MERCATOR

FINANCIAL STATEMENTS FOR THE QUARTER ENDED JUNE 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 quarter ended June 30, 2014 (in US$'000s)

	Group Quarter Ended Jun 30		
	2014	**2013**	**%**
Revenue	**16,549**	**13,901**	**19%**
Vessel related costs	(12,525)	(9,813)	28%
Depreciation expense	(9,212)	(8,602)	7%
Employee costs and administrative expenses	(706)	(727)	-3%
(Loss) Gain on derivative financial instruments	303	-	N/M
Other operating income	3	6	-51%
Finance cost	(1,535)	(1,512)	2%
Loss before income tax	**(7,123)**	**(6,747)**	**6%**
Income tax	-	**33**	N/M
Loss for the year	**(7,123)**	**(6,714)**	**6%**
Other comprehensive loss :			
Other comprehensive loss for the year, net of tax	**-**	**-**	**0%**
Total comprehensive loss for the year	**(7,123)**	**(6,714)**	**6%**
Loss attributable to :			
Owners of the Company	(7,123)	(6,714)	6%
Non-controlling interest	-	-	0%
	(7,123)	**(6,714)**	**6%**
Total comprehensive loss attributable to :			
Owners of the Company	(7,123)	(6,714)	6%
Non-controlling interest	-	-	0%
	(7,123)	**(6,714)**	**6%**

N/M : Not meaningful

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

		Group Quarter Ended Jun 30		
		2014	**2013**	**%**
	(Loss) / Profit before income tax is arrived at after (charging) / crediting the following:			
(A)	Valuation gain/(loss) on derivatives (including FFAs), net *	303	-	N/M
(B)	Other income including interest income	3	6	-51%
(C)	Provision for onerous contracts	-	(281)	N/M
(D)	Interest on borrowings	(1,535)	(1,512)	2%
(E)	Depreciation	(9,212)	(8,602)	7%

N/M : Not meaningful

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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 2014	As at March 31 2014	As at June 30 2014	As at March 31 2014
ASSETS				
Current assets				
Cash and cash equivalents	11,421	7,829	4,659	5,713
Trade and other receivables	19,751	19,553	14,030	12,611
Inventories	2,470	1,239	1,073	250
Total current assets	33,642	28,621	19,762	18,574
Non-current assets				
Trade and other receivables	4,778	5,015	4,778	5,015
Subsidiaries	-	-	76,304	71,859
Available-for-sale investments	607	592	617	592
Property and equipment	470,762	478,972	340,840	347,376
Derivative financial instruments	1,318	1,015	1,318	1,015
Total non-current assets	477,465	485,594	423,857	425,857
Total assets	**511,107**	**514,215**	**443,619**	**444,432**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	26,168	21,257	22,769	16,273
Provision for onerous contract	5,965	5,965	5,965	5,965
Borrowings	20,689	15,813	17,674	13,522
Income tax payable	4	4	4	4
Total current liabilities	52,826	43,039	46,412	35,764
Non-current liabilities				
Borrowings	161,005	166,777	104,120	108,610
Derivative financial instruments	-	-	-	-
Trade and other payables	745	745	745	745
Total non-current liabilities	161,750	167,522	104,865	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	79,087	86,210	74,898	81,868
Equity attributable to owners of the company	296,531	303,654	292,342	299,312
Non-controlling interest	-	-	-	-
Total equity	296,531	303,654	292,342	299,312
Total liabilities and equity	**511,107**	**514,215**	**443,619**	**444,432**

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

(in US$ '000s)

	Group As at Jun 30, 2014		Group As at March 31, 2014	
	Secured	**Unsecured**	**Secured**	**Unsecured**
Amount repayable in one year or less	20,689	-	15,813	-
Amount repayable after one year	161,005	-	166,777	-
	181,694	-	182,590	-

Details of securities:
-Mortgage of vessels

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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, 2014	**Quarter Ended Jun 30, 2013**
Operating activities		
Loss before income tax	**(7,123)**	**(6,747)**
Adjustments for :		
Depreciation expense	9,212	8,602
Interest income	(3)	(6)
Finance cost	1,535	1,512
Reversal of provision for onerous contracts	-	(281)
Gain on fair value changes of derivative financial instrument	(303)	-
Operating cash flows before movements in working capital	3,318	3,080
Trade and other receivables	39	(686)
Inventories	(1,231)	(992)
Trade and other payables	(90)	(6,860)
Cash generated from operations	2,036	(5,458)
Tax received (paid)	-	33
Net cash from operating activities	2,036	(5,425)
Investing activities		
Additions to property and equipment	(1,002)	(9)
Purchase of available-for-sale investments	(15)	-
Net cash (used in) from investing activities	(1,017)	(9)
Financing activities		
Interest expenses paid	(1,436)	(1,398)
Interest received	3	6
Proceeds from bank loans	4,000	5,750
Repayment of bank loans	(4,994)	(1,717)
Proceeds from other borrowings	5,000	-
Restricted deposits with a bank	(3,200)	-
Net cash used in financing activities	(627)	2,641
Net (decrease) increase in cash and cash equivalents	392	(2,793)
Cash and cash equivalents at beginning of year	7,829	9,841
Cash and cash equivalents at end of the year (Note A)	**8,221**	**7,048**

Note A

Cash and cash equivalents at the end of the period is determined as follows:

Cash and bank balances	11,421	7,048
Less: Pledged deposits	(3,200)	-
	8,221	**7,048**

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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	-	-	-	-	(6,714)	(6,714)	-	(6,714)
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 June 30, 2013	**213,695**	**2,634**	-	**(457)**	**102,253**	**318,125**	-	**318,125**
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	-	-	-	-	(7,123)	(7,123)	-	(7,123)
Other comprehensive loss for the period	-	-	-	-	-	-		-
Balance at June 30, 2014	**213,694**	**2,634**	**1,855**	**(739)**	**79,087**	**296,531**	-	**296,531**

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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)**	**104,514**	**316,171**
Total comprehensive loss for the period						
Loss for the period	-	-	-	-	(6,830)	(6,830)
Other comprehensive loss for the period	-	-	-	-	-	-
Transactions with owners, recognised directly in equity						
Issue of share capital	4,215	-	-	-	-	4,215
Balance at June 30, 2013	**213,695**	**2,634**	**-**	**(457)**	**97,684**	**313,556**
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	-	-	-	-	(6,970)	(6,970)
Other comprehensive loss for the period	-	-	-	-	-	-
Balance at June 30, 2014	**213,694**	**2,634**	**1,855**	**(739)**	**74,898**	**292,342**

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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-Jun-13	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-Jun-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 June 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 Jun 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.

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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, 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 June 30, 2014	**Quarter Ended June 30, 2013**
(Loss) / 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	**(US$ 0.0052) i.e. (SG$ 0.00652)**	**(US$ 0.0050) i.e. (SG$ 0.0063)**
Exchange rate 1 SGD=USD	1SGD=USD0.7996	1SGD=USD0.7881
	*	*

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

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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 2014	As at March 31, 2014	As at June 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$0.22 i.e. S$0.28**	**US$0.22 i.e. S$0.28**	**US$0.22 i.e. S$0.28**	**US$0.22 i.e. S$0.28**
Exchange rate	1SG$=US$0.7996	1SG$=US$0.794	1SG$=US$0.7996	1SG$=US$0.794

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 Jun 30, 2014 registered an increase of 19% to US$16.5million as compared to US$13.9million for the quarter ended June 30, 2013.

The increase in revenue for the quarter is mainly due to higher Time Charter Equivalent earnings for the current quarter as compared to the previous quarter.

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Vessel related costs:

The Group's vessel related costs increased by 28% to US$12.5million for the quarter ended Jun 30, 2014 from US$9.8million for the quarter ended June 30, 2013. The increase for the quarter is mainly due to increase in vessel hire cost and other operating expenses.

Depreciation

Depreciation expense increased to US$9.2million for the quarter ended Jun 30, 2014 as compared to US$8.6million for the quarter ended June 30, 2013.The increase is mainly due to amortisation of dry dock cost.

Employee costs and administrative expenses

Employee costs and administrative expenses for the quarter ended Jun 30, 2014 has remained flat at US$0.7million.

Derivative financial instruments

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

During the quarter ended Jun 30, 2014, the Group recorded a gain of US$0.3million on non-cash changes in market value of FFA.

Finance costs

Finance costs for the quarter ended Jun 30, 2014 has remained constant at US$1.5million as compared to the quarter ended June 30, 2013.

Loss

Loss attributable to the equity holders of the Company of US$7.1million for the quarter ended Jun 30, 2014, has arisen due to the various factors mentioned above.

Statement of financial position and consolidated statement of cash flows

Current assets

Current assets of the Group as at Jun 30, 2014 increased to US$33.6million from US$28.6million as at March 31, 2014 mainly due to higher cash and bank balance and higher inventory. The Cash and Bank Balance includes a pledged deposit of US$3.2mn. (Refer Consolidated Statement of Cash Flows page 5)



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Non-current assets

Non-current assets of the Group includes advance Charter Hire, available -for- sale investments and property and equipment. Non-current assets of the Group as at Jun 30, 2014 decreased to US$477.5million from US$485.6million as at March 31, 2014. The decrease of US$8.1million is mainly due to depreciation charge for the current quarter offset by valuation gain on FFA.

Current liabilities

Current Liabilities of the Group as at Jun 30, 2014 increased to US$52.8million from US$43.0million as at March 31, 2014. Current liabilities include loan due for repayment within the next one year amounting to US$20.7million as at June 30, 2014 (March 31, 2014 : US$15.8 million)
Current Liabilities also includes USD10million outstanding towards a deferred payment for a commodity trade transaction entered into by the Company (March 31, 2014: US$5 million).

Non-current liabilities

Non-current liabilities of the Group as at Jun 30, 2014 decreased to US$161.8million from US$167.5million as at March 31, 2014. This was mainly due to reclassification of borrowing to Current Liability.

Equity

Equity of the Group as at Jun 30, 2014 decreased to US$296.5million from US$303.6million as at March 31, 2014.

This is primarily due to loss of US$7.1million for the quarter.

Debt to Equity

The debt to equity ratio of the Group stands at 0.61 as at Jun 30, 2014 (March 31,2014 :0.60).

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

None

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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 is witnessing one of the most depressed times with the market rate for Panamax vessels closing at a low of USD 3397 per day as on 30 June 2014. The Baltic Dry Index (BDI) dropped to 850 points as on 30 June 2014 as against a high of 2277 points on 31 December 2013. The average market rate for Q1 FY 2015 was USD 6,304 per day as against USD 7,775 in corresponding period previous year indicating almost a 19% fall. Lower than expected cargo demand in China and massive oversupply of tonnage are primarily responsible for lower freight rates.

Going forward, the industry is expected to remain challenging due to continued ordering activity and the downturn in the Chinese economy. As per Clarksons, the current order book of dry bulk ships stands at an increased level of 23.0% as against 17.7% in the corresponding period previous year. As per Bancosta, assuming a 15% slippage, the dry bulk fleet is expected to grow by 5% in CY 2014 and 6% in CY 2015. Demand on the other hand is expected to grow at 5% in CY 2014 as per Clarksons. The industry continues to remain in the shackles of oversupply of tonnage and with the continued ordering of vessels, the situation is not expected to improve anytime soon.

The Company continues to enjoy a healthy EBITDA margin of 22% despite a dismal market condition and one of our Vessels having unscheduled maintainence.

The Company would pro-actively take all appropriate steps required to overcome the challenging market environment. Maximising revenues, cost rationalisation and better working capital management would continue to be focus areas for the Company

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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 for the quarter ended 30 June 2014.

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, 2014	Quarter ended June 30, 2013	Quarter ended June 30, 2014	Quarter ended June 30, 2013
Mercator International Pte Ltd (MIPL)				
Interest payable on bonds	-	-	US$0.3million	US$0.3million

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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 2014 to be materially false or misleading.

On behalf of the Board of Directors

Name : Shalabh Mittal
Designation : Managing Director & CEO
Dated: 24th July 2014

Name : HUANG YUAN CHIANG
Designation : Director