Current Liabilities

Non-current liabilities of the group as at September 30, 2014 decreased to US$162.2million from US$167.5 million as at March 31, 2014. This was mainly due to reclassification of borrowing to Current Liability

Equity

Equity of the group as at September 30, 2014 decreased to US$290.2 million from US$303.7million as at March 31, 2014. This is primarily due to loss of US$13.4million for the half year ended September 30, 2014.

Debt to Equity

The debt to equity ratio of the group stands at 0.62 as at September 30, 2014 compared to 0.60 as at March 31, 2014.

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

Not applicable.

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 witness challenging times with market rate for Panamax vessels closing at a rate of USD 6,614 per day as on 30 September 2014. The average market rate for H1 FY 2015 was USD 6,078 per day as against USD 8,364 in corresponding period previous year indicating almost a 27% fall. Lower than expected cargo demand in China and oversupply of tonnage are primarily responsible for lower freight rates.

Going forward, the industry is expected to remain volatile due to continued ordering activity and the downturn in the Chinese economy. As per market reports, the current order book of dry bulk ships stands at an increased level of 23.7% as against 18.1% in the corresponding period previous year. The dry bulk fleet is expected to grow by about 5% in CY 2014. Demand on the other hand is expected to grow at about 7% in CY 2014. However, the freight rates are expected to increase in the CY 2015 and CY 2016. As per the market reports, the utilization rates are expected to go above 90% in CY 2015, driven by sustained strong demand growth and estimated net fleet growth, there is a potential for a positive impact on the dry bulk shipping industry. (Market reports: Clarksons, Nordea Markets, DNB Markets)

The Company would continue to monitor the market scenario closely and would take all appropriate steps pro-actively required to overcome the challenging market environment. Maximizing revenues, cost rationalization and better working capital management would continue to be focus areas for the Company. The Company is also exploring various fund raising options.

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.

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)	
	Half year ended September 30 2014	Half year ended September 30 2013	Half year ended September 30 2014	Half year ended September 30 2013
Mercator International Pte Ltd (MIPL)				
Interest payable on bonds	-	-	US$0.7million	US$0.7million

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 second quarter / half year ended September 30, 2014 to be materially false or misleading.

On behalf of the Board of Directors

Name : Shalabh Mittal
Designation : Managing Director & CEO
Dated: 30th October 2014

Name : Huang Yuan Chiang
Designation : Director