MERCATOR

"Every worthwhile accomplishment, big or little,
has its stages of drudgery and triumph;
a beginning, a struggle and a victory." - *M.K. Gandhi*

ANNUAL REPORT 2015

OUR VISION

- RELIABLE AND COST-EFFICIENT SEA BORNE DRY BULK TRANSPORTATION COMPANY OF CHOICE
- GROWTH-ORIENTED DRIVEN BY MOTIVATED TALENTED TEAM
- SOCIALLY RESPONSIBLE AND ADD VALUE TO THE SOCIETY AND ENVIRONMENT

OUR VALUES

- HONOURING COMMITMENTS
- DOING THINGS INNOVATIVELY
- PERSEVERANCE
- EMPOWERING AND MOTIVATING EMPLOYEES

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A **NEW SYMBOL** FOR REVITALISED PERSPECTIVE

Evolving to meet the challenges and opportunities on our way forward, we have adopted a new visual identity that reflects our formidable parentage and encapsulates the values that we steadfastly stand for.

Inspired by cog wheels indicating movement, concerted efforts and energy, our new icon features a spherical form surrounded by lines that graphically suggest a spinning motion. These lines represent our spirit of enterprise, growth, hard work and commitment.

Our new logo is also rendered in three colours –**red, black and grey**– representing high energy, vitality, positive change and progress. The new Mercator colours signify the boldness of our vision, the steadfastness of our resolve.

"A small body of determined spirits fired by an unquenchable faith in their mission can alter the course of history." – *M.K. Gandhi*

We are – and have always been – ultimately defined by our vision. And with a revitalised identity, we articulate not just the scale of our aspirations but also the intensity of our determination to realise our goals.





ABOUT MERCATOR LINES (SINGAPORE) LIMITED

Incorporated in Singapore in 2005, Mercator Lines (Singapore) Limited ("Mercator" or "the Group") is a leading Indian-owned international dry bulk shipping company focusing on high growth markets such as India, China and Indonesia. With exposure to the infrastructure sectors like Steel and Power in India and China, Mercator is well positioned to benefit from the strong growth of these countries.

With the unstinted support of its ultimate parent company, Mercator Limited ("ML India"), which has diversified business interests in Coal, Oil & Gas, Commodity Transportation and Dredging, ML India also provides its customers with complete and customised logistics solutions from the load port to the point of usage. The Group has strong relationships with reputed customers such as Tata Group, Arcelor Mittal Group, Vale, Rio Tinto, Anglo American, Vitol, Bunge, Marubeni etc. and benefits from repeat business from such customers.

As on 22 May 2015, Mercator operates a fleet of twelve owned and one chartered-in vessel, with an aggregate capacity of about 1.0 million dwt. Its fleet of Panamaxes, Post Panamaxes and Kamsarmaxes is a versatile mix of geared and gearless vessels. The average age of its vessels is about eleven years. It continues to hold the position of largest fleet owner of Geared Panamaxes amongst the Indian-owned shipping companies.

Led by an experienced management team for both, vessels' commercial operations and dedicated technical management, with in-depth understanding of the shipping industry, a wide network of reputable customers and diligent risk management practices, Mercator has been able to make proactive business decisions to achieve better than average market returns.

"Strength does not come from physical capacity. It comes from an indomitable will." – *M.K. Gandhi*

Over the years, it has been through steadfastness, consistency and hard work that we have braved challenges and seized opportunities. We have been tested by time, and our resilience continues to testify to our strengths.

GROUP STRUCTURE



MERCATOR LIMITED
India

100%

MERCATOR INTERNATIONAL PTE. LTD. (MIL)
Singapore

66.17%[1]

MERCATOR LINES (SINGAPORE) LIMITED (MLS)
Singapore

100%

VARSHA VIDYA INC. [2]
Panama

100%

CHITRA PREM PTE. LTD. [3]
Singapore

[1] As at 22 May 2015
[2] Varsha Vidya Inc. owns the vessels Sri Prem Varsha and Sri Prem Vidya
[3] Chitra Prem Pte Ltd owns the vessel Chitra Prem

Note: Mercator Limited (India) and Mercator International Pte. Ltd. (Singapore) have other subsidiaries that are not included in the above structure

LETTER TO SHAREHOLDERS



Harish Kumar Mittal
Chairman

DEAR SHAREHOLDERS,

FY 2015 was another extremely difficult year for the dry bulk shipping industry. The industry continues to suffer from the daunting challenge it has been facing for the past few years - a significant imbalance in supply and demand for vessels. The freight rates were substantially lower than anticipated a year back touching all-time low values which resulted into a sharp fall in vessel values too. The challenges for the industry running into around 5 years of low markets still remain at large consequently leading to year on year postponement of the long awaited recovery.

The Baltic Dry Index ("BDI"), which is the key indicator of freight rates for dry bulk vessels reached to an unprecedented low level of 509 on 18 February 2015 during the year under review. The average market rate for Panamax vessels in FY2015 was US$6,304 per day as compared to US$10,308 in previous year, indicating almost a 39% fall. The Group continued to outperform the average market rate for Panamax vessels by a significant ~46%, achieving a TCE of US$9,193.

For the year ended 31 March 2015, the Group reported Revenue of US$56.3 million as compared to US$75.3 million for the year ended 31 March 2014. The decrease in revenue for the year is mainly due to fall in spot / contract rates and unscheduled repairs. EBITDA excluding exeptional items for FY 2015 stood at US$7.7 million with EBITDA margins of around 14%. The Group reported a Loss of US$125.4 million for the year ended 31 March, 2015. The loss includes exceptional items of US$91.1 million out of which US$82.4 million relates to non-cash items comprising of US$63.5 million for allowance of impairment of property and equipment and US$18.9 million for provision for onerous contract.

THE GROUP CONTINUED TO OUTPERFORM THE AVERAGE MARKET RATE FOR PANAMAX VESSELS BY A SIGNIFICANT ~46%, ACHIEVING A TCE OF US$9,193.

Looking forward, there are indications of a slowdown in China which could impact the demand. On the supply side, order book is expected to reduce thereby lowering the number of vessels

LETTER TO SHAREHOLDERS



Shalabh Mittal
Managing Director and Chief Executive Officer

being built in the future years. Scrapping is expected to reach new highs. The Panamax sector is expected to remain under pressure with increasing tonnage supply and bearish sentiment filtering through from the Capesize market. Nevertheless, the market may still move higher if there is continued and accelerated scrapping of vessels and cancellation of current orders along with a substantial improvement in seaborne grain and coal volumes, especially from India .

The financial strength of the Group has come under significant strain due to continued deterioration of the dry bulk shipping markets. To assess the impact of recent sharp deterioration of the dry bulk shipping market which has led to a reduction in freight rates and further decline in dry bulk asset values, the Group has appointed an independent financial advisor to assist with an assessment of its financial position and to advise and assist, as appropriate, with the options available to the Group with respect to restructuring its financial affairs.

The dry bulk shipping markets are indeed very challenging. The Group is working very closely with its independent financial advisor to come up with a solution to overcome the financial challenges. Given the great team with their sincere efforts and hard work, Indian positioning, track record and competitive strengths, the Group is confident that it would ride over the current downturn in the industry.

We would like to thank all our customers, banks, business partners and employees for their strong support. We would also like to express our gratitude to our shareholders for their continued faith in us.



Harish Kumar Mittal
Chairman



Shalabh Mittal
Managing Director and Chief Executive Officer

FLEET AT A GLANCE

OWNED VESSELS

S. No	Owned Vessels	Type	Year built	Capacity (DWT)	Shipyard
1	Chitra Prem	Gearless Post Panamax	2009	93,270	New Yangzijiang, China
2	Garima Prem	Gearless Panamax	2007	74,456	Hudong, China
3	Sri Prem Veena	Gearless Kamsarmax	2007	82,459	Tsuneishi Corporation, Japan
4	Gauri Prem	Gearless Panamax	2007	74,405	Hudong, China
5	Garv Prem	Gearless Panamax	2006	74,444	Hudong, China
6	Sri Prem Varsha	Geared Kamsarmax	2006	82,379	Tsuneishi Corporation, Japan
7	Sri Prem Vidya	Geared Kamsarmax	2006	82,273	Tsuneishi Corporation, Japan
8	Gaurav Prem	Gearless Panamax	2005	73,901	Jiangnan, China
9	Sri Prem Aparna	Geared Panamax	2001	73,461	Tsuneishi Corporation, Japan
10	Kalpana Prem	Geared Panamax	2000	73,652	Imabari, Japan
11	Kesari Prem	Geared Panamax	1997	69,186	Tsuneishi Corporation, Japan
12	Aarti Prem	Gearless Panamax	1994	69,087	Imabari, Japan

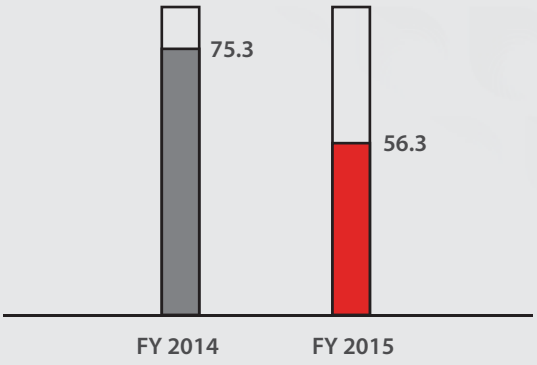
CHARTERED-IN VESSELS

S. No	Chartered Vessels	Type	Year built	Capacity (DWT)	Country Built
1	Maria Laura Prem	Gearless Post Panamax	91,945	2010	Sungdong Shipyard, South Korea

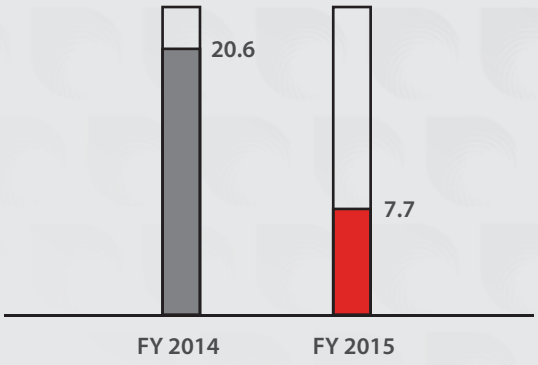
As of 22 May 2015

PERFORMANCE HIGHLIGHTS

REVENUE (US$ million)

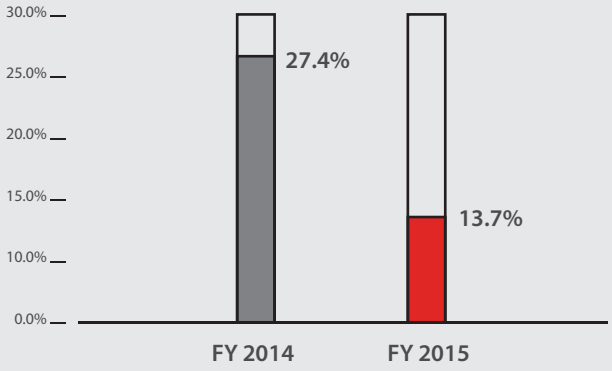


EBITDA (US$ million)*

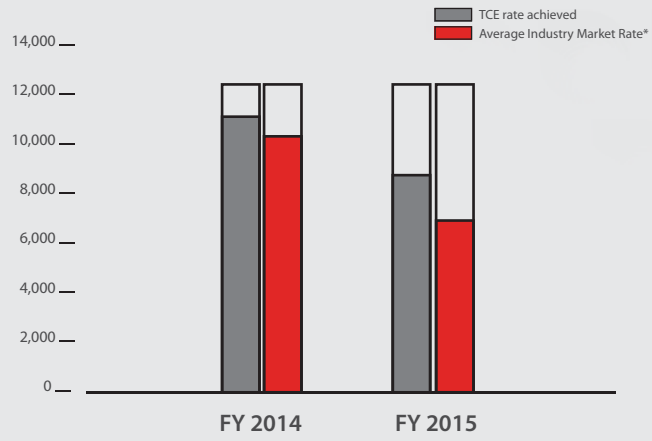


* EBITDA excludes one time/exceptional losses

EBITDA MARGINS



COMPARISON WITH AVERAGE INDUSTRY MARKET RATE (US$ per day)



* Average Industry Market Rate is the per day average rate of Time Charter routes for Panamaxes

	FY 2015	FY 2014
RESULTS		
Revenue (US$ million)	56.3	75.3
EBITDA (US$ million)*	7.7	20.6
BALANCE SHEET		
Vessel, Property & Equipment	382.9	479.0
Borrowings	185.7	187.6
Shareholders` Equity	179.1	303.7
Cash & Bank balances	8.4	7.8
RATIOS		
Gearing: Debt to Equity (times)	1.04	0.62

* EBITDA excludes one time/exceptional items

YEAR IN REVIEW



Historical Financial Performance					
Particulars	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Revenue (USD mn.)	155.4	147.7	109.1	75.3	56.3
Net Profit / (Loss) (USD mn.)	31.1	7.8	-76.8	-22.8	-125.4
Approx. TCE Earnings per day (in USD)	26,049	20,600	13,800	11,500	9,193
Average Baltic Panamax TC rate (USD per day)	21,276	12,290	7,449	10,308	6,304
Operating days	5,543	6,259	5,724	4,967	4,927
Total Fixed Assets (USD mn.)	644.5	610.5	508.7	479.0	382.9

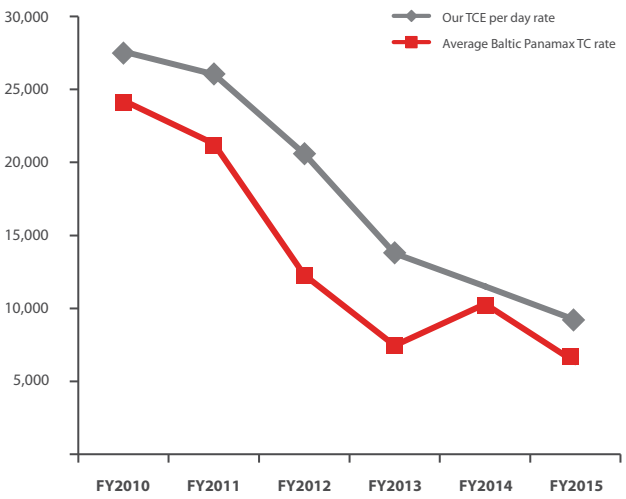
OPERATIONS REVIEW

The dry bulk shipping industry continues to remain volatile with the Baltic Dry Index (BDI) dropping from 1,362 points on 31 March 2014 to unprecedented low levels of 509 on 18 February 2015 and gradually improving to 602 points on 31 March 2015. Falling commodity prices, an oversupply of new bulk carriers and weakening international demand have resulted in a considerable slowdown in global trade and downward pressure on freight rates. The average market rate for Panamax vessels in FY 2015 was US$ 6,304 per day as compared to US$ 10,308 in previous year, indicating almost a 39% fall. The market rate for Panamax vessels closed at a rate of US$ 4,780 per day on 31 March 2015. Despite such daunting challenges, the Group continued to outperform the average market rate for Panamax vessels by a significant ~46%, achieving a TCE of US$ 9,193. The Group's total vessel operating days was 4927 days with a fleet utilization rate of around 95 percent for FY 2015.



YEAR IN REVIEW

Mercator Per Day TCE Earnings Vs. Market



FINANCIAL PERFORMANCE

Revenue for the year ended March 31, 2015 registered a decrease of around 25% to US$ 56.3 million as compared to US$ 75.3 million for the year ended March 31, 2014. The decrease in revenue for the year is mainly due to fall in spot / contract rates and unscheduled repairs.

The Group's vessel related costs decreased by 10 % to US$ 46.7 million for the year ended March 31, 2015 from US$ 51.9 million for the year ended March 31, 2014. The decrease for the year is mainly due to reduction in number of voyage charters resulting in lower voyage expenses.

EBITDA excluding exceptional items for FY 2015 stood at US$ 7.7 million with EBITDA margins of around 14%.



Given the further deterioration of dry bulk market, the Group has considered it prudent to estimate the recoverable value of its owned vessels on the basis of the discounted cash flows from expected future earnings, using a projected 10 years charter rate. This is a change in estimate basis as compared to the previous year, which used the historical 10 years charter rate. Accordingly, the Group determined that the value of its vessels is impaired and it has recorded an allowance for impairment of US$ 63.5 million for the year ended March 31, 2015. The allowance of US$ 63.5 million includes US$ 27.9 million of provision on account of sale of a vessel, which has been subsequently sold in the Financial Year 2015-16 at a sale price of US$ 8 million. Had previous year's estimate basis (i.e., historical 10 years charter rate) been used, no allowance for impairment would have been required as at March 31, 2015. No allowance for impairment was required in the corresponding previous year ended March 31, 2014.



Considering the fall in freight rates, the Group has made a provision for onerous contract in respect of a contract for long term chartered-in vessel which is effective from January 1, 2016 for the entire tenure of its contract till May 2020. Accordingly, the Group has provided for onerous contract of US$ 18.9 million for the year ended March 31, 2015. Had the Group continued with the same estimate basis as previous financial year of estimating the economic benefits expected to be received from the charter out contract for the next one year as against providing for the entire tenure of the contract till May 2020, the provision for onerous contract for the year would have been lowered by US$ 17.9 million. No provision for onerous contract was recognized in profit or loss in the corresponding previous year ended March 31, 2014.

With the above mentioned key aspects of income statement, loss attributable to the equity holders of the Group stood at US$ 125.4 million for the year ended March 31, 2015. The loss includes exceptional items of US$ 91.1 million out of which US$ 82.4 million relates to non-cash items comprising of US$ 63.5 million for allowance of impairment of property and equipment and US$ 18.9 million for provision for onerous contract.

YEAR IN REVIEW



On the Balance Sheet, current assets of the Group as at March 31, 2015 increased to US$ 29.5 million from US$ 28.6 million as at March 31, 2014 mainly due to reclassification of a marine vessel held for disposal with the carrying amount of US$ 8 million as asset held for sale and an offset of lower trade and other receivables due to the decrease in revenue and increase in allowance for doubtful receivables. Non-current assets of the Group as at March 31, 2015 decreased to US$ 381.0 million from US$ 485.6 million as at March 31, 2014. The decrease of US$ 104.6 million is mainly due to allowance for impairment (US$ 63.5 million as explained), re-classification of non-current asset as asset held for sale (US$ 8 million in Current assets), depreciation charge for the current year (US$ 35.4 million) and reduction in advance charter hire (US$ 1.0 million). This decrease has been offset by capitalization of dry dock cost and changes in fair value of option on convertible bond.

Current liabilities of the Group as at March 31, 2015 increased to US$ 69.2 million from US$ 38.0 million as at March 31, 2014 mainly due to increase in loan due for repayment within the next one year. Non-current liabilities of the Group as at March 31, 2015 decreased to US$ 162.3 million from US$ 172.5 million as at March 31, 2014. This was mainly due to reclassification of borrowings to Current Liabilities which is set-off by the non-current portion of the provision for onerous contract.

Equity of the Group as at March 31, 2015 decreased to US$ 179.1 million from US$ 303.7 million as at March 31, 2014. This is primarily due to loss of US$ 125.4 million for the year.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISOR

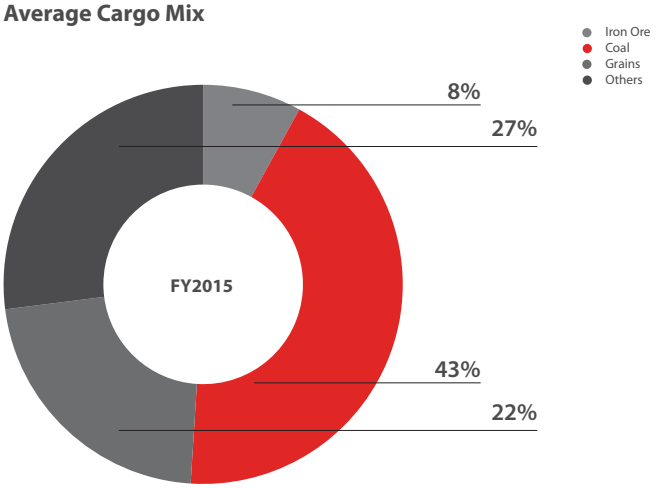
The financial strength of the Group has come under significant strain due to continued deterioration of the dry bulk shipping markets. To assess the impact of recent sharp deterioration of the dry bulk shipping market which has led to a reduction in freight rates and further decline in dry bulk asset values, the Group has appointed an independent financial advisor to assist with an assessment of its financial position and to advise and assist, as appropriate, with the options available to the Group with respect to its financial affairs.

The Group is still in process of this assessment and will make further announcements as and when appropriate.

FLEET

As on 22 May 2015, the Group operates a fleet of 13 dry bulk vessels, twelve owned and one chartered in comprising five geared and six gearless Panamaxes/Kamsarmaxes and two Post Panamaxes with an aggregate capacity of about 1.0 million dwt. The versatile Panamax fleet has an average age of about eleven years. As on 22 May 2015, the Group has no vessels on order. From time to time, the Group also charters in vessels on short term basis to maximize earnings out of its contracts.

Average Cargo Mix



In FY 2015, the Group carried about 5.4 million MT of diverse cargoes including Coal, Grains, Iron Ore, Alumina, Bauxite, Steel etc.

DIVERSIFIED CUSTOMER BASE

Marquee clients that the Group services include Tata Group, Arcelor Mittal Group, Vale, Anglo American, Rio Tinto, Vitol and Bunge amongst others.

Our Ultimate parent Group, Mercator Limited, India (ML India), has a diversified business portfolio including businesses like Coal, Oil & Gas, Commodity transportation, and Dredging. ML India has established a track record of exporting from Indonesia more than 5 million MT consecutively in each of the last 3 years. ML India's coal operations in Indonesia offer strong support to Group's ships where it offers complete supply chain solutions to Coal importers in India.

YEAR IN REVIEW

Operating Data

	FY2015	FY2014
Owned vessels		
Number of vessels	13	13
Operating days	4412	4508
Fleet utilization %	95%	97%
Chartered-in vessels*		
Number of vessels	3	3
Operating days	515	459
Fleet utilization %	100%	100%
Total fleet		
Number of vessels	16	16
Operating days	4927	4967
Fleet utilization %	95%	98%
TCE Revenue (US$'000s)	45,293	57,566
Approx. TCE Rate (US$ per day)	9,193	11,500

"TCE Revenue" is defined as revenue less voyage expenses before taking into account revenues attributable to vessels chartered- in on a voyage charter.

** Company charters in vessels on short term basis to maximize earnings out of its contract.*

Sound business fundamentals together with a customer centric approach and emphasis on value added services have rewarded us with repeat business from our existing customers. We have continued to focus on building long term relationships with our customers and have strived to ensure that their requirements are met at all times.

OFFERING VALUE AND CUSTOMIZED SERVICES

Together with our ultimate parent Group, ML India, we continue to offer end-to-end customised logistic solutions to our customers for transportation of dry bulk commodities from load port to the point of usage. This key strength has helped us to maintain an advantageous position and has enabled secure contracts with major coal importers in India. As a Group belief, we are constantly researching on areas to enrich our end-to-end value added service approach.

RISK MANAGEMENT STRATEGY

The Group practices a multi dimensional risk management strategy encompassing key industry specific risks namely, freight volatility, fuel costs, accidents and foreign exchange losses.

The Group's business model has an inbuilt risk management edge, mitigating its exposure to the freight volatility. We deploy a substantial portion of our fleet on long term contracts, thereby minimizing our exposure to the spot market. Additionally, Freight Derivatives are used to shield the revenues from freight volatility.

Our long-term COA/CV contracts operate with a clause of Bunker Adjustment Factor, by which we are able to pass on the increase in bunker fuel cost to our customers, thus hedging the Group against changes to fuel costs. For short term COAs, we also fix the Bunker prices with our suppliers to ensure the estimated return.

To safeguard our vessels from losses arising from accidents or natural disasters, we have insured the value of all our vessels appropriately.

Our revenue and the bulk of cost, with the exception of general administration expenses, including reporting, is in US dollars. Hence we are naturally hedged against currency risk.

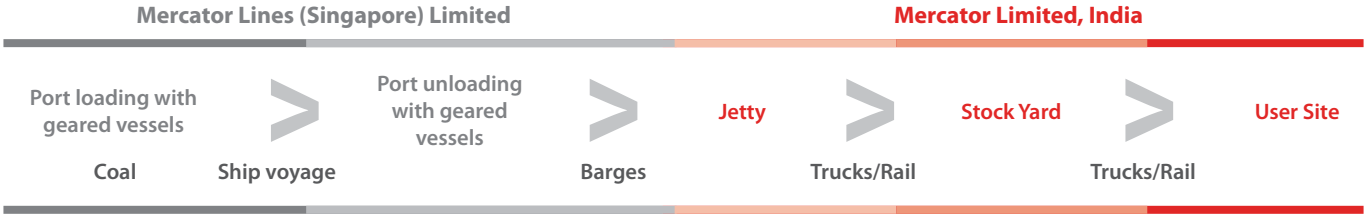
MARKET REVIEW

Panamax dry bulk vessels' seaborne trade overview

For Panamax dry bulk vessels, expectations for a weaker market in CY 2014 materialized right from the onset as rates started to drop from January. Nevertheless, there were still quite a few vessels engaged

Mercator Total Logistics Solutions

Together with ML India, we provide logistics solutions from load port to point of usage to customers



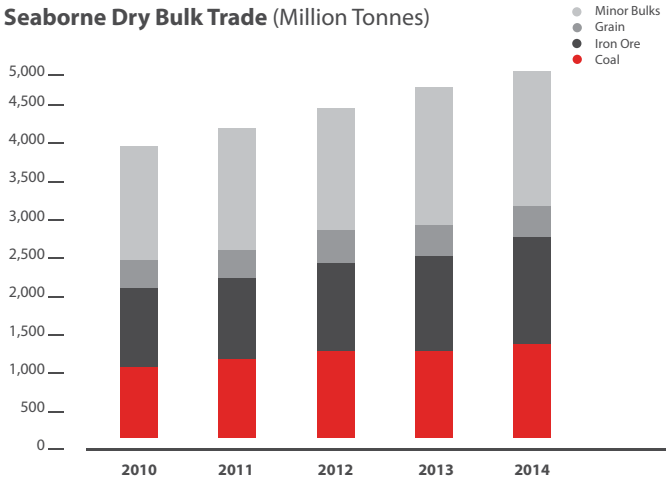
YEAR IN REVIEW

Baltic Dry Index (BDI) in FY 2015 (Index)



Source: Clarksons

Seaborne Dry Bulk Trade (Million Tonnes)



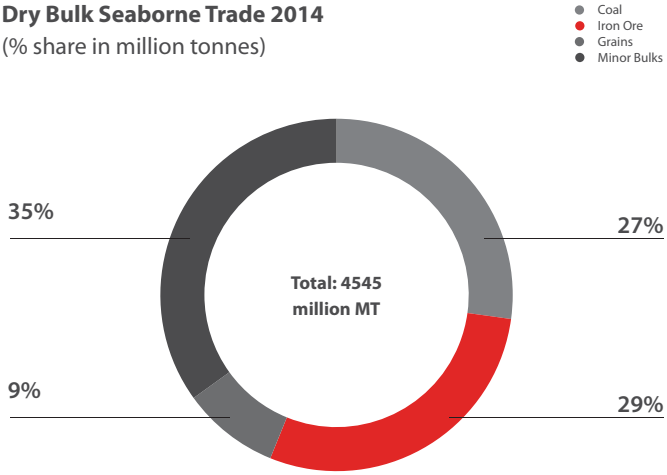
Source: Clarksons

in grain trades from the US and as such the market showed some level of resistance particularly on Fronthaul where levels remained above $20,000 up until mid-February. Meanwhile, the anticipation was once again for a strong ECSA grain season in Q2 and with this in mind many owners preferred to position their tonnage into the Atlantic basin in order to capitalize from the rising market. Despite record harvests in Argentina and Brazil, however, this proved to be a wrong move in hindsight. It turned out that Chinese soya bean crushers were facing severe difficulties with tight credit, negative margins and a looming epidemic of bird flu which hurt soya meal demand. As a consequence, Chinese receivers defaulted on a number of cargoes and this not only reduced ton-mile demand dramatically but also had an adverse effect on market sentiment. Despite the high number of new buildings delivered in the Far East, the Pacific market was on average $3,591 higher than the Atlantic in Q2 ($7,935 vs $4,344). Another major difference from a year earlier was the reduced amount of congestion at ECSA ports as shippers were able to optimize loading operations. Naturally, this had a negative impact on the market with a lot less ships held up in congestion.

At the same time, there were changes in coal trade dynamics in the Pacific. The Chinese government imposed a 6% tax on imports and this reduced tradeflow substantially. On the other hand, India was showing an increasing appetite for steaming coal particularly from Indonesia (Coal Imports graph). This kept owners busy, especially through the summer and although it did not lift the market on its own, ships going to the Subcontinent were achieving healthy premiums to index of around $1,000.

With the arrival of Q4, the rates finally started to move upwards. However, the abundance of tonnage prevented any spikes and Q4 averaged just $8,310. Activity was unsurprisingly concentrated

Dry Bulk Seaborne Trade 2014
(% share in million tonnes)



Source: Clarksons

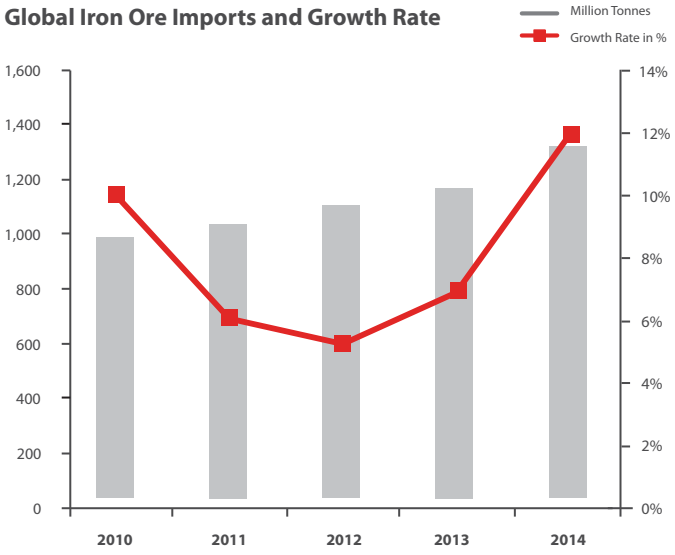
on the US Gulf/China grain route which saw substantial volatility. Voyage rates initially surged to the high $40's pmt but then plunged down to the low $33's. Apart from falling bunker prices, the reason behind this was also the strong competition Panamax vessels were seeing from Ultramaxes.

GLOBAL SEABORNE TRADE AND TONNAGE DEMAND

As per IMF, the world output growth rate in CY 2014 stood at 3.4 percent, same as CY 2013. There was a decrease in the Chinese output growth rate at 7.4 percent as against 7.8 percent in 2013. There was a recovery seen in the output growth rate of advanced economies at 1.8 percent as against 1.4 percent in 2013 primarily driven by recoveries in US and Euro Area. Recovery in Japan took

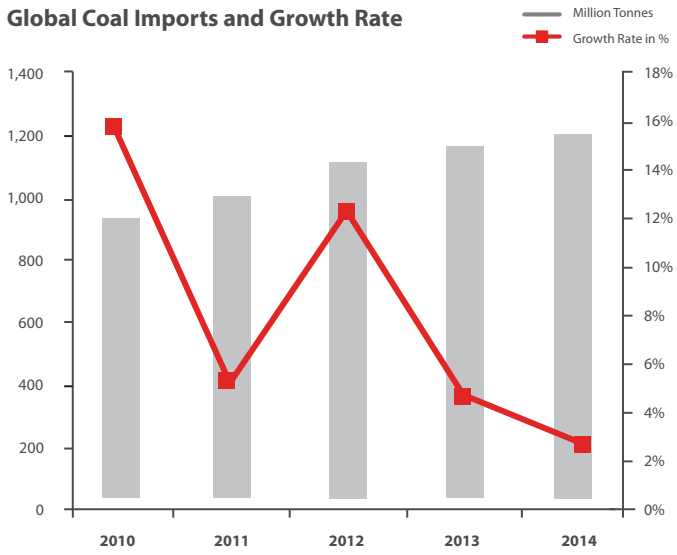
YEAR IN REVIEW

Global Iron Ore Imports and Growth Rate



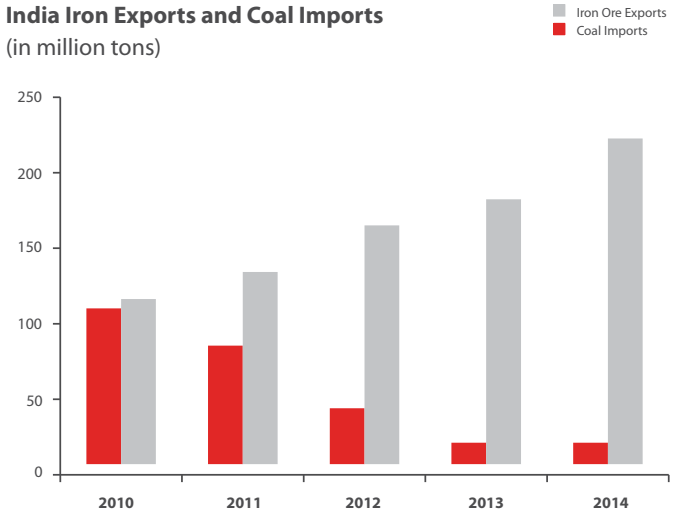
Source: Clarksons

Global Coal Imports and Growth Rate



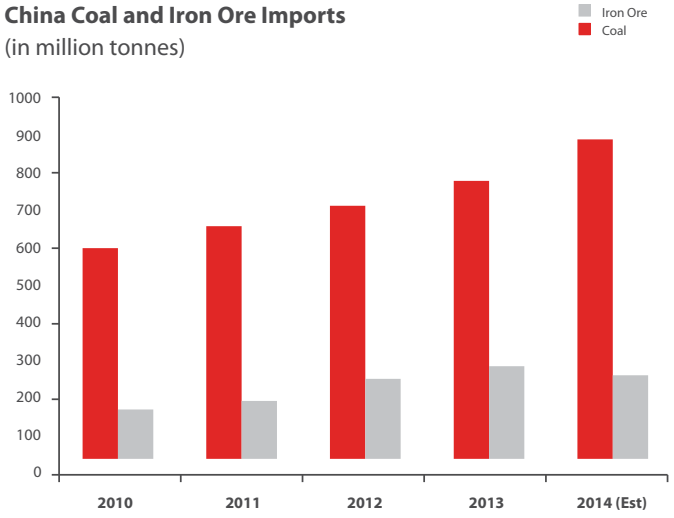
Source: Clarksons

India Iron Exports and Coal Imports
(in million tons)



Source: Clarksons

China Coal and Iron Ore Imports
(in million tonnes)



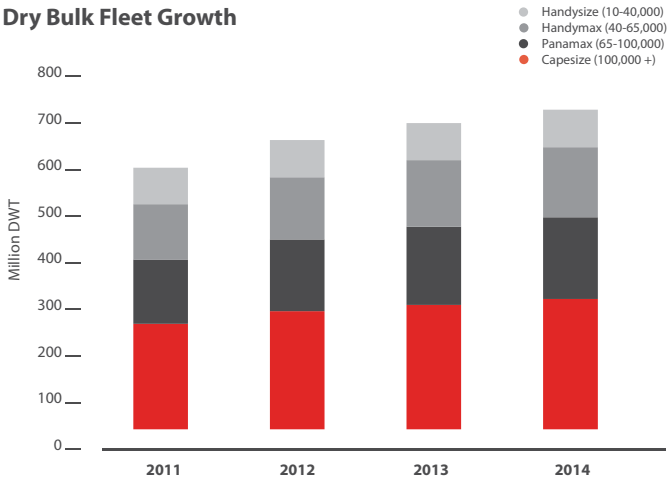
Source: Clarksons

a significant downturn from 1.6 percent in 2013 to -0.1 percent in 2014. With a regime change in India, there was a recovery seen in its output growth rate from 6.9 percent in 2013 to 7.2 percent in 2014. Seaborne transportation of dry bulk commodities grew at ~5 percent in CY 2014. In China, the total dry bulk imports grew by a meagre 2 percent. By commodity, iron ore imports escalated by 13 percent, grain by 52 percent and soy bean by 13 percent. On the minus side, coal imports fell 11 percent, bauxite 49 percent and nickel ore 33 percent. The dramatic decline in bauxite and nickel ore was caused by the Indonesian export ban introduced in January 2014. In the rest of the world, dry bulk imports climbed in total 4 percent in CY 2014 from the year before. India increased its imports by a record 16 percent, mainly driven by coal. There was also a growth seen in imports by Japan, Middle East Asian countries and the US.

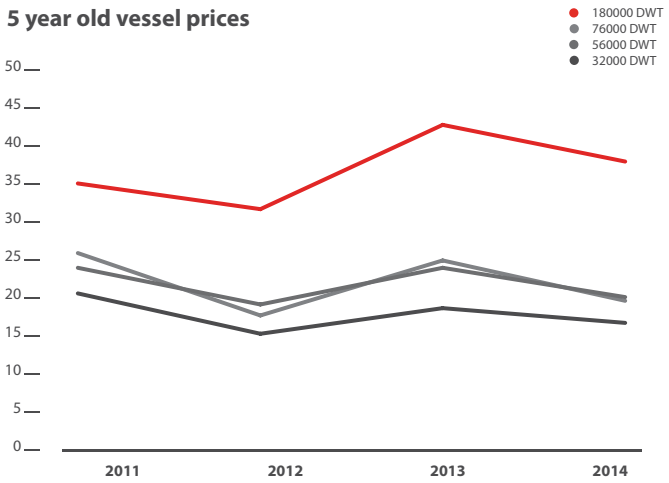
FLEET GROWTH

The total dry bulk fleet stood at 755.6 million DWT by the end of CY 2014 witnessing a net fleet growth of around 4.4 percent as compared to around 5.8 percent in 2013. However, the orderbook as a percent of fleet still remained high by the end of CY 2014 at 23 percent as compared to 24 percent in CY 2013. By segment, Panamax vessels

YEAR IN REVIEW



Source: Clarksons



Source: Clarksons

witnessed a net fleet growth of around 4.5 percent and Capesize had a net fleet growth of 4.9 percent.

Scrapping in CY 2014 reduced to 16.2 million DWT from 23.3 million DWT. However, with depressed freight rate levels, scrapping has already reached a total of 14.6 million DWT by May 2015 and is expected to remain at high levels.

SIGNIFICANT DECREASE IN ASSET VALUES

Ship values have decreased significantly in the last twelve months. As an indicator, a 76000 DWT 5 year old Panamax vessel was valued at around US$ 26.5 million in May 2014 and is currently valued at around US$ 17.5 million in May 2015, a decrease of around 34 percent. This has led to increased security shortfall defaults by vessel owners as against the loan against the vessels. It has also led to increase in the scrapping trends.

DRY BULK TRADE AND ECONOMIC GROWTH

Dry bulk trade is influenced by the underlying demand for the dry bulk commodities which, in turn, is influenced by the level of worldwide economic activity. This leads to the evolution of trade patterns and the need for seaborne transportation. Generally, growth in Gross Domestic Product (GDP), and industrial production correlate with peaks in demand for marine dry bulk transportation services.

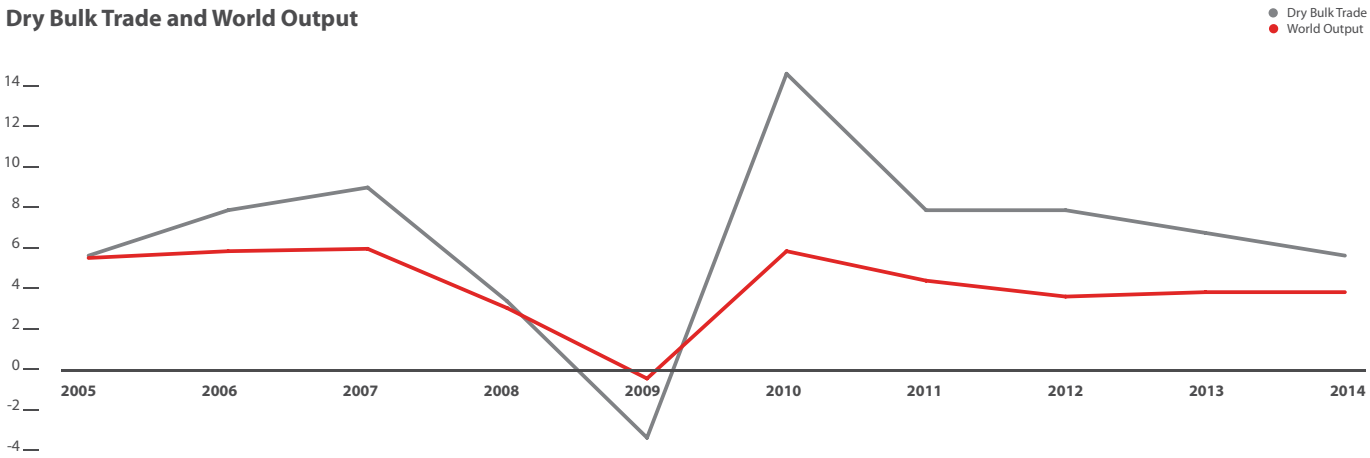
PANAMAX SECTOR

Panamax, a classification of the dry bulk vessels, denotes the maximum size of a vessel that can transit the Panama Canal. It is a vessel of about LOA of 294.1 m and beam of 32.3 m. Panamax vessels range within the capacity of 60,000 DWT to 83,000 DWT with the post Panamaxes measuring up to 92,000 DWT. The average of Baltic Panamax Index (BPI), representative index of Panamax sector, stood at 788 points for FY 2015 as against 1290 points for FY 2014. On the other hand, the average rate of Time Charter routes for Panamaxes stood at around US$ 6300 for FY 2015 as against around US$ 10,300 for FY 2014.

As per Clarksons, the trading fleet of vessels ranging from 65000 DWT to 100,000 DWT stood at 193.1 million DWT as on Dec 2014 as against 184.8 million DWT on Dec 2013 indicating an increase of 4.5 percent. The orderbook of such vessels stood at 34.9 million DWT on Dec 2014 as against 40.3 million DWT on Dec 2013. Hence, the orderbook of such vessels has reduced from 22 percent of relevant fleet as on Dec 2013 to 18.1 percent on Dec 2014.

YEAR IN REVIEW

Dry Bulk Trade and World Output



Source: Clarksons, IMF

Baltic Panamax Index (BPI) (Index)



Source: Clarksons

OUTLOOK

The prevailing predictions for the world economy going forward suggest similar growth rate in CY 2015 at 3.5 percent as against 3.4 percent in CY 2014. China is expected to see a significant fall in the growth rate at 6.8 percent in CY 2015 as against 7.4 percent achieved in CY 2014. This will remain the biggest concern for the dry bulk seaborne trade demand. India on the other hand is expected to see a growth rate of 7.5 percent in CY 2015 as against 7.2 percent in CY 2014. Advanced economies are expected to grow at 2.4 percent as against 1.8 percent achieved in CY 2014.

The prognosis of the world economy is for the world steel demand to increase by 2-3 percent from CY 2014 to CY 2015. China's steel demand is expected to climb by only 1 percent. One critical factor for tonnage demand will be China's import requirement for iron ore. Also, with stronger focus on environmental issues, China is most likely

Dry Bulk Orderbook And Delivery Schedule

Type of vessel	Order book (million DWT)	% of fleet	Delivery expected in CY2015 (million DWT)	Delivery expected in CY2016 (million DWT)	Delivery expected in CY2017 and beyond (million DWT)
Capesize	59.9	19.6%	22.0	30.4	7.5
Panamax	30.2	15.5%	15.1	11.4	3.7
Handymax	42.3	24.8%	19.3	17.6	5.4
Handysize	15.3	17.2%	6.9	6.0	2.4
Total Fleet	**147.7**	**19.4%**	**63.3**	**65.4**	**19.0**

As of May 2015

Source: Clarksons

to reduce the growth in coal consumption over the coming years at the expense of other energy sources. India, on the other hand, is expected to import higher volumes of coal due to expanding steel production and installation of higher capacity power plants. There are also a couple of new coal fired power plants under construction in other Asian countries, driving coal imports.

As for grains, export volumes are expected to go higher in North and South America. However, whether freight rates will follow suit remains to be seen, as too many ships being in position for the season will cap the upside, just as last year.

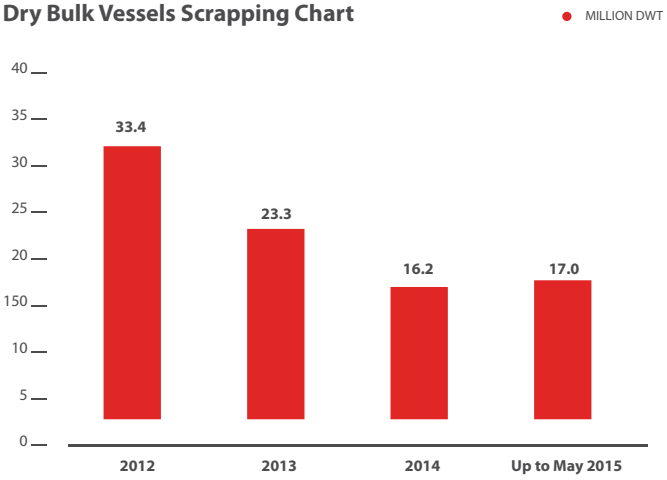
On the supply side, we expect a slowdown in ordering activity, conversion of existing vessels in other types of vessels and increase in scrapping. In fact, reports suggest that scrapping up to May 2015 has already surpassed the total scrapping in CY 2014. However, the current orderbook as a percentage of fleet still remains high.

Looking forward, there are indications of a slowdown in China which could impact the demand. On the supply side, orderbook is expected to reduce thereby lowering the number of vessels being built in the future years. Scrapping is expected to reach new highs. The Panamax sector is expected to remain under pressure with increasing tonnage supply and bearish sentiment filtering through from the Capesize market. Nevertheless, the market may still move higher if there is a substantial improvement in seaborne grain and coal volumes, especially from India.

The dry bulk shipping markets are indeed very challenging. The Group is working very closely with its independent financial advisor to come up with a solution to overcome the financial challenges. Given the track record and competitive strengths, the Group is confident that it would ride over the current downturn in the industry.

Source: RS Platou, Clarksons, BRS, IMF, BIMCO

Dry Bulk Vessels Scrapping Chart



Source: Clarksons

CORPORATE SOCIAL RESPONSIBILITY





"Everything is connected to everything else" is often called the First Law of Ecology. Helping human society to prosper today requires that we recognize the importance of living in balance with our physical environment and treating each other with dignity and equity. As is rightly said, a good company delivers excellent products and services, and a great company does all that and strives to make the world a better place! At Mercator, we strongly believe in our responsibility towards the society and the environment. By accepting responsibility, both our organization and our team continuously strives to take effective steps towards creating a world that is sustainable and works for all.

Our CSR Programme concentrates on numerous and varied possibilities to make a difference to both society and environment, and thereby ***Change Lives!***

COMMUNITY

We recognize the importance of being good and responsible corporate citizens and that fuels our drive to collaborate and work together with the community that we are an essential part of. Despite the continuing economic downturn, we remember our commitment to the community members who are less fortunate, and have provided them with financial support. We continue to encourage our employees to participate in innovative ways to raise funds for charities. The response to our 4th consecutive in-house auction of hampers and gifts received over the festive seasons surpassed all previous years. Employees graciously contributed their part in CSR through this auction avenue. In accordance with our CSR principles, the money raised was matched dollar for dollar by the Company. Recipients of this year's donations were CRY India Girl Child Initiative "LetHerFly" and the Project Ace Singapore (Chinese New Year Festive Bags for the underprivileged elderly under Silver Ace NTUC eldercare). The company also responded to the Singapore Red Cross appeal for the Nepal Earthquake Relief Fund and extended its helping hand to the cause.

Furthermore, this year saw our CSR efforts manifesting 'in kind' – employees volunteered at 2 of the Singapore Shipping Association's (SSA) Young Executives Group's (YEG) Community Outreach programmes – (1) For the attendees from the Children's Cancer Foundation (CCF). It was a very meaningful event with movie screening (Penguins of Madagascar) and lunch, aimed at spreading the festive cheer to these children. Mercatorians also contributed for sweet candies to be sent for the children with the volunteers; (2) Meaningful Saturday morning together at the Willing Hearts (100% volunteer-run, non-profit organization) Soup Kitchen, to assist in the preparation and packing of food for the needy including the elderly, adults and children in Singapore.

Encouraging our employees to support the community on a voluntary basis by giving them one day additional leave per year is a further demonstration of our commitment to the cause.

ENVIRONMENT

We are focused to play our role in protecting our environment, both on and off board. On board, we practice responsible use of products and services to offset carbon emissions of our vessels and conserve the world's natural resources. As ship owners, we concur with IMO's policy of "safe shipping across cleaner oceans". We seek to diminish the impact of our trade on the environment. We adopt practices on our vessels to comply with environmental measures prescribed by international regulatory authorities to protect the environment. In line with our focus on environment, our crew members are trained to carry out routine maintenance and upgradation onboard our vessels.

We continue to encourage all our employees to play their part, however small, in sustainable environment management. We motivate them to conserve energy and paper through cautious use of power, printing and the like. We celebrate our very own "GO GREEN DAY" on May 26 annually (that marks our Company's Incorporation Date) reinforcing our commitment to conserve the environment and energize all employees to be more aware and conscious of their individual responsibility towards the environment at all times. Our "The Goodfellas Team" spearheads the CSR programmes and works together putting forth various ideas and advances our efforts to promote a safe, sustainable environment and a happier world for all of us.

INVESTOR RELATIONS



Mercator maintains an open, honest and consistent approach when communicating with its shareholders, investors, analysts and the media. At the core of our investor relations philosophy, is the uncompromising belief that, no matter the severity of our business environment, our efforts towards achieving the highest level of corporate governance and disclosure must remain unchanged. The Company has devised an Investor Relations Policy to promote regular, effective and fair communication with shareholders recognizing shareholder rights and principles & strategies of communication adopting the SGX's corporate disclosure policy. The policy regulates disclosure of information to be descriptive, detailed, forthcoming as possible and avoid boiler plate disclosures. The Company releases timely and accurate announcements, its price sensitive financial results and other material information addressing market concern and which may influence the share prices through SGXNET and also via Company's website, www.mllsg.com.

Additionally, the announcements of our quarterly and annual financial results are always accompanied by detailed corporate presentations and news releases. The quarterly release of unaudited financial statements have been announcement within 30 days after the end of each quarter as against the requirement of 45 days whilst announcement of the audited results FY2015 was released within 60 days after the Company's financial year end.

We aim to reach out to our broad spectrum of institutional and individual investors. As part of this aim, we are committed to explore and practice innovative methods. Meetings through teleconferences, face-to-face meetings, road shows, and such others networking activities are deployed to maintain regular and effective communication with our shareholders and prospective investors.

Our website serves as a vehicle for interaction with our investing community; it provides regular updates on matters of Investor's interest and offers information on the Company's background, its corporate developments of its various businesses, corporate governance, risk management strategy, safety and quality measures as well as its sustainability and corporate social responsibility efforts. In addition, a special page providing an archive of investors' specific information in relation to past announcements, press releases, annual reports etc. has been created. Our website is designed interactively encouraging investors to subscribe for alerts on Company's updates.

The Company has a dividend policy which outlines on declaration and payment of dividends as may be recommended by board of directors at their discretion and will depend on a number of factors, including earnings, capital requirements and overall financial position. This, in turn, depends on the successful implementation of the Company's strategy and on financial, competitive, regulatory, general economic conditions and other factors that may be specific to the Company or specific to the industry, many of which are beyond the Company's control. The Board will review and revise the dividend policy if required. In view of losses, the Company has not declared dividend in this FY 2015.

INVESTOR RELATIONS







RECOGNITION

SINGAPORE CORPORATE AWARDS

Our proactive investor relations approach and commitment to corporate transparency have been lauded by the business and investing community in the past 7 years.

The Company won the Best Annual Report Award 2008 (Bronze) in the "$300 million to less than $1 billion market capitalisation", Best Annual Report Award 2008 (Silver) in the "Newly-Listed Companies" category and Best Annual Report (Bronze) for 2009 in the "$300 million to less than S$1 billion market capitalisation" category. The Company also won the Best Investor Relations Award (Silver) for the year 2010. The Company won the Best Investor Relations Award (Gold) for 2011 in the $300 million to less than $1 billion market capitalisation category. The Company has been awarded during this period for its consistent performance in ensuring good Corporate Governance in four consecutive years. These awards form part of the six awards which make up the Singapore Corporate Awards (SCA) organised mainly by The Business Times and supported by the Singapore Exchange along with ICPAS, Singapore Institute of Directors, Citigate Dewe Rogerson iMage, NUS Business School, Aon Hewitt, Egon Zehnder International, IMAS and SIAS.

These awards emphasize our drive for excellence and our commitment towards the investors' interests and better corporate governance. With this, we strive to extend and enhance our accountability and responsibility towards all our shareholders and to become an organisation of world class practices.

Our attitude towards our prized investors is one of alacrity and promptness in response and communication. Our contact details are always made available to them on our website, our annual reports and press releases.

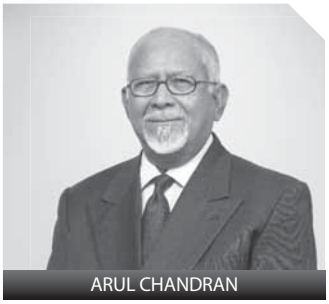
Our commitment towards excellent investor relations is a promise we make and work with dedication towards keeping both under thriving and difficult times.

BOARD OF DIRECTORS


HARISH KUMAR MITTAL


HUANG YUAN CHIANG


ATUL J. AGARWAL


ARUL CHANDRAN

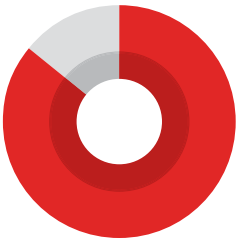

SHALABH MITTAL


PUSHPATRAJ SHIVLAL SHAH


DR MARIA HELENA DIELEMAN

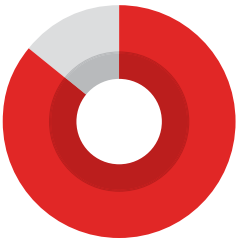
MLS BOARD DIVERSITY

TENURE (%)



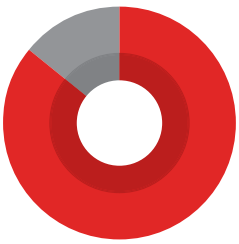
< 5 yrs	14
5 - 10 yrs	86

MALE/FEMALE (%)



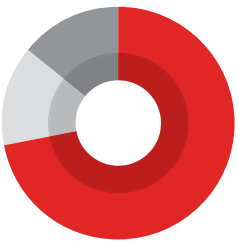
Male	86
Female	14

EXECUTIVE/NON-EXECUTIVE (%)



Executive	14
Non-Executive	86

ENTHIC GROUPS (%)



Indian	72
Chinese	14
Caucasian	14

AGE (%)



30 - 40	14
41 - 60	57
61 - 80	29

BOARD OF DIRECTORS

HARISH KUMAR MITTAL, 65

- **Chairman and Non-executive Director**
- **Member, Compensation Committee**
- **Date of Appointment : 25 October 2007**
- **Last re-elected : 25 July 2013**

Mr Harish Mittal serves on our Board of Directors as Chairman since October 2007 and a member of Compensation Committee. He is also the Executive Chairman of Mercator Limited, India ("ML India") since 1992.

Currently, Mr Mittal is a Board member of several associated companies of Mercator Group. He has successfully rolled out more than a dozen projects since his tryst with business in 1974, covering a wide array of industries including Chemicals, Shipping, Offshore Oil & Gas, Exploration and Production, Coal Mining and Dredging.

He holds a Master's degree from Indian Institute of Technology ("IIT") Roorkee India. The institute conferred to Mr Mittal with "Distinguished Alumnus Award" in November 2010 in due recognition of his achievements and contribution to the industry over the last three decades.

Under Mr Mittal's leadership, ML India has grown to become the 2nd largest private shipping company of India in terms of tonnage.

He has been recognised as 'Entrepreneur of the Year' by Ernst & Young, The Economic Times and Trade Winds in recent past. Lloyds List, the world renowned Shipping Publication, has also awarded him with 'Newsmaker of the Year Award' in 2007. Trade Winds acknowledges Mr Mittal amongst the Top 100 Most Influential People in Shipping today.

SHALABH MITTAL, 36

- **Managing Director and Chief Executive Officer**
- **Date of Appointment : Director on 18 August 2005 and Managing Director & CEO on 1 October 2005**
- **Last re-elected : 24 July 2014**

Mr Shalabh Mittal has served as our Managing Director and Chief Executive Officer since Company's inception in October 2005 with a primary role to manage and supervise the day-to-day business operations of the Company effectively in accordance with the overall strategies and policies as enumerated and approved by the Board. He is currently a member of the Executive Committee.

Between May 2004 to October 2005, he served as a Director of ML India, responsible for managing day-to-day affairs of the Company.

Mr Mittal founded and held the post of Managing Director of Mercator Healthcare Ltd. between March 2000 and May 2004, during which, he was responsible for overall management, strategic, financial and production planning.

He serves on the Boards of all the Group companies as well. Mr Mittal graduated with a certificate from the Owner/President Management Program (OPM) at Harvard Business School and holds a Bachelor of Commerce degree from Sydenham College, University of Mumbai and Post-Graduation Diploma in Business Administration from the S. P. Jain Institute of Management and Research, Mumbai, India.

HUANG YUAN CHIANG, 55

- **Lead Independent Director**
- **Chairman, Audit Committee**
- **Member, Compensation and Nominating Committees**
- **Date of Appointment : 25 October 2007**
- **Last re-elected : 25 July 2012**

Mr Huang has served on our Board of Directors since October 2007. He is our Lead Independent Director, chairs the Audit Committee and serves as a member of our Compensation, Nominating and Executive Committees respectively.

He is a lawyer by training and was an investment banker by vocation. During his banking career, he held senior managerial positions with various banking institutions including Standard Chartered Bank, HSBC, Bankers Trust and Deutsche Bank. His areas of specialisation were in the areas of mergers and acquisitions and equity capital markets. His last position at Bankers Trust was that of Managing Director overseeing the Mergers & Acquisitions Division of Bankers Trust in South Asia.

In addition to our board, Mr Huang also serves on the Boards of several other listed companies including MTQ (Singapore) Ltd, and Hwa Hong Corporation Limited.

BOARD OF DIRECTORS

ARUL CHANDRAN, 80

- **Independent Director**
- **Chairman, Compensation and Nominating Committees**
- **Member, Audit Committee**
- **Date of Appointment : 29 July 2008**
- **Last re-elected : 24 July 2014**

Mr Chandran has served on our Board since July 2008 and is the Chairman of the Nominating and Compensation Committees and a member of the Audit and Executive Committees. He holds directorships in many private shipping companies.

Mr Chandran is a Barrister at Law, Middle Temple, London, called to the Bar in 1959. He has served as Magistrate and Deputy Public Prosecutor and Crown Counsul in the Singapore Legal Service. He was a partner of law firm, Rodyk & Davidson until 1977, then was a partner in Karthigesu & Arul till 1984 and then, C Arul & Partners. He is now a consultant at Arul, Chew & Partners. He also practiced as Advocate and Solicitor in the Supreme Court of Malaysia from 1964 to 1978.

Mr Chandran served as member of the Council of The Law Society of Singapore, Council member and former Deputy Secretary General of the International Bar Association ("IBA"), represented The Law Society of Singapore on the IBA Council for 15 years, Founding President of the Maritime Law Association of Singapore ("MLAS") and a former council member of the Singapore Institute of Arbitrators.

DR MARIA HELENA DIELEMAN, 41

- **Independent Director**
- **Member, Compensation and Nominating Committees**
- **Date of Appointment: 25 April 2014**
- **Last re-elected : 24 July 2014**

Dr. Maria Helena Dieleman (Marleen) has been appointed to the Board as an Independent Director on 25 April 2014. She serves as a member of Compensation and Nominating Committees.

Currently, Dr Marleen is an Associate Professor And Associate Director of the Centre for Governance, Institutions and Organisations (CGIO) at NUS Business School in Singapore. Prior to this, she held the position of Assistant Professor and Assistant Dean at Leiden University School of Management, Netherlands.

Dr Marleen specializes in corporate strategy and governance of Asian family businesses. She teaches both students and executives and has published widely on these topics, including articles in academic journals, books, book chapters, cases and reports. Her work is featured regularly in international media and she is a frequent invited speaker. She holds a Ph.D. from Leiden University and a Master Degree In Business Administration from Rotterdam School of Management, both in The Netherlands.

ATUL J. AGARWAL, 57

- **Non-executive Director**
- **Member, Nominating Committee**
- **Date of Appointment : 25 October 2007**
- **Last re-elected : 25 July 2013**

Mr Agarwal serves on our Board of Directors since October 2007 and is a member of Nominating Committee and Executive Committees.

Between 1983 to 1988, he practiced as auditor and tax consultant for A. J. Agarwal & Co., of which he was the proprietor. Since 1988, Mr Agarwal has served as a full time Director and is currently the Managing Director of ML India, with responsibility for day-to-day management, finance, accounts and taxation matters. He is a Director of several private companies viz., Indian National Shipowners Association since 2004 and AAAM Properties Pvt. Ltd since 2006. Mr Agarwal is also a Director on the Board of North of England Protecting and Indemnity Association Limited, U.K., since January 2011. He is also the Director/Commissioner of Oorja Group of Companies in Indonesia and is a Director of several associated companies of Mercator Group.

Mr Agarwal has been accredited with memberships of various committees formed by the Government of India to consider shipping reforms. Currently, he is the President of Indian National Shipowners Association, Director of Indian Register of Shipping and ex-Chairman of Asian Shipowners Federation. Mr Agarwal is a qualified Chartered Accountant, awarded by the Institute of Chartered Accountants of India.

PUSHPATRAJ SHIVLAL SHAH, 50

- **Non-executive Director**
- **Member, Audit Committee**
- **Date of Appointment : 01 July 2006**
- **Last re-elected : 25 July 2013**

Mr Shah has served on our Board of Directors since July 2006 and is a member of Audit Committee and Executive Committee.

He is a practicing Chartered Accountant and consultant. Mr Shah is the Managing Partner of the firm P. Raj & Co, India and a Director in Mercator International Pte. Ltd. He advises on financial and strategic matters to various large corporations internationally and has expertise in various industries including real estate, shipping, power, oil and gas, media & entertainment.

Mr Shah obtained a Bachelor of Science degree from University of Bombay and is a qualified Chartered Accountant, awarded by the Institute of Chartered Accountants of India.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Mercator Lines (Singapore) Limited (the "Company" or "MLS") and its subsidiaries (the "Group") are firmly committed to ensuring a high standard of corporate governance which is essential to the long-term sustainability of the Group's business and performance. The Company aspires to the highest standards of corporate governance and, to this end, has in place a well-defined policies and processes to enhance corporate performance and accountability, as well as protect the interests of key stakeholders.

BOARD MATTERS

Principle 1:

The Board's Conduct of Affairs

The Board aims to create value for shareholders and ensure the long-term success of the Company by focusing the development of right strategy, business model, risk appetite and management. It also seeks to align the interests of the Board and Management with that of shareholders, and balance the interests of all stakeholders. Collectively, the Board and the Senior Management Team ensure the long-term success of the Company. While the Board has the responsibility to oversee the business and affairs of the Company, the Management, on the other hand, is responsible for the day to day operation and administration of the Company in accordance with the policies and strategies set by the Board. Under the overall control and management of the Board, the Managing Director & Chief Executive Officer manages the day-to-day business operations with the assistance of a professional team.

Besides carrying out its statutory responsibilities, the Board's role is to:

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its business, corporate and social objectives;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed in a timely manner, including safeguarding of stakeholder's interests and Company's assets;
- review management performance in terms of business objectives and compliance with applicable regulations and laws;
- set standards for values, ethics, code of conduct for employees and ensuring that obligations to stakeholders and other stakeholders are understood and met;
- recognize the perceptions of the key stakeholder groups which affect the reputation of the Company; and
- consider environmental and social factors, as part of its strategic formulation.

All directors exercise due diligence and independent judgment in dealing with the business affairs of the Company and are obliged to act in good faith and to take objective decisions in the interest of the Company.

The Company has adopted a set of internal controls through manuals, namely, the "Internal Control and Risk Management System" ("ICRM") and Code of Corporate Governance Manual. The ICRM manual provides process flow charts with respective operating procedures of all departments and the relevant authorized approval limits for all financial transactions from reviewer's to approver's levels to ensure sufficient checks and balances. ICRM manual also comprises risk management guidelines, hedging policy, capital expenditure, investment and bank borrowings and authorized cheque signatories arrangements from department right up to Board level.

The manual provides detailed guidelines setting forth the matters reserved for Board's decision. Acquisition, disposal of vessels, strategic financing/investments proposal with respect to such transaction through short/long term loans up to a specified limit from financial institutions, business plans on chartering-in of vessels would require approval from the Executive Committee, which in turn, will be ratified by the Board in its subsequent meetings. Approval sub-limits are also provided at management levels to facilitate operational efficiency. These policies are reviewed on an annual basis and revised, whenever required to update the changes of the relevant legislations to ensure that they are in line with the Company's objectives.

To assist the Board in the execution of its responsibilities, various Board Committees, namely, the Executive Committee, Audit Committee, Compensation Committee and Nominating Committee and Internal Control Committee ("Board Committees") have been constituted with clearly defined terms of reference. These terms of reference are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance.

CORPORATE GOVERNANCE REPORT

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. Minutes of the Board Committees are available to all Board members. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

The schedule of all the Board and Board Committee meetings as well as the Annual General Meeting for the next calendar year is planned well in advance. The Board meets at least four times a year. Besides the scheduled Board meetings, the Board also meets on an ad-hoc basis as warranted by particular circumstances. Telephonic conference via audio-visual communication at Board meetings are permitted by the Company's Articles of Association. The Board and Board Committees may also make decisions through circulating resolutions.

A record of the Directors' attendance at Board and Committee meetings is set out below:

Table 1 - Board and Board Committees

1. Name of Director	Board	Audit Committee ("AC")	Nominating Committee ("NC")	Compensation Committee ("CC")
Harish Kumar Mittal	Chairman	–	–	Member
Shalabh Mittal	Member	–	–	–
Arul Chandran	Member	Member	Chairman	Chairman
Atul J. Agarwal	Member	–	Member	–
Huang Yuan Chiang	Member	Chairman	Member	Member
Pushpatraj Shivlal Shah	Member	Member	–	–
Dr Maria Helena Dieleman	Member	–	Member	Member

Table 2 - Attendance at Board and Board Committee Meetings

2. Name of Director	Scheduled Board	Ad-Hoc 3 Board	AC	NC	CC
Number of meetings held	7	1	5	2	2
Number of meeting attended:					
Harish Kumar Mittal	5	1	3	2	2
Shalabh Mittal	7	1	5	2	2
Arul Chandran	7	1	5	2	2
Atul J. Agarwal	3	1	2	1	1
Huang Yuan Chiang	7	1	5	2	2
Pushpatraj Shivlal Shah	7	1	5	2	2
Dr Maria Helena Dieleman	6	1	4	1	1

Note : Dr Maria Helena Dieleman was appointed at the beginning of this financial year 2015.
All directors attended Board Committees Meetings by invitation.

The Company provides suitable training for Directors. At the time of joining, Board members are given a comprehensive orientation program and appropriate training on Continuing Directors Responsibilities and Continuing Listing Requirements, to ensure that Directors are familiar with the Company's organization structure, business and governance practices.

Regular updates on directors' duties and responsibilities and changes to the relevant laws and regulations such as the Listing Rules of the Singapore Exchange Securities Trading Limited, Code of Corporate Governance, Companies Act, etc are also provided to the Board. The Company also arranges on its costs for the Directors to attend various seminars conducted by reputed firms/bodies from time to time to enhance their contribution/performance. Directors are also free to request for sponsorship from the Company to attend relevant courses to update their knowledge and equip themselves to discharge their duties better.

Dr Maria Helena Dieleman ("Dr Marleen") has attended the following courses conducted by Singapore Institute of Directors during the financial year:

- *Listed Company Director – Essential Understanding the Regulatory Environment in Singapore : What Every Director ought to know; and*
- *Corporate Governance Roundup, Launch of Directors' Toolkit and Book and AGM*

Upon appointment or re-appointment, each Director is provided with a formal letter of appointment, explaining, among other matters, his/her roles, obligations, duties and responsibilities as members of the Board. Copy of Code of Corporate Governance and terms of reference of the respective Committees on which he/she is a member are also furnished. The MD & CEO signs a service contract for a tenure of three years for his position as full time Executive Director.

Principle 2:

The Board Composition and Guidance

The size and composition of the Board are reviewed from time to time by the Nominating Committee ("NC"), which seeks to ensure that the size of the Board is conducive to effective discussion and decision making, and that the Board bas an appropriate number of independent Directors. The NC also seeks to maintain a diversity of expertise, skills and attributes among the Directors, including relevant core competencies in areas such as accounting and finance, business and management, industry knowledge, strategic planning, as well as taking into account broader diversity considerations, such as gender, age and nationality/ethnicity, in making appointments.

NC considers that current Board size of seven members is appropriate, taking into account the scope and nature of the Company's operations and feels that the size is ideal to and conducive for effective contribution and decision making of the Board. NC is satisfied that the Board comprises of balanced mix of Directors with core competencies and expertise in Accounting, Tax, Finance, Business Management, Industry knowledge and Strategic Planning which is essential for the Board to function effectively. The Board also collectively provides competencies in the areas of Operations, Industry Strategies, Risk Management, Legal and Regulatory Matters and Human Resource Management. Active participation by all the members of the Board and their inputs on strategy has been helpful to the Company to fulfill its functions particularly in times of the challenging economic climate. In recognition of the importance and value of gender diversity, the Company has appointed Dr Marleen who is currently an Associate Professor and Associate Director of the Centre for Governance, Institutions and Organisations at NUS Business School, Singapore as a Board member. Dr Marleen is a specialist in corporate strategy and governance of Asian family businesses. Profiles of our Board of Directors are set out on pages 23 and 24 of this Annual Report.

The Board, taking into account the views of the NC, assesses the independence of each Director in accordance with the guidance in the Code. An independent director is one who has no relationship with the Company, its related corporations, its shareholders who hold 10% or more of the voting shares of the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment. Mr Pushpatraj Shivlal Shah has served as Non-Executive Director for nine years. NC has determined that Mr Shah has continued to demonstrate strong independence in character and judgement in the manner which he has discharged his responsibilities as a Director of the Company. He has continued to express his individual viewpoints, debated issues and objectively scrutinised and challenged Management, seeking clarification and amplification as he considered necessary, including through direct access to the Group's employees and external advisors.

The Non-executive Directors have provided declarations of their independence which were deliberated upon by the NC and the Board. NC also feels that the Board has an appropriate number of Independent Directors. On the basis set out above and on the basis of the declarations of independence provided by the Directors, Mr Huang Yuan Chiang, Mr Arul Chandran and Dr Marleen are considered to be Independent Directors. There is a strong and independent element on the Board. None of the Independent Directors has exceeded nine years of Board membership.

The Company would like to make further disclosure as to the relationship on independency; namely our Chairman, Mr Harish Kumar Mittal is the brother-in-law of our Non-executive Director, Mr Atul J. Agarwal. Further, our parent company, Mercator International Pte. Ltd. ("MIPL"), is a wholly owned subsidiary of Mercator Limited, India. Both Mr Harish Kumar Mittal and Mr Atul J. Agarwal are the Executive Chairman and Managing Director respectively in our ultimate parent company, Mercator Limited, India. In addition, Mr Shalabh Mittal and our Non-executive Director, Mr Pushpatraj Shivlal Shah both hold directorships in our parent company, MILPL. Except otherwise, the Directors do not have any business or professional relationships with the Group, its directors or substantial shareholders; do not have any interests, whether directly or indirectly in any assets acquired/disposed/leased by the Group; do not have any interests, whether materially or otherwise, in any contracts or arrangements with the Group, whether proposed or subsisting. In every quarterly Board Meeting, Directors confirm non-conflict of interest of the Directors which is also taken note of by the Board.

The Non-executive Directors actively and constructively challenge and help in developing and setting proposals on business strategies for the Company and review performance of management in meeting agreed goals and objectives. Their role is particularly important as they provide unbiased and independent views, advice and judgment to take care of the interests, not only of the Company but also shareholders, employees and customers on a need basis. All proposals are subject to majority approval of the Board.

The Independent Directors do meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board process, succession planning as well as leadership development and the remuneration of the Executive Directors.

Principle 3:

Chairman and Chief Executive Officer

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles and responsibilities of the Chairman and Chief Executive Officer are held by separate individuals; however, they are related to each other as father and son respectively.

The Chairman of the Board is a Non-executive Director and is mainly responsible for leading the Board to ensure its effectiveness on all aspects of its role; his duties include:

- facilitating effective contribution of Non-executive Directors;
- encouraging constructive relations among the Board and the management;
- ensuring effective and timely flow of information from the management to the Board;
- promoting high standards of Corporate Governance process; and
- ensuring effective communication with shareholders

He also ensures appropriate remuneration policies are in place. The Chairman works closely with the Chief Executive Officer ("CEO") on matters to be tabled at meetings as well as in ensuring that Board members receive accurate, timely and clear information. Under the leadership of our Chairman, the Board held robust, open and constructive discussions at its meetings with adequate time allocated to sufficiently review the issues tabled. He plays a pivotal role in fostering constructive dialogue between the shareholders, the Board and the Management at Annual General Meetings and other shareholders meetings. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices with the full support of the Board, Company Secretary and the Management.

The CEO who is assisted by the Key management persons/senior executives, makes strategic proposals to the Board for robust & constructive Board discussion. The primary role of the CEO is to effectively manage and supervise the day to day business operations of the Company, to implement overall strategies and policies as enumerated and approved by the Board. Principal duties of the CEO are to:

- improve, develop, extend, maintain, advise and promote the Company's business and to protect and further the reputation, interests and success of the Company;
- observe and comply with all regulations and directions from time to time made or given by the Company or the Board in the discharge of such duties and in the exercise of such powers;
- devote so much of his time and attention and ability to the discharge of his duties hereunder; and
- perform such services for the Group and accept such offices in the Group as the Board may from time to time reasonably require.

Since the Chairman and the CEO are immediate family members, the Company has appointed an Independent Non-executive Director to be the Lead Independent Director. Mr Huang Yuan Chiang is the Lead Independent Director, who also serves as Chairman of the Audit Committee. The Lead Independent Director is available to the shareholders for their concerns, if any.

Principle 4:

Board Membership

Nominating Committee ("NC") recommends appointment and reappointment of Directors through a formal and transparent process.

NC comprises of four Directors, majority of whom including the Chairman are independent (please refer to Table 1, on Page 26 – Board and Board Committees – on the names of the members and the composition of the NC). Members of Nomination Committee are not associated with the substantial shareholder. NC has a written terms of reference that describes the responsibilities of the members. NC's terms of reference is reviewed annually and changes, if any, will be recommended to the Board for revision. The principal function of NC include:

- reviewing the Board structure, its size and composition having regard to the scope and nature of the operations and the core competencies of the Directors;
- reviewing and assessing candidates for Directorships (including executive Directorships, if any) before making recommendations to the Board for appointment of Directors;
- reviewing and recommending to the Board the retirement or re-election of Directors in accordance with the Articles of Association at each general meeting;
- determining annually the Director's independence;
- deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- developing process for evaluation of the performance of the Board, its committees and Directors; and
- reviewing training and professional development programs for the Board.

NC meets at least twice a year. NC has formalized a detailed written procedures for search & selection process for appointment of new director and re-appointment of existing directors who submit themselves for re-election in order to increase transparency of the nomination process. Search & selection process consider factors such as size of the Board, independency, quality & qualification, expertise, background, merit, track record, experience, age, capabilities, multiple Board representations, which are mapped against objective criteria on nomination as Directors. The Directors are outlined with the fiduciary duties, duty of care & skill and statutory duties as Directors to contribute to the long term success of the Company. On satisfying the criteria of selection and a comparative analysis of the candidates shortlisted, the NC holds interview/ personal meeting with the candidate and the Board's approval is sought. Board approves with the comment on such appointment considering the rationale for the selection. Normally, NC does not engage search consultants for nomination services and considers recommendations and referrals, provided the prospective candidates meet the selection criteria established by the Nominating Committee. Newly appointed Directors will be subject to re-election at the Annual General Meeting following his/her appointment.

The Board is satisfied that each director has allocated sufficient time and resources to the affairs of the company. The NC assesses and recommends to the Board whether retiring Directors are suitable for re-election. It also considers that the multiple Board representations held presently by some Directors do not impede their respective performance in carrying out their duties towards the Company. In cognizance of the revised Code 2012 requirement, the Board has determined the maximum number of listed Company Board representations as six which any Director may hold during his tenure as a Director. Each member of the NC abstain from participating or voting on any resolution with respect to his/her re-nomination as director. The NC reviews composition of the Board and progressive renewal of the Board to ensure that the Company has an appropriate mix of expertise, commitment, experience and performance. The Board discourages appointment of alternate director and has not appointed any alternate Director so far.

The Board members confirms to NC their independency by written means that they are independent/non-independent considering the circumstances set forth in Guidelines 2.3 & 2.4 and other salient factors as stated in the Confirmation of independency forms given to the Board members. The Board reviews the independency, if required.

All Directors hold office for a period of three years whereupon they shall retire in accordance with the Company's Articles of association but are eligible for re-election. Dr Maria Helena Dieleman, an Independent Director who was appointed on 25 April 2014 will retire pursuant to Article 91 of the Company's Articles of Association and will be eligible of re-election by the shareholders at the Annual General Meeting ("AGM"). Mr Arul Chandran who has attained the age of 80 will submit himself for re-appointment at the AGM. Mr Atul J Agarwal, Non-executive Director, will be stepping down as Director of the Company immediately after the close of the 2015 AGM.

Principle 5:

Board Performance

With the approval of the Board, the NC has implemented a process on performance criteria and evaluation procedures for the assessment of the effectiveness and performance of the Board as a whole. Performance Criteria remains the same as last year. The evaluation process is carried out by each Director annually through a Board evaluation questionnaire which considers factors such as Board Composition, quality, its size, Board information, Board process, Board's accountability, oversight of Financial Reporting, Internal Control Process, about CEO/Top management, Standards of conduct. This process encourages constructive feedback from the Board which enhances the performance of the Board over time. The findings are collated and reported by the NC Chairman to the Board. The Board Chairman will review and discuss the feedback with the Board members to help the Board to make sound and well considered decisions. NC had conducted a performance evaluation of the Board and individual Director's evaluation for the FY 2015 and determined that all Directors had contributed effectively and demonstrated full commitment to their roles. No external facilitator has been engaged for this purpose.

Principle 6:

Access to Information

All directors have unrestricted access to the Company's records and information. Management furnishes the Board with timely operational and financial reports of the Group's performance and prospects including disclosure documents on a quarterly basis. Prior to each Board Meeting, Agenda for the Board and Committee Meetings, related materials, background or explanatory information relating to the matters in the Agenda are sent to the Directors in advance to prepare for the effective discussions. Information on areas like Corporate Highlights, Financial Data, Market Review and Corporate Developments are provided in the Board meetings to help the Board members discharge their duties more effectively. Senior managerial personnel who can provide additional insight into the matters are invited to be present at the relevant time during the Board/Committee meetings. The Directors are provided with substantial explanatory information on the background of any proposal that the Board needs to consider and approve. Board members are aware that they can take professional advice, if necessary, at the Company's expense.

The Directors have separate and independent access to the Company's CEO, Senior Management, the Company Secretary and the Internal and External Auditors at all times through e-mail, telephone and personal meetings.

Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Board Committees and between the Management and independent directors. She assists the Chairman and the Chairman of each Board Committees in the development of the agendas for the various Board and Board Committee Meetings. She administers and attends all Board and Board Committee meetings of the Company and prepares minutes of meetings. She is also responsible for, among other things, ensuring that Board procedures are observed and that the relevant rules and regulations, including requirements of the Companies Act, Securities and Futures Act and the Listing Rules of the SGX-ST, are complied with.

As the primary compliance officer for the Group's compliance with the Listing Rules, the Company Secretary is responsible for designing and implementing a framework for the Management to comply with the Listing Rules, including advising the Management to ensure that material information is disclosed on a prompt basis. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company also arranges for the Company Secretary to attend various seminar and forums conducted by Singapore Exchange, the Singapore Association of the Institute of Chartered Secretaries & Administrators, other professional bodies and firms from time to time to update her knowledge and discharge her duties better.

The Company Secretary advises the newly appointed Directors on their duties and obligations as Directors, the group governance practices and relevant statutory & regulatory compliance matters, as part of the orientation program. The Company Secretary also assists the Board members on training programs as may be appropriate.

The appointment and removal of the Company Secretary are subject to approval of the Board.

REMUNERATION MATTERS

Principle 7:

Procedures for Developing Remuneration Policies

The Compensation Committee ("CC") develops remuneration policies as recommended by the Code 2012. The aim of CC is to motivate and retain Directors to provide good stewardship and executives with best talent to support, drive growth and successfully manage the business and thereby maximize long-term shareholder value.

CC meets at least twice in a year and is responsible for ensuring a formal & transparent procedure for developing policy on executive remuneration and Directors fees for the directors. No member of the CC nor any other Director will be involved in the deliberations in respect of any remuneration or any form of benefits to be granted to him.

CC comprises of four Non-executive Directors, majority of whom, including the Chairman, are independent (please refer to Table 1 – Board and Board Committees – on the names of the members and the composition of the CC).

CC has a written Terms of Reference that sets out the authority and duties of the members and is reviewed annually and changes, if any, will be recommended to the Board for revision. For this FY 2015, full compliance is reported to the Board.

The principal duties of Compensation Committee include:

- to recommend to the Board in consultation with the Chairman, a comprehensive remuneration policy, framework and guidelines for remunerating members of the Board and Key Managerial Personnel, deciding specific remuneration packages for each of the Executive Directors and the CEO;
- in the case of Service Contracts, to consider compensation commitments entitled for Directors' or Executive Officers' contracts of service, in the event of early termination with a view to be fair and to avoid rewarding poor performance; and
- to approve performance targets for assessing the performance of each of the Key Managerial Personnel and recommend targets as well as employee specific remuneration packages for each such Key Managerial Personnel, for endorsement by the Board. While retaining the key management persons, the committee avoids paying more than is necessary.

Principle 8:

Level and Mix of Remuneration

All aspects of remuneration of the Board, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind are considered by the CC. The Committee has access to any external remuneration consultants where required for the benchmarking of the remuneration packages prevailing in the market specific to the Industry to which the Company belongs. Packages are reviewed by the CC and the recommendations are submitted for Board's endorsement. The Company did not engage any remuneration consultants this year.

The CEO and Key Managerial Personnels' compensation comprises of salary as a fixed component, bonus as variable component and benefits in kind. The Company advocates a performance based remuneration system which is directly related to Company's business, market conditions and individual key management persons' performance to align with interests of shareholders and long term success of the Company.

CC reviews the remuneration of the CEO and the Key Managerial Personnel annually to ensure the remuneration mix is relevant and competitive. Remuneration of Managing Director and CEO is clearly given under his service contract with a fixed appointment period. He does not receive Directors' fees from the Company or from its subsidiaries/associate companies, where he is appointed to such Boards. Service contract has a clause on notice periods to the executive directors which is not less than six months.

The Directors' fees payable to the non-executive directors are subject to shareholders' approval at the company's general meeting. The Non-executive Directors are paid a fixed fee called Directors' fees. The Directors' fees will be reviewed annually which consists of basic fees and additional fees for Committee membership considering the time spent and effort on serving the Board and Committees. To facilitate timely payment of Directors' fees, the same is paid quarterly in advance for the current financial year, once approval is obtained from the shareholders at the AGM. CC is of the view that the remuneration of the Directors is appropriate considering the effort and the responsibilities of the Directors and also considers flexible compensation package which may be required to adapt itself with market conditions.

No employee of the Company and its subsidiaries is an immediate family member of any Director or CEO. The Company confirms that there is no person occupying a managerial position in the Company or in any of its principal subsidiaries who is a relative of a Director, Chief Executive Officer or Substantial Shareholders of the Company, pursuant to Rule 704(13) of the Listing Manual.

Principle 9:

Disclosure on Remuneration

Members of the Compensation Committee abstain from voting on any resolutions in respect of their own remuneration package.

Pursuant to Rule 1207 (12)-(15) and as recommended by the Code, the Directors and the key management personnels' remuneration is given below:

The remuneration of Directors, CEO and the key management persons are disclosed in bands of S$100,000. Although the Code 2012 prescribes that the Company should fully disclose the remuneration figures of each individual director and the CEO, the Company is not in compliance with the recommendation, considering the confidentiality and commercial sensitivity attached to remuneration matters.

	No. of Directors	
Remuneration Bands	**FY 2015**	**FY 2014**
Below S$100, 000	7	6
Between S$300, 000 and S$400,000	1	1

Remuneration Bands	No. of Executives FY 2015	FY 2014
Between S$100,000 and S$200,000	1	2
Between S$200, 000 and S$300,000	1	_

Remuneration Table

	Director Fees (%)	Salary (%)	Variable (%)	Benefits in kind (%)	Total (%)	Remuneration band
Executive Director						
Mr Shalabh Mittal	Nil	96	–	4	100	Between S$300,000 & S$400,0000
Non-Executive Directors						
HK Mittal, Chairman	Nil	Nil	Nil	Nil		Non-Executive Directors have waived off the fees for the FY 2014-15
Atul J Agarwal	Nil	Nil	Nil	Nil		
Pushpak Shah	Nil	Nil	Nil	Nil		
Independent Directors						
YC Huang	100	Nil	Nil	Nil	100	Below S$100,000
John Sinders*	100	Nil	Nil	Nil	100	Below S$100,000
Mr C Arul	100	Nil	Nil	Nil	100	Below S$100,000
Dr Marleen	100	Nil	Nil	Nil	100	Below S$100,000
Executive officers						Between S$200,000 & S$300,0000
Girish Agarwal VP Finance & Strategy	Nil	100	–	Nil	100	
Sonal Mehta Financial Controller	Nil	100	–	Nil	100	Between S$100,000 & S$200,0000

** Mr John Sinders resigned on 29 May 2014.*

Company does not operate any Employees' Share Option Scheme.

ACCOUNTABILITY AND AUDIT

Principle 10:

Assessment of Company's Performance

The Board reviews and approves the results as well as any announcements before its release. The Company provides shareholders with quarterly and annual financial statements; it is the aim of the Board aims to provide shareholders with a balanced, clear and understandable assessment of the Company and the Group's performance, position and prospects. This responsibility is extended to regulators, financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.

The Board reviews legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements. In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its quarterly financial announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. For the financial year under review, the CEO, Vice President, Finance & Strategy and the Financial Controller have provided assurance to the Board on the integrity of the Group's financial statements. The Board also provides an opinion on the adequacy and effectiveness of the Group's risk management and internal controls systems in place, including financial, operational, compliance and information technology controls.

CORPORATE GOVERNANCE REPORT

The Group recognizes the importance of providing the Board with accurate and relevant information on a timely basis. The Management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. All Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making. The Management also highlighted key business indicators and major issues that are relevant to the Group's performance from time to time in order for the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Principle 11:

Risk Management & Internal Controls

The Board has ultimate responsibility for the company's Internal Control and Risk Management System. To safeguard the interest of the shareholders and the assets of the Company, the Board of Directors believes in the importance of maintaining a sound system of internal control and oversees the design, implementation and monitoring the system. Audit Committee reviews quarterly, the adequacy and effectiveness of the Company's risk management & internal controls system, including financial, operational, compliance and Information Technology control and annually the risk management policies and systems established by the management. The system of internal controls is designed to provide reasonable and not absolute assurance or guarantee for achieving certain internal control criteria or guarantee against material misstatement or loss.

Based on the internal controls established and maintained by the Group and reviews performed by the management, External Auditors and the Internal Auditors, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal control system as has been maintained by the management addressing financial, operational, compliance and information technology controls and risk management systems is adequate to meet the needs of the group considering the current size, scope of the operations and complexity of the business of the group. The Board has established an Internal Control Committee with senior executives as members, which assists the Board by providing it with advice and proposals on the Internal Control System through periodic reports to ensure identification and proper handling of the principal risks faced by the Group. The Group has a clearly defined operating structure with lines of responsibility and delegated authority, as well as adequate reporting mechanisms to senior management and to the Board.

The Board has received assurance from the CEO and the Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

Employee Code of Conduct

The Company has in place an Employee Hand Book a manual containing the Company's goals, guiding principles, vision, values, work culture and code of conduct. Most importantly, the Code of Conduct for Ethical Behavior provides for values and ethical business practices which the employees are expected to adhere to with respect to discipline, conflict of interests, integrity, honesty, care, due diligence, accountability and fairness. This policy requires all staff members to avoid own interests to Company interests in dealing with third parties, suppliers, vendors and service providers.

The Company is mindful of anti-corruption rules to protect the business resources and reputation of the Company. All the Directors, Senior Management Personnel, Company employees, agents and contractors are reminded to comply with all relevant and applicable laws, regulations, rules and regulatory orders with respect to Prevention of Corruption Act, (Chap 241), because of the global nature of Company's business. Generally, the employees are informed and warned that they must not corruptly solicit or receive, or agree to receive for himself or for any other person, or corruptly pay or offer or agree to offer, directly or indirectly, any bribe, kickback, illicit payment or any benefit-in-kind, any gratification as an inducement to or reward for any person doing or forbearing to do anything in respect of any matter or transaction, actual or proposed.

CORPORATE GOVERNANCE REPORT

Company Manuals for effective internal control systems

Key manuals

The ICRM manual and CCG manual are the prime Governance & Risk management manuals of the Company. Apart from the guidelines in Code 2012 & SGX Rule books, they also include the best practices as contained in the ACGC Guidebook. Company's key internal controls are detailed in formal procedures under the above said manuals.

Business Continuity Plan

The Company's Business Continuity Plan helps ensure that the Company has the resources and information needed to deal with the crisis or emergencies with an objective to ensure that maximum possible service levels are maintained, to ensure recovery from interruptions/disruptions of its facility, data and access, as quickly as possible and to minimize the likelihood and impact (risk) of such interruptions / disruptions.

Information protection

The Company's information technology policy covers various aspects of internal control measures to prevent loss of data in case of system failure and to ensure the Company's critical data is securely stored and can be restored in timely manner.

Investment policy

The Company also has an investment policy which outlines Company's internal management on investment transactions and guidelines. The policy addresses Company's investment exposure after careful consideration of factors such as cash flow and associated risks and return on investments for the benefit of the Company.

Safety management system

The Company has developed, implemented and maintained a system called Safety Management System ("SMS") under a manual which complies with the requirements of the International Management Code for the Safe Operation of Ships and pollution Prevention (ISM Code) and Environmental Management System. Through SMS, the Company clearly establishes and maintains the quality of fleet management and promotes the concept of safety quality, health and environmental management processes.

MIS Reports

Management Information System ("MIS") Reports on financial, operational, technical and information technology reviews submitted to the top management at specified frequency acts as primary source of information to identify need for internal controls. Check list on Code of Corporate Governance on quarterly basis and terms of references of various Committees on annual basis are also reviewed in Internal Control Committee and reported to Audit Committee to keep the standards of Corporate Governance and Transparency high.

Risk Management

The Company is continually reviewing and improving the business and operational activities by taking into consideration the risk management perspective.

Enterprise Risk Management has been done by the outsourced Internal Auditors and the risk assessment criteria has been defined with respect to financial, operational, reputational and environmental impacts. Risks perceived will be escalated to Management and Audit Committee based on ratings of inherent risks as evaluated by them. The Audit Committee provides oversight of the financial reporting risk and the adequacy and effectiveness of the Company's internal control and compliance systems.

Details of the Group's financial instrument risks, financial risks and capital risks management measures as opined by the external auditors are outlined in Note 4 to the Financial Statements.

Insurance Coverage

All the Company assets are adequately covered. The asset values and risks for coverage are reviewed annually. The Vessels are kept fully covered for hull and Machinery damage, Freight Demurrage and Defense cover insurances at all time during their life period and for war Risk, Loss of Hire, Freight interest Insurances as applicable depending upon the area of trading and contracts respectively from reputed underwriters. The seafarers and company employees are also fully covered under Personal accident insurance for the period of tenure on board vessels. The subsequent claims as a result of marine adventure are settled using underwriters and Protection & Indemnity clubs claim settlement instruments.

Whistleblowing

The Company has in place robust procedure through a Whistleblowing Policy for the purpose of escalation & notification of incidents by the employees to reinforce a culture of good business ethics and governance and to encourage all staff to raise concerns about possible improprieties. The policy contains the aim, scope, matters to be reported, who can raise concerns, the contact details for sending the report and the same has been made available to all the employees. This enables reporting in good faith of any suspected improper conduct, safeguard against harassment or victimization, at the same time protecting the whistleblowers from reprisals within the limits of law. zBesides the internal and external reporting lines, the highest authority is the lead independent director, Mr Huang Yuan Chiang who will address the concerns raised. The Audit Committee is reported on quarterly basis on the whistleblowing matters and reviews the policy annually. There were no matters reported so far.

Principle 12:
Audit Committee

The Audit Committee has explicit authority to investigate any matter within its Terms of Reference, has full access to and cooperation by management and discretion to invite any Director or Executive Officer to attend its meeting and reasonable resources to enable it to discharge its functions properly. In this process Audit Committee carefully reviews the management's judgment on key areas such as critical accounting policies and significant changes in FRS which would have material impact on the financials. Audit Committee is provided with audit findings and recommendations put up by the external auditors.

The Audit Committee comprises of the following members, all of whom are Non-executive Directors and the majority of whom, including the Chairman are independent. Members of the Audit Committee as on the date of this report are:

- Mr Huang Yuan Chiang (Chairman)(Non-executive/Lead Independent)
- Mr Pushpatraj Shivlal Shah (Non-executive/Non-independent)
- Mr Arul Chandran (Non-executive/Independent)

Members of the Audit Committee are appropriately qualified to discharge their responsibilities. The Chairman possesses related financial management experience while Mr Pushpatraj Shah is a practicing Chartered Accountant and Business Strategy consultant.

Audit Committee meets at quarterly intervals. The Committee held five meetings during the FY 2015. As part of discharging its duties independently, the Audit Committee also meets the External Auditors and the Internal Auditors with and without the presence of management. In addition, Audit Committee reviews and confirms the independence and objectivity of the External Auditors and considers any non-audit services rendered if any by External Auditors. For FY 2015, External Auditors were engaged in a non-audit service in relation to potential capital market.

The Company has complied with Rule 712, 715 read with 716 of the SGX listing manual in relation to the auditing firms.

Audit Committee performed independent review the Group's audited financial statements with the management and the external auditors and is of the view that the Group's Financial Statements for the FY 2015 is in conformity with relevant Singapore FRS in all material aspects. During the year, Audit Committee approved the unaudited quarterly and audited full year Financial Statements of the Company, before they were announced in SGX ST.

The Company has in place an Interested Person Transactions ("IPTs") policy. Management reports to the Audit Committee all IPTs every quarter in accordance with the Company's Shareholder Mandate for IPTs. Audit committee confirms the following items in relation to the IPT Mandate:

(i) methods/procedures for determining transaction prices have not changed since the last shareholders' approval; and

(ii) methods/procedures in (i) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.

IPTs are audited by the Internal Auditors on an annual basis with findings reported to Audit committee.

The present audit partner-in-charge Ms. Gill Kuldip Kaur of Deloitte & Touche LLP has been appointed since the last financial year ended 31 March 2014 and is in charge for the audit of accounts of the Subsidiaries as well. The Company does not engage the Audit partner-in-charge for more than 5 consecutive audits. The Audit Committee recommended the re-appointment of the External Auditors, M/s. Deloitte & Touche LLP, having been satisfied with the standard of the External Auditors' work, their independence and objectivity. Audit Committee also reviewed and approved the Group's external auditors' Audit Planning Memorandum to ensure that the plan covered sufficiently in terms of the audit scope to have significant internal control of the company on financial, operational and capital risks.

Audit Committee has a written terms of reference that describes the responsibilities of the members. Audit Committee's terms of reference is reviewed annually and changes, if any proposed to the terms of reference will be recommended to the Board for revision, to ensure that it remains relevant and is in line with best practices. For this FY 2015, full compliance is reported to the Board.

The principal duties of Audit Committee include:

- to review annually the independence and objectivity of the Internal & External Auditors;
- to review with the External Auditors before commencing the audit, the audit plan, the nature and scope of the audit, the results of the audit, the reports, the letter to the management and related response, recommend appointment, reappointment, removal and remuneration of the External Auditors;
- to oversee financial reporting process, review significant financial reporting issues and judgments, approve announcements relating to quarterly and annual financial statements to ensure integrity of the said financial statements;
- to meet with the External Auditors and with the Internal Auditors with and without the presence of management, at least annually, to discuss any problems and concerns they may have;
- to ensure co-ordination between the internal and External Auditors and management;
- to review the adequacy of the Company's internal controls;
- to select and appoint Internal Auditors, fix their remuneration, to review the scope and assess their performance, results of the internal audit procedures including the effectiveness of the internal audit functions and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and ensure annually the adequacy of the internal audit function;
- to review IPTs falling within the scope of the SGX-ST Listing Manual;
- to provide assistance to the board of directors in discharging its responsibility to safeguard our Company's assets, maintain adequate accounting records, and develop and maintain effective systems of internal controls with an overall objective to ensure that an effective control environment is created and maintained; and
- to review annually, the adequacy and effectiveness of the company's internal financial controls, operational, compliance and information technology controls, and risk management policies and systems established by the Management.

Principle 13:

Internal Audit

Audit Committee ensures that the internal audit ('IA') function is adequately resourced. Audit Committee approves hiring, removal, evaluation and compensation of the IA function. Internal Auditors has unfettered access to the Company's documents, records, properties, personnel including access to Audit Committee. The Company had outsourced a firm to perform internal audit function during the year under review. Internal Audit Firm as appointed, is committed to meet the standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. Internal Auditors submit their report to the Chairman of the Audit Committee. For effective discharge of the IA function, the outsourced Internal Auditors are subject to change every two years.

The Company's annual internal audit plan includes a review of all interested person transactions, including the established review procedures for the monitoring of such Mandated Transactions, entered into or existing interested person transactions that are renewed or revised during the prevailing financial year pursuant to any shareholders' mandate then in force relating to interested person transactions. The internal auditor, if any, shall be required to review such transactions and report directly to the Audit Committee. Apart from the Interested Person Transactions, the scope of Internal Audit is reasonably comprehensive to enable the effective and regular review of all operational, financial and related activities. The internal audit coverage extends to areas viz., cash management & controls, IPT and Process cycles. The observations by the Internal Auditors are complied with on a continual basis. Audit Committee assesses the effectiveness of the Internal Auditors as to its scope and quality of audit reports.

Audit Committee is satisfied that the outsourced internal auditor is independent of the activities it audits and the internal audit functions have been adequately carried out.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14:

Shareholder Rights

The Company's corporate governance practices promote the fair and equitable treatment to all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Principle 15:

Communication with Shareholders

The Company has actively engages with its shareholders and has put in place an Investor Relations Policy which sets out the principles and practices that the Company applies in order to provide shareholders and prospective investors with information necessary to make well-informed investment decisions and to ensure a level playing field. The policy regulates disclosure of information to be descriptive, detailed, forthcoming as possible and avoid boiler plate disclosures. The Company releases its price sensitive financial results and other material information to the shareholders in a timely manner through announcements via SGXNET system and the same are made available on Company's website, www.mllsg.com, in compliance with continuous disclosure obligations under the listing rules of SGX-ST. Facts sheets are released in the Company's website to provide shareholders with better insight into the Company's performance. Apart from the mandatory announcements, the Management also provides shareholders with presentations every quarter containing in depth analysis of key value-drivers in order to facilitate shareholders assessment of the Company's financial performance, acquisition of vessels, the Company's position in the Industry and its future prospects. Committed to high standards of corporate transparency and disclosure, the Company concurrently disseminates this information in both SGX-ST website and Company website on a non-selective basis.

The Company has a dividend policy which outlines on declaration and payment of dividends as may be recommended by board of directors at their discretion and will depend on a number of factors, including earnings, capital requirements and overall financial position. This, in turn, depends on the successful implementation of the Company's strategy and on financial, competitive, regulatory, general economic

conditions and other factors that may be specific to the Company or specific to the industry, many of which are beyond the Company's control. The Board will review and revise the dividend policy if required. In view of losses, the Company has not declared dividend in this FY 2015.

The quarterly announcements on release of unaudited financial statements have been done within 30 days after the end of each quarter as against the requirement of 45 days, since IPO. The announcement of the audited results FY2015 was released earlier of required 60 days, which depicts high standards of corporate transparency.

When quarterly results are released, the Company holds briefing sessions/conference calls with media, analysts, shareholders and investors to facilitate understanding of the Company's business and growth strategies. The Company addresses all the shareholders' queries and concerns immediately and conveys pertinent information to them on a timely basis. Through these efforts, the Company continues to embrace strong principles in Corporate Governance & transparency. The contact detail of IR (ir@mllsg.com) is also available on the Company's website, which allows the shareholders and the investors to contact the Company in case of need. Led by our CEO, the Company's Investor Relations ("IR") team is responsible for regular and effective communication with Investor community, fund managers and media. The Company websites provides for an email alert system, whereby emails on announcements/updates are sent to shareholders on a regular basis.

Corporate, financial, stock information, investor relations, corporate governance, presentations, announcements, press releases as well as the Company's Memorandum and Articles of Association are readily available on the Company's website.

Principle 16:

Conduct of Shareholder Meetings

Annual Report, Circulars, notices of Annual General Meetings and Extraordinary General Meetings are dispatched to the shareholders together with explanatory notes on items of special business well before the required statutory period as additional measures to enhance Corporate Governance and transparency. Notices of all General Meetings along with Book Closure Date are published in The Business Times.

The Company encourages the shareholders to participate effectively and actively in and vote at general meeting. As per the Company's Articles of Association, Shareholders are entitled to attend and vote and to appoint one or two proxies to attend the general meetings. Proxies need not be a shareholder of the Company. The Articles do not allow corporations which provide nominee or custodial services to appoint more than two proxies to vote. However, the Company does allow non-shareholders to attend the general meetings as observers. Shareholders present are given an opportunity to clarify or ask questions on a resolution as proposed before the same is voted on.

To promote greater transparency and effective participation, the Company conducts voting of all its resolutions by poll at its AGMs and EGMs since Year 2014. The detailed voting results prepared by independent scrutineers, including the total number of votes cast for or against each resolution tabled, are announced immediately at the AGMs and via SGXNET. Voting in absentia by mail, facsimile or e-mail is currently not permitted to ensure proper authentication of the identity of shareholders and their voting intent. The Company also complies with the Code's principle with respect to the "bundling" of resolution; resolutions at general meetings are on each substantially separate issue and all the resolutions at the general meetings are single item resolutions.

Board members, in particularly, the Chairman of the Board and the respective Chairmen of the Audit Committee, Nominating Committee and Compensation Committee and key executives of the Senior Management are in attendance at the Company's AGM to address shareholders' queries. The Company's external auditors are also invited to attend the AGM and are available to assist the directors in addressing any relevant queries raised by the shareholders relating to the conduct of audit and the preparation and content of the auditors' report.

The minutes of the general meetings are posted in the Company's website and are available to shareholders for their inspection upon their request.

Shareholders also have the opportunity to communicate their views and discuss with the Board and Management matters affecting the Company after the general meetings.

OTHER CORPORATE GOVERNANCE MATTERS

DEALING IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Company has issued a policy on dealings in securities of the Company to its Directors and officers setting out the implications of insider trading and guidance on such dealings.

The policy states that Directors and officers of the Group should not deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the financial year, and during the period commencing one month before the announcement of the financial statements for the full year and ending on the dates of the announcement of the relevant results. The policy also discourages trading on short-term considerations and reminds Directors and officers of their obligations under insider trading laws. In keeping with the policy, Directors and officers are notified of close periods for dealing in the Company's securities.

MATERIAL CONTRACTS

There is no material contracts, not being contracts entered into in the ordinary course of business, entered into by the Company or any of its subsidiaries involving the interest of CEO or any Director or controlling shareholders during the year under review.

INTERESTED PERSON TRANSACTIONS ("IPTS")

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the Audit Committee and that the transactions are carried out on a normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. The Company's disclosure in respect of interested person transactions for the financial year ended 31 March 2015 is as follows:

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)	
	Year ended 31 March 2015	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2014
MCS Holdings Pte Ltd				
Charter Hire income for vessel hire	–	US$1.5 million	–	–
Charter Hire expense for vessel hire	–	(US$0.8 million)	–	–
Mercator International Pte Ltd (MIPL)				
Interest payable on bonds	–	–	(US$1.3 million)	(US$1.3 million)
Interest payable on short term loan	–	–	(US$0.02 million)	–
Target Ship Management Pte Ltd				
Ship Management fee	–	–	(US$0.98 million)	–
Reimbursable expenses	–	–	(US$10.39 million)	–

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

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REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2015.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Harish Kumar Mittal
Shalabh Mittal
Arul Chandran
Atul J. Agarwal
Huang Yuan Chiang
Pushpatraj Shivlal Shah
Dr Maria Helena Dieleman (Appointed on 25 April 2014)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and companies in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
Mercator Lines (Singapore) Limited (Ordinary shares)				
Shalabh Mittal	189,972	189,972	–	–
Harish Kumar Mittal	–	–	189,972	189,972
John Walter Sinders Jr. (resigned on 29 May 2014)	–	–	640,000	–
Mercator Limited (Ultimate holding Company) (Ordinary shares)				
Shalabh Mittal	361,250	361,250	–	–
Atul J. Agarwal	5,460,966	5,460,966	1,194,000	1,194,000
Harish Kumar Mittal	46,654,200	46,654,200	45,174,900	45,174,900

By virtue of Section 7 of the Singapore Companies Act, Mr Harish Kumar Mittal is deemed to have an interest in all shares in Mercator International Pte Ltd (intermediate holding Company) held by Mercator Limited and in all shares in the Company held by Mercator International Pte Ltd.

The directors' interest in the shares of the Company at 21 April 2015 were the same as those as at 31 March 2015.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options, except for the option granted in the financial year ended 31 March 2013 to the holder of convertible bonds to convert to a maximum of 144,177,633 ordinary shares in the Company.

6 AUDIT COMMITTEE

The Audit Committee of the Company is chaired by Mr Huang Yuan Chiang and includes Mr Pushpatraj Shivlal Shah and Mr Arul Chandran, all of whom are non-executive directors. Mr Huang Yuan Chiang and Mr Arul Chandran are independent directors. The Audit Committee meets periodically and has reviewed the following, where relevant, with the executive director and external and internal auditors of the Company:

(a) the scope and results of the external audit, the independence and objectivity of the external auditors and review all non-audit services provided by the auditors (if any);

(b) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(c) the Group's financial and operating results and accounting policies;

(d) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and the external auditors' report on those financial statements;

(e) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Group and the Company;

(f) the co-operation and assistance given by the management to the Group's external auditors;

(g) the re-appointment of the external auditors of the Group; and

(h) the effectiveness and adequacy of the Group's internal controls including financial, operational, compliance and information technology controls.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, with the concurrence of the Audit Committee, the Board is of the opinion that the Group's internal control system as has been maintained by the management addressing financial, operational, compliance risk and information technology risks is adequate to meet the needs of the Group considering the current scope of the operations of the Group.

6 AUDIT COMMITTEE (continued)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee. The Audit Committee meets (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of management, at least annually.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company. In appointing the auditors of the Company and its subsidiaries, the Group has complied with Rule 712 and Rule 715 of the SGX-Listing Manual.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS



Shalabh Mittal
Managing Director and Chief Executive Officer



Harish Kumar Mittal
Chairman

22 May 2015

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 48 to 89 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2015 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS



Shalabh Mittal

Managing Director and Chief Executive Officer



Harish Kumar Mittal

Chairman

22 May 2015

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MERCATOR LINES (SINGAPORE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Mercator Lines (Singapore) Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 March 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 89.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2015 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Emphasis of Matter

We draw attention to Note 1 to the financial statements which describes that the Group and the Company have incurred net losses of US$125,366,000 (2014 : US$22,757,000) and US$118,189,000 (2014 : US$22,645,000) for the year ended 31 March 2015 respectively and as at 31 March 2015, the Group and the Company have net current liabilities of US$39,691,000 (2014 : US$9,404,000) and US$35,813,000 (2014 : US$12,176,000) respectively. Additionally, as described in Note 3(a)(i), due to substantial fall in freight rates and deterioration in dry bulk markets, the cash flows and financial position of the Group and Company has been impacted adversely. Management has appointed an independent financial advisor to assist with an assessment of the financial position and to establish the options available with respect to their financial affairs. The independent financial advisor is working closely with the management and the lenders to establish the refinancing and restructuring plan. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern and, therefore, they may be unable to realise their assets and discharge their liabilities in the normal course of business.

The financial statements have been prepared on the going concern basis because, as described in Note 3(a)(i), the lenders have not sought to enforce their security and legal rights to call on the outstanding debt and the directors have a reasonable expectation that the Group and Company will have adequate cash flows which would allow them to continue in operational existence in the foreseeable future. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and the subsidiary incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

22 May 2015

STATEMENTS OF FINANCIAL POSITION

31 MARCH 2015

	Note	Group		Company	
		2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	8,434	7,829	4,592	5,713
Trade and other receivables	8	11,584	19,553	10,002	12,611
Inventories	9	1,514	1,239	1,416	250
		21,532	28,621	16,010	18,574
Asset classified as held for sale	10	8,000	–	8,000	–
Total current assets		29,532	28,621	24,010	18,574
Non–current assets					
Trade and other receivables	8	4,064	5,015	4,064	5,015
Subsidiaries	11	–	–	53,062	71,859
Available–for–sale investments	12	691	592	691	592
Property and equipment	13	374,937	478,972	267,728	347,376
Derivative financial instruments	17	1,346	1,015	1,346	1,015
Total non–current assets		381,038	485,594	326,891	425,857
Total assets		410,570	514,215	350,901	444,431
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	14	21,931	16,257	17,657	11,273
Provision for onerous contract	15	1,916	951	1,916	951
Borrowings	16	37,372	20,813	32,246	18,522
Income tax payable		4	4	4	4
		61,223	38,025	51,823	30,750
Liability directly associated with asset classified as held for sale	10	8,000	–	8,000	–
Total current liabilities		69,223	38,025	59,823	30,750
Non–current liabilities					
Borrowings	16	140,296	166,777	87,192	108,610
Provision for onerous contract	15	21,955	5,014	21,955	5,014
Trade and other payables	14	–	745	–	745
Total non–current liabilities		162,251	172,536	109,147	114,369
Capital and reserves					
Share capital	18	213,694	213,694	213,694	213,694
Capital reserve	19	2,634	2,634	2,634	2,634
Equity option reserve		1,855	1,855	1,855	1,855
Fair value adjustment reserve	12	69	(739)	69	(739)
Accumulated (losses) profits		(39,156)	86,210	(36,321)	81,868
Equity attributable to owners of the Company		179,096	303,654	181,931	299,312
Total liabilities and equity		410,570	514,215	350,901	444,431

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2015

	Note	2015 US$'000	2014 US$'000
Revenue	20	56,347	75,300
Vessel related costs	21	(46,665)	(51,911)
Depreciation expense	13	(35,434)	(35,389)
Impairment of property and equipment	10 &13	(63,515)	–
Provision for onerous contract	15	(18,857)	–
Employee costs and administrative expenses		(3,148)	(3,202)
Gain (Loss) on derivative financial instruments	22	1,153	(435)
Other expenses	23	(8,773)	(713)
Finance cost	24	(6,474)	(6,408)
Loss before income tax		(125,366)	(22,758)
Income tax	25	–	1
Loss for the year	26	(125,366)	(22,757)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Available–for–sale investments:			
Gain (Loss) arising during the year	12	69	(282)
Reclassification from equity to profit or loss on impairment of available–for–sale investments		739	–
Other comprehensive income (loss) for the year, net of tax		808	(282)
Total comprehensive loss for the year		(124,558)	(23,039)
Loss per share (US$):			
Basic	27	(0.092)	(0.017)
Diluted		*	*

* There is no dilutive potential ordinary shares and no corresponding diluted loss per share (Note 27).

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2015

	Share capital US$'000	Capital reserve US$'000	Equity option reserve US$'000	Fair value adjustment reserve US$'000	Accumulated profits (losses) US$'000	Total US$'000
Group						
Balance at 1 April 2013	209,480	2,634	–	(457)	108,967	320,624
Total comprehensive loss for the year						
Loss for the year	–	–	–	–	(22,757)	(22,757)
Other comprehensive loss for the year	–	–	–	(282)	–	(282)
Transactions with owners, recognised directly in equity						
Recognition of equity component of convertible bonds	–	–	1,855	–	–	1,855
Issue of share capital (Note 18)	4,214	–	–	–	–	4,214
Balance at 31 March 2014	213,694	2,634	1,855	(739)	86,210	303,654
Total comprehensive loss for the year						
Loss for the year	–	–	–	–	(125,366)	(125,366)
Other comprehensive gain for the year	–	–	–	808	–	808
Balance at 31 March 2015	213,694	2,634	1,855	69	(39,156)	179,096

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY (continued)

YEAR ENDED 31 MARCH 2015

	Share capital US$'000	Capital reserve US$'000	Equity option reserve US$'000	Fair value adjustment reserve US$'000	Accumulated profits (losses) US$'000	Total US$'000
Company						
Balance at 1 April 2013	209,480	2,634	–	(457)	104,513	316,170
Total comprehensive loss for the year						
Loss for the year	–	–	–	–	(22,645)	(22,645)
Other comprehensive loss for the year	–	–	–	(282)	–	(282)
Transactions with owners, recognised directly in equity						
Recognition of equity component of convertible bonds	–	–	1,855	–	–	1,855
Issue of share capital (Note 18)	4,214	–	–	–	–	4,214
Balance at 31 March 2014	213,694	2,634	1,855	(739)	81,868	299,312
Total comprehensive loss for the year						
Loss for the year	–	–	–	–	(118,189)	(118,189)
Other comprehensive gain for the year	–	–	–	808	–	808
Balance at 31 March 2015	213,694	2,634	1,855	69	(36,321)	181,931

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2015

	2015 US$'000	2014 US$'000
Operating activities		
Loss before income tax	(125,366)	(22,758)
Adjustments for:		
Depreciation expense	35,434	35,389
Finance cost (Note A)	6,474	6,408
Impairment loss on property & equipment	63,515	–
Impairment loss on available–for–sale investment	739	–
Provision for onerous contract	18,857	–
Reversal of provision for onerous contract	(951)	(995)
Allowance (Reversal of) for doubtful receivables	7,391	(46)
Write off of bad debts	558	270
Gain on fair value changes of derivative financial instruments	(331)	(109)
Operating cash flows before movements in working capital	6,320	18,159
Trade and other receivables	971	(842)
Inventories	(275)	1,242
Trade and other payables	5,674	1,480
Cash paid in relation to termination of charter hire (Note B)	(745)	(2,020)
Cash generated from operations	11,945	18,019
Tax received	–	1
Net cash from operating activities	11,945	18,020
Investing activities		
Additions to property and equipment	(2,914)	(5,711)
Related expenses paid on disposal of property and equipment	–	(2,646)
Purchase of available–for–sale investments	(30)	(17)
Net cash used in investing activities	(2,944)	(8,374)
Financing activities		
Interest expenses paid	(5,778)	(5,726)
Proceeds from bank loans	11,000	12,200
Repayment of bank loans	(20,118)	(19,158)
Proceeds of loan from immediate holding Company	6,500	–
Repayment of loan from immediate holding Company	(4,000)	–
Proceeds from other borrowings	19,000	11,025
Repayment of other borrowings	(15,000)	(10,000)
Restricted deposits with a bank	(2,000)	–
Net cash used in financing activities	(10,396)	(11,659)
Net decrease in cash and cash equivalents	(1,395)	(2,013)
Cash and cash equivalents at beginning of year	7,829	9,842
Cash and cash equivalents at end of year (Note C)	6,434	7,829

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

YEAR ENDED 31 MARCH 2015

Note A

The finance cost for the year includes the following non-cash items:

	2015 US$'000	2014 US$'000
Amortisation of borrowing costs	421	453
Non–cash interest expense for convertible bonds	275	217

Note B

The compensation on termination of charter hire includes the following:

	2015 US$'000	2014 US$'000
Non–cash items:		
Compensation by issuance of share capital	–	4,214
Cash items:		
Cash paid in relation to termination of charter hire	745	2,020
Related items outstanding included in trade and other payables	745	1,490
	1,490	7,724

Note C

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

	2015 US$'000	2014 US$'000
Cash and bank balances	8,434	7,829
Less: Pledged deposits	(2,000)	–
	6,434	7,829

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2015

1 GENERAL

The Company (Registration No. 200507205N) is incorporated in Singapore with its registered address and principal place of business at 8 Temasek Boulevard, #07-02, Suntec Tower Three, Singapore 038988. The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited. The financial statements are expressed in United States dollars.

The principal activities of the Company are those of chartering of maritime vessels (bulk carriers) to customers on short-term and long-term contracts and the provision of marine transportation services. The principal activities of the subsidiaries are disclosed in Note 11.

During the year, the Group and the Company have incurred net losses of US$125,366,000 (2014 : US$22,757,000) and US$118,189,000 (2014 : US$22,645,000) for the year ended 31 March, 2015 respectively. As at 31 March, 2015, the Group and the Company have net current liabilities of US$39,691,000 (2014 : US$9,404,000) and US$35,813,000 (2014 : US$12,176,000) respectively. Additionally, as described in Note 3(a)(i), due to substantial fall in freight rates and deterioration in dry bulk markets, the cash flows and financial position of the Group and Company has been impacted adversely. Management has appointed an independent financial advisor to assist with an assessment of its financial position and to establish the options available with respect to its financial affairs. The independent financial advisor is working closely with management and the lenders to establish the refinancing and restructuring plan. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern.

The financial statements have been prepared on the going concern basis because, as described in Note 3(a)(i), the lenders have not sought to enforce their security and legal rights to call on the outstanding debt and the directors have a reasonable expectation that the Group and Company will have adequate cash flows which would allow the Group and the Company to continue in operational existence in the foreseeable future.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2015 were authorised for issue by the Board of Directors on 22 May 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2014. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*
- FRS 115 *Revenue from Contracts with Customers*
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*
- Improvements to Financial Reporting Standards (January 2014)

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

FRS 109 are effective for annual periods beginning on or after 1 January 2018, with retrospective application required.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 are effective for annual periods beginning on or after 1 January 2017, with retrospective application required.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant.
- Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

The management is currently evaluating the potential impact of the adoption of the above FRSs and amendments to FRS in future periods on the financial statements of the Group and of the Company in the period of their initial adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where necessary, adjustments will be made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified / permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement.*

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquire at the acquisition date. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income or expense are recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Financial assets are classified into the following specified categories: "loans and receivables" and "available-for-sale" financial assets. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loan and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables are carried at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest is immaterial.

Available-for-sale investments

Certain equity investments held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner as described in Note 4 and Note 11. Gains and losses arising from changes in fair value are recognised directly in other

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

comprehensive income with the exception of impairment losses, which are recognised directly in profit or loss. Where the investment is disposed or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in fair value adjustment reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of fair value adjustment reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term payables where interest is immaterial.

Loans

Interest-bearing loans are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Convertible bonds

Convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity option reserve, net of income tax effects, and is not subsequently remeasured.

Derivative financial instruments and hedge accounting

Derivatives such as forward freight agreements and contracts for options on forward freight agreements are initially recognised at fair value at the date the derivative contract are entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

Hedge accounting

Hedges which include derivatives, embedded derivatives and non-derivatives in respect of price risk, are designated as either hedges of fair value of recognised assets or liabilities or commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and the strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

Amounts deferred in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and when the forecast transaction is ultimately recognised in profit or loss, such gains and losses are recognised in profit or loss, or transferred from equity and included in the initial measurement of the cost of the asset or liability as described above. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NON-CURRENT ASSETS HELD FOR SALE- Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

INVENTORIES - Inventories comprising consumable bunker fuel and spares used in the Group's operations are stated at lower of cost and net realisable value. Cost includes expenses that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the "First-In, First-Out" method.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives after allowing for residual values estimated by the management, using the straight-line method. The estimated useful lives of the asset are summarised as follows:

Marine vessels	-	25 years from date of initial delivery from the shipyard
Motor vehicle	-	5 years
Office equipment	-	5 years
Furniture and fittings	-	5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any significant change in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Dry docking expenses, comprising cost of materials and services deployed during the dry docking, are capitalised and depreciated over the period to the next scheduled dry docking, which approximates 2.5 years. If the vessel is disposed before the next dry docking, the carrying amount of dry docking expenses is included in determining the gain or loss on disposal of the vessel and taken to profit or loss.

If the period to the next dry docking is shorter than expected, the unamortised balance of the deferred dry docking cost is charged immediately as an expense before the next dry docking.

IMPAIRMENT OF NON-FINANCIAL ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Dividends to shareholders are recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Revenue from time chartering contracts (charter hire income) is recognised on a time proportionate basis.
- Revenue from voyage charter (freight income) is recognised on a percentage completion basis based on elapsed length of time for each voyage expressed as a percentage of the estimated total length of time for each voyage.
- Demurrage income represents payments by the charterer when loading or discharging time exceeded the stipulated time in the voyage charter and is recognised when the income can be measured reliably and it is probable that the economic benefits will flow to the Group.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

BORROWING COSTS - Borrowing costs include interest, amortisation of discounts or premiums relating to borrowing and amortisation of ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plan are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The consolidated financial statements and the individual financial statements of each group entity are prepared and presented in United States dollars ("US$"), the currency of the primary economic environment in which the entities operate (the functional currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on retranslation of monetary items are included in profit or loss for the period.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Expectations regarding projected net cash flows and availability of facilities

As disclosed in Note 4(b)(v), management has exercised significant judgement in preparation of projected net cash flows for the next financial year ending 31 March 2016. The areas of judgement include key assumptions and estimates of the net cash inflow from operations and the successful implementation of the refinancing and restructuring plan. Management is confident that the continuing support from the lenders will be forthcoming and the Group will be able to discharge its obligations as and when they fall due within the next financial year. Accordingly, management considers that the use of going concern basis of preparing financial statements remains appropriate.

(ii) Recoverable amounts of marine vessels (Note 13)

In view of the continuing depressed market conditions which has adversely impacted the dry bulk freight rates, management has estimated the recoverable amount of marine vessels to determine whether there is any impairment loss. For this purpose, the recoverable amounts are the discounted present values of estimated future net cash flows using the following bases:

- Projected 10 years charter rate is estimated and considered as the more appropriate basis of estimating the charter rates over the remaining useful lives of the marine vessels for assessing future revenue. This represented a change in estimate basis as compared to the previous year which used the historical 10 years charter rate which is deemed not reflective of the current highly volatile but continuing depressed charter rates for the past years. Had the management continued with the same estimate basis of using historical 10 years charter rate, no allowance for impairment is required as at 31 March 2015.
- The weightage of funding from capital and from borrowings existing as at 31 March 2015 and 2014 is assessed by management as appropriate for the purpose of calculating the risk weighted average cost of capital and borrowings of approximately 7.5% (2014 : 7.5%) per annum. This rate is used to discount projected net cash flows from deployment of the marine vessels to their net present values.
- The recoverable amounts of marine vessels of similar classification are aggregated as one cash-generating unit for comparison with the aggregate carrying amounts of the marine vessels in contrast with the comparison on an individual marine vessel basis. In adopting this basis, management took into account the interchangeability of the pool of marine vessels of similar classification when deploying vessels. The pool of marine vessels of similar classification is determined by management as the Cash Generating Units ("CGU") as defined in FRS 36 Impairment of Assets.

The CGUs comprise Panamax and Kamsarmax vessels.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (continued)

(a) Critical judgements in applying the Group's accounting policies (continued)

(ii) Recoverable amounts of marine vessels (Note 13) (continued)

A sensitivity analysis is performed with a possible 5% favourable/unfavourable change to the projected charter rate per day used on the basis that each of the other key assumptions remained unchanged, the impairment loss to be recognised will be reduced/increased by US$28,900,000 and US$20,400,000 for the Group and the Company respectively.

Based on the above assessment of value in use of marine vessels, management has determined that the respective aggregate carrying amounts at 31 March 2015 exceed the estimated aggregate recoverable amounts of the pool of marine vessels (CGU).

Accordingly, an impairment amounting to US$35,625,000 and US$17,450,000 is charged to profit or loss for the Group and the Company in the current year respectively.

(iii) Provision for onerous contract (Note 15)

The Group is a lessee under an operating lease contract whereby the Group has contracted to charter a vessel for periods up to 2020.

The Group and the Company has a provision for onerous contract amounting to US$23,871,000 (2014 : US$5,965,000) at the end of the reporting period.

In making the provision, management applied significant judgment in determining the economic benefits expected to be received from the charter-out contracts for the relevant charter-out periods for comparison to the unavoidable cost of meeting obligations under vessel charter-in contract. These key estimates include the use of projected 10 years charter rate till end of charter period up to 2020 and discounted to its present value using the cost of debt of 4%.

This represents a change in estimate basis as compared to the previous year as management was of the view that a reliable estimate cannot be reasonably made to quantify any exposure arising beyond one year. However, as the market conditions remain depressing, a projected future charter-out rate is estimated in current year and provision is made accordingly. Had the management continued with the same estimate basis as previous financial year of estimating the economic benefits expected to be received from the charter out contract for the next one year as against providing for the entire tenor of the contract till May 2020, the provision for onerous contract and loss for the year would have been lowered by US$17,891,000.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Useful lives and residual values of marine vessels (Note 13)

The carrying amounts of marine vessels for the Group and the Company are affected by management's estimate of the period over which the Group can derive future economic benefits from the use of the vessels and their estimated residual values. The Group has adopted a policy of depreciating the cost of its vessels, after allowing for residual values, over an assumed economic life span of 25 years from the date of initial delivery from the shipyard for all vessels. The assumptions regarding economic life spans and the estimated residual values are reviewed annually. If expectation of economic life spans and the residual values differ from the original estimate, such difference will impact depreciation prospectively from the year in which the estimated economic useful life or the residual value changes.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (continued)

(b) Key sources of estimation uncertainty (continued)

(ii) Impairment of investment in subsidiaries (Note 11)

In determining whether the investments in subsidiaries are recoverable, management is required to assess at least annually if there exist any indication of impairment. If any such indication exists, management has to make an estimation of the recoverable amount of the investments which is higher of (a) the fair values less cost to sell; and (b) value in use of those investments. Management has evaluated the recoverability of those investments based on such assessment and made allowance for amounts considered irrecoverable. The details of the judgement and estimates involved in the assessment, allowance for impairment and carrying amount of the subsidiaries are disclosed in Note 11 to the financial statements.

(iii) Recoverability of trade and other receivables (Note 8)

Allowance for doubtful receivables of the Group is based on ongoing evaluation of recoverability and on management's judgement. The carrying amount of the trade and other receivables and the related allowance for doubtful receivables is disclosed in Note 8.

(iv) Fair value of derivative financial instruments (Note 17)

The fair value of the redemption option of the convertible bonds [Note 16(a)] to the Company has been determined using the "Trinomial option pricing model", after making certain assumptions relating to the timing when the Company may redeem the option, risk-free interest rate and volatility of the financial instrument. The fair value of the option on the convertible bonds is disclosed in Note 17.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Financial assets				
Loans and receivables (including cash and bank balances)	16,085	23,765	11,246	15,188
Available-for-sale investments	691	592	691	592
Derivative financial instruments	1,346	1,015	1,346	1,015
Financial liabilities				
Liabilities at amortised cost	206,382	202,290	144,120	137,043

(b) Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of freight and financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group may use derivative financial instruments to hedge certain risk exposures and not for speculative purposes.

Risk management is carried out by management under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, use of derivative financial instruments and non-derivative financial instruments.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Price risk management

Market price risk refers to the risk of the changes in the market for freight rates which are adverse to the Group.

To manage price risk and vessel utilisation, the Group enters into a mix of long term and short term charters. The long term charters provide stability to the Group's revenues and cash flows. The short term charters provide the Group with flexibility to take advantage of periods of higher spot market pricing to improve profit margins.

(ii) Interest rate risk management

The Group is exposed to interest rate risk arising from the volatility of benchmark interest rates for United States dollars as borrowings are arranged on floating rate basis.

The Group generally does not take a speculative view on the movement in interest rates and therefore, does not actively use interest rate derivative instruments to hedge interest rate risks. The Group may use interest rate derivative instruments in the future to mitigate the risk arising from potential fluctuations in interest rates.

Management is of the view that the impact of changes in interest rates on fixed deposits (Note 7) is unlikely to be material.

The Group's and Company's borrowings are all denominated in United States dollar and the effective interest rates at the end of the reporting period were as follows:

	2015		2014	
	US$'000	Weighted average effective interest rate	US$'000	Weighted average effective interest rate
Group's borrowings:				
Variable rate	155,997	2.44%	164,733	2.34%
Fixed rate	29,671	7.76%	22,857	8.11%
Company's borrowings:				
Variable rate	97,767	2.34%	104,275	2.19%
Fixed rate	29,671	7.76%	22,857	8.11%

Each increase of 0.5% in the benchmark interest rates applicable to floating rate borrowings would result in an increase in loss by US$780,000 (2014 : US$824,000) for the Group and US$489,000 (2014 : US$521,000) for the Company. Conversely, each 0.5% reduction in the benchmark interest rates would result in a decrease in loss by US$780,000 (2014 : US$824,000) for the Group and US$489,000 (2014 : US$521,000) for the Company.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(iii) Foreign exchange risk management

The vast majority of the Group's revenue and operating expenses are denominated in United States dollar. The Group's vessels are purchased in United States dollars. The Group's borrowings are also denominated in United States dollars.

The Group's foreign exchange risks comprise transaction risks which arise from day-to-day requirements to pay administrative expenses and certain operating expenses in currencies other than United States dollar. The exposure is limited as such transactions are insignificant and thus, no sensitivity analysis is prepared.

(iv) Credit risk management

Credit risk refers principally to the risk that debtors may default on their obligations to pay amounts due and the risk that counterparties to financial derivative contracts may default on payment obligations. The Group manages this risk by selection of creditworthy customers and counterparties; and by monitoring compliance of debtors and counterparties with their payment obligations. Cash deposits are placed with financial institutions of good credit standing.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position.

As at 31 March 2015, the Group has significant concentration of credit risk as its top three customer receivables accounted for 59% (2014 : 45%) of the total customer receivables.

The Group follows up on the payment status of each customer through the finance department, which actively monitors customer's payments relative to credit period extended to them and highlight matters requiring follow up action by management.

(v) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions and meet capital expenditure and trade commitments. Generally, borrowing for acquisition of marine vessels is for relatively longer periods as compared to the estimated payback so that commitments for repayment of bank loans are lower than the potential cash earnings for the relevant periods. However, the Group may at times purchase vessels using internal resources.

As part of the liquidity risk management process, management evaluates cash flows on committed contracts and cash flows from projected revenue and costs for the next financial year.

As at 31 March 2015, the Group and the Company have net current liabilities of US$39,691,000 (2014 : US$9,404,000) and US$35,813,000 (2014 : US$12,176,000) respectively. Management has exercised significant judgement in preparation of projected net cash flows for the next financial year ending 31 March 2016. The areas of judgement include key assumptions and estimates of the net cash inflow from operations and the successful implementation of the refinancing and restructuring plan. Management is confident that the continuing support from the lenders will be forthcoming and the Group will be able to discharge its obligations as and when they fall due within the next financial year.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(v) Liquidity risk management (continued)

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for financial liabilities and net-settled derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows and excludes the cash flow required on operating lease commitments as disclosed in Note 29(a). The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of financial position.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Adjustment US$'000	Total US$'000
Group						
As at 31 March 2015						
Borrowings	50,253	27,285	109,556	13,161	(14,587)	185,668
Trade and other payables	20,714	–	–	–	–	20,714
As at 31 March 2014						
Borrowings	26,158	37,918	104,718	38,540	(19,744)	187,590
Trade and other payables	13,955	745	–	–	–	14,700
Company						
As at 31 March 2015						
Borrowings	43,438	20,733	71,476	–	(8,209)	127,438
Trade and other payables	16,682	–	–	–	–	16,682
As at 31 March 2014						
Borrowings	22,292	31,256	85,547	–	(11,963)	127,132
Trade and other payables	9,166	745	–	–	–	9,911

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(v) Liquidity risk management (continued)

Non-derivative financial assets

The following tables detail the expected maturity for the financial assets. The inclusion of this set of information is necessary in order to understand the Group's and the Company's liquidity risk management as the liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statements of financial position.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Adjustment US$'000	Total US$'000
Group						
As at 31 March 2015						
Non–interest bearing	13,818	–	–	–	–	13,818
Fixed interest rate instruments	2,958	–	–	–	–	2,958
As at 31 March 2014						
Non–interest bearing	24,112	–	–	–	–	24,112
Fixed interest rate instruments	245	–	–	–	–	245
Company						
As at 31 March 2015						
Non–interest bearing	11,937	–	–	–	–	11,937
As at 31 March 2014						
Non–interest bearing	15,780	–	–	–	–	15,780

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(vi) Fair value of financial assets and financial liabilities

The Group and the Company determine fair values of various financial assets in the following manner:

Fair value of the financial assets that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

Financial assets	**Fair value as at (US$'000)**	**Fair value as at (US$'000)**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
	2015	**2014**				
	Assets	**Assets**				
Derivative financial instruments (Note 17) Option on convertible bonds	1,346	1,015	Level 2	"Trinomial option pricing model" is used with key inputs on assumption relating to timing when the Company may redeem the option, risk-free interest rate and volatility of the financial instrument	N/A	N/A
Available-for-sale investments (Note 12)	681	582	Level 3	Unaudited net asset value of the underlying funds	Fair value of underlying venture capital funds as estimated using various valuation techniques (recent market transactions, discounted cash flow or other techniques)	The higher the fair value of the underlying venture capital funds, the higher the fair value

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (continued)

(b) Financial risk management policies and objectives (continued)

(vi) Fair value of financial assets and financial liabilities (continued)

There were no transfers between the levels of the fair value hierarchy in the period.

Fair value of the Group's and the Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the financial statements approximate their fair values:

	2015		2014	
	Carrying amount US$'000	Fair value US$'000	Carrying amount US$'000	Fair value US$'000
Group and Company				
Financial liabilities				
Borrowings:				
Convertible bonds	18,171	18,630	17,857	17,603

The fair values of the financial liabilities included above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risks of counterparties.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There is no change in objectives, policies and procedures for managing capital risk relative to those in the preceding financial year.

The capital structure of the Group consists of issued capital, reserves, accumulated losses and the borrowings disclosed in Note 16.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of Mercator International Pte. Ltd., a company incorporated in the Republic of Singapore. The ultimate holding company is Mercator Limited (formerly Mercator Lines Limited), a company incorporated in India. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The inter-company balances are unsecured, interest-free and repayable on demand unless otherwise stated.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS (continued)

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related companies are disclosed below:

	Group	
	2015	2014
	US$'000	US$'000
Ultimate holding company		
Technical fee and other expenses	–	(32)
Payment made by ultimate holding company on our behalf	24	–
Immediate holding company		
Interest on convertible bonds issued	(1,330)	(1,330)
Interest on borrowings	(17)	–
Related company		
Charter hire income and demurrage income	–	1,442
Reimbursement of other expense	49	–
Vessel hire charges	–	(812)

Related company balances are disclosed in Notes 8 and 14.

In 2013, the Company issued Convertible Bonds for US$19 million which was fully subscribed by the immediate holding company [Note 16(a)].

6 OTHER RELATED PARTY TRANSACTIONS

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

During the year, the Group entered into the following trading transactions with related parties:

	Ship management fees		Technical expenses	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Target Ship Management (S) Pte Ltd	975	–	10,389	–

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2015	2014
	US$'000	US$'000
Short-term benefits	714	907

The remuneration of directors and key management is determined by the Compensation Committee having regard to the Group's financial performance.

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Cash at bank	5,476	7,584	4,592	5,713
Fixed deposits	2,958	245	–	–
	8,434	7,829	4,592	5,713

Fixed deposits earn interest at rates of 0.25% to 0.92% (2014 : 0.3%) per annum. As at the end of the reporting period, the tenures of the fixed deposits are:

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Less than 1 month	958	245	–	–
1 month to 6 months	2,000	–	–	–
	2,958	245	–	–

The fixed deposits may be uplifted by the Group prior to maturity date if necessary to pay instalments due on bank loans and are included in cash and cash equivalents in the consolidated statement of cash flows.

8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Ultimate holding company (Note 5)	967	1,590	967	1,590
Subsidiaries (Note 5)	–	–	–	7
Outside parties	14,522	14,856	8,819	8,388
	15,489	16,446	9,786	9,985
Less:				
Allowance for claims due from outside parties (trade)	(7,902)	(561)	(3,196)	(561)
	7,587	15,885	6,590	9,424
Deposits	114	51	114	51
Less: Allowance for claims due for outside parties (non–trade)	(50)	–	(50)	–
	64	51	64	51
Advance charter hire	5,015	5,965	5,015	5,965
Prepayments	2,982	2,667	2,397	2,186
Total trade and other receivables	15,648	24,568	14,066	17,626

Analysed as follows:

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Current	11,584	19,553	10,002	12,611
Non-current (Advance charter hire)	4,064	5,015	4,064	5,015
	15,648	24,568	14,066	17,626

The average credit period granted for charter receivables is 31 days (2014 : 31 days). No interest is charged on outstanding trade receivables during the year.

8 TRADE AND OTHER RECEIVABLES (continued)

Analysis of trade and other receivables:

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Not past due and not impaired	4,117	7,434	3,677	5,522
Past due but not impaired [(i)]	1,678	8,451	1,678	3,902
	5,795	15,885	5,355	9,424
Impaired receivables – collectively assessed [(ii)]	9,694	561	4,431	561
Less: Allowance for doubtful debts	(7,902)	(561)	(3,196)	(561)
	1,792	–	1,235	–
Trade and other receivables, net of allowance [(iii)]	7,587	15,885	6,590	9,424

(i) Ageing of receivables that are past due but not impaired

Less than 3 months	1,361	695	1,361	260
3 months to 6 months	66	688	66	91
6 months to 12 months	160	1,763	160	7
More than 12 months	91	5,305	91	3,544
	1,678	8,451	1,678	3,902

(ii) These amounts are stated before any deduction for impairment losses.

(iii) These receivables are not secured by any collateral or credit enhancements. No allowance for impairment is made as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Movement in the allowance for doubtful receivables:

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Balance at the beginning of the year	561	621	561	621
Allowance for doubtful debts (reversed) recognised in profit or loss (Note 23)				
– trade	7,341	(46)	2,635	(46)
– non–trade	50	–	50	–
Amounts written–off during the year	–	(14)	–	(14)
Balance at the end of the year	7,952	561	3,246	561

Management believes that trade receivables that are neither past due nor impaired are with creditworthy counterparties.

9 INVENTORIES

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Bunker	1,166	891	1,166	–
Spares	348	348	250	250
	1,514	1,239	1,416	250

10 ASSET CLASSIFIED AS HELD FOR SALE

On 5 May 2015, the Company sold one of its marine vessels to its ultimate holding company (Note 5) at a consideration of US$8,000,000. As the carrying amount of the marine vessel amounting to US$35,890,000 is lower than the proceeds of disposal, an impairment of US$27,890,000 was recognised on the re-classification of the asset as held for sale.

11 SUBSIDIARIES

	Company	
	2015 US$'000	2014 US$'000
Unquoted equity shares, at cost	10	10
Less: Impairment loss recognised	–	(10)
	10	–
Funds contributed to subsidiaries	74,009	71,859
Less: Impairment loss recognised	(20,957)	–
	53,062	71,859

The details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation and operation	Proportion of ownership interest and voting power held 2015 %	2014 %	Principal activity
Mercator Lines (Panama) Inc. [1]	Panama	–	100	Dissolved
Chitra Prem Pte. Ltd. [2]	Singapore	100	100	Chartering of vessels and provision of marine transportation services
Varsha Vidya Inc. [2]	Panama	100	100	Chartering of vessels and provision of marine transportation services

In 2014, the impairment loss relates to the dissolved subsidiary.

[1] Dissolved on 4 December 2014

[2] Audited by Deloitte & Touche LLP, Singapore.

11 SUBSIDIARIES (continued)

These subsidiaries have limited share capital and the funds contributed by the Company to the subsidiaries are deemed to be contributions of additional capital to the subsidiaries. The funds are used by 2 (2014 : 2) of its subsidiaries to purchase marine vessels. The subsidiaries have no obligations to return such funds to the Company but may return such proportion of net cash inflow from chartering the vessels, which are surplus to its requirements. The funds are unsecured, interest-free and denominated in United States dollars.

The allowance for impairment of investment in the subsidiaries of US$20,957,000 (2014 : US$Nil) represents the shortfall in estimated recoverable amounts relative to the cost of investment in the respective subsidiaries. The recoverable amounts were estimated using the value in use of the investments after considering the projected cash flows discounted to present value at the rate of 7.5% and adjustments to the borrowings and surplus cash of the underlying subsidiaries.

12 AVAILABLE-FOR-SALE INVESTMENTS

	Group and Company	
	2015	2014
	US$'000	US$'000
Unquoted equity investment at fair value	681	582
Quoted equity investments at fair value	10	10
	691	592

The investment in quoted and other unquoted investments offer the Company the opportunity for return through dividend and capital gain.

The unquoted equity investment comprises investment in an entity which invests in Indian infrastructure funds. The Company had committed to US$6,000,000 (2014 : US$6,000,000) of investment of which an accumulated sum of US$4,281,000 (2014 : US$4,251,000) has been invested since initial subscription and US$Nil (2014 : US$1,749,000) remains as an outstanding commitment (Note 28) after considering disposals during the commitment period.

The carrying amount includes fair value gain of US$69,000 (2014 : loss of US$739,000) recorded in the fair value adjustment reserve (a component of equity). The estimated fair value is derived from the unaudited net asset value of the investee at the end of the reporting period which include some assumptions that are not supportable by observable market prices or rates, provided by the investee entity.

Financial instruments measured at fair value based on Level 3

	Group and Company	
	2015	2014
	US$'000	US$'000
Opening balance	582	847
Additional investment	30	17
Fair value gain (loss) arising during the year	69	(282)
Closing balance	681	582

13 PROPERTY AND EQUIPMENT

	Marine vessels US$'000	Motor vehicle US$'000	Office equipment US$'000	Furniture and fittings US$'000	Total US$'000
Group					
Cost:					
At 1 April 2013	670,942	223	75	94	671,334
Additions	5,702	–	9	–	5,711
At 31 March 2014	676,644	223	84	94	677,045
Additions	3,080	–	4	98	3,182
Adjustment	(268)	–	–	–	(268)
Reclassified as held for sale (Note10)	(69,128)	–	–	–	(69,128)
At 31 March 2015	610,328	223	88	192	610,831
Accumulated depreciation:					
At 1 April 2013	162,383	155	57	89	162,684
Depreciation	35,343	35	10	1	35,389
At 31 March 2014	197,726	190	67	90	198,073
Depreciation	35,389	33	8	4	35,434
Reclassified as held for sale (Note10)	(33,238)	–	–	–	(33,238)
At 31 March 2015	199,877	223	75	94	200,269
Impairment loss recognised in the year ended 31 March 2015 and balance at 31 March 2015	35,625	–	–	–	35,625
Carrying amount:					
At 31 March 2015	374,826	–	13	98	374,937
At 31 March 2014	478,918	33	17	4	478,972

13 PROPERTY AND EQUIPMENT (continued)

	Marine vessels US$'000	Motor vehicle US$'000	Office equipment US$'000	Furniture and fittings US$'000	Total US$'000
Company					
Cost:					
At 1 April 2013	501,174	223	74	95	501,566
Additions	4,617	–	10	–	4,627
At 31 March 2014	505,791	223	84	95	506,193
Additions	2,087	–	4	98	2,189
Reclassified as held for sale (Note 10)	(69,128)	–	–	–	(69,128)
At 31 March 2015	438,750	223	88	193	439,254
Accumulated depreciation:					
At 1 April 2013	129,899	155	57	89	130,200
Depreciation	28,570	35	10	2	28,617
At 31 March 2014	158,469	190	67	91	158,817
Depreciation	28,452	33	8	4	28,497
Reclassified as held for sale (Note 10)	(33,238)	–	–	–	(33,238)
At 31 March 2015	153,683	223	75	95	154,076
Impairment loss recognised in the year ended 31 March 2015 and balance at 31 March 2015	17,450	–	–	–	17,450
Carrying amount:					
At 31 March 2015	267,617	–	13	98	267,728
At 31 March 2014	347,322	33	17	4	347,376

All marine vessels of the Group and the Company are mortgaged to banks for credit facilities granted as at 31 March 2015 (Note 16).

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Ultimate holding company (Note 5)	159	159	–	–
Immediate holding company (Note 5)	550	533	550	533
Related party (Note 5)	4,539	34	2,299	34
Directors (Note 6)	129	108	129	108
Trade creditors and accruals	14,592	12,375	12,959	7,745
Deferred payment for charter hire	745	1,491	745	1,491
Deferred revenue	1,217	2,302	975	2,107
Trade and other payables	21,931	17,002	17,657	12,018

Analysed as follows:

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Current	21,931	16,257	17,657	11,273
Non–current (Deferred payment for charter hire)	–	745	–	745
	21,931	17,002	17,657	12,018

The average credit period on purchase of services is 30 days (2014 : 30 days).

15 PROVISION FOR ONEROUS CONTRACTS

The provision for onerous contract relates mainly to an operating lease contract whereby the Group has contracted to charter a vessel for periods up to 2020.

Movement in provision for onerous contracts are as follows:

	Group and Company	
	2015 US$'000	2014 US$'000
At beginning of year	5,965	6,960
Charged to profit or loss	18,857	–
Reversed to profit or loss (within "Vessel related costs")	(951)	(995)
At end of year	23,871	5,965

Analysed as follows:

	Group and Company	
	2015 US$'000	2014 US$'000
Current	1,916	951
Non-current (Deferred payment for charter hire)	21,955	5,014
	23,871	5,965

16 BORROWINGS

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Convertible bonds held by immediate holding company (Note 5)	18,259	17,984	18,259	17,984
Less: Unamortised bonds issue expenses	(88)	(127)	(88)	(127)
Convertible bonds (net)	18,171	17,857	18,171	17,857
Bank loans, net of arrangement fees	147,997	164,733	89,767	104,275
Other borrowings	9,000	5,000	9,000	5,000
Loan from immediate holding company	2,500	–	2,500	–
Total	177,668	187,590	119,438	127,132
Less: Borrowings expected to be settled within 12 months	(37,372)	(20,813)	(32,246)	(18,522)
Amounts due after 12 months	140,296	166,777	87,192	108,610

(a) Convertible bonds

The principal terms of the Convertible Bonds are as follows:

(i) 5 years tenure commencing from the date of issue on 26 July 2012 and is freely transferable;

(ii) coupon of 7.0% per annum payable semi-annually in arrears ;

(iii) may be redeemable at the option of the Company at the accreted principal amount together with accrued interest in whole or in part, at any time after the original issue date, and on the date that is 5 business days before the maturity date ;

(iv) convertible to ordinary equity shares of the Company at the option of the holders of the Convertible Bonds on or before the maturity date; at a fixed price of 16.3 Singapore cents (equivalent to US$0.132) per share based on the nominal issued amount of the bonds totaling US$19,000,000; and

(v) Secured by a first preferred mortgage over one of the Group's vessels, "Kalpana Prem", a general assignment of earnings and insurance of the vessel and an account charge.

The interest charged for the year is calculated by applying an effective interest rate of 8.89% (2014 : 8.89%) per annum to the liability component since the convertible bonds were issued in July 2012.

(b) Bank loans

The bank loans are secured by mortgage of marine vessels belonging to the Group and a general assignment of earnings and insurance proceeds from the vessels in the event of default. They are also subject to the following:

- negative pledge provisions for the Company and its subsidiaries; other than creating of security over vessels by the bank;
- compliance with financial covenants in the form of specified financial ratios and security coverage; and
- for loans taken by subsidiaries, they are covered by corporate guarantee from the Company.

16 BORROWINGS (continued)

Interest is chargeable on the loans at margins above LIBOR. The bank borrowings are repayable in monthly, quarterly or semi-annual installments. The timing of payments for borrowings is disclosed in Note 4(b).

(c) Other borrowings relate to deferred payment for commodity trade transactions entered into by the Company during the year which is due payable ranging from 131 to 196 (2014 : 233) days from date of delivery and bears interest ranging from 5.8% to 6.6 % (2014 : 5.7%) per annum.

(d) Loan from immediate holding company is unsecured, repayable on demand and bears fixed interest at 5% per annum.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2015	2014
	US$'000	US$'000
Option on convertible bonds [Note 16(a)]	1,346	1,015

The gain arising from fair value changes of the options on convertible bonds is recognised in profit or loss (Note 22), amounting to US$331,000 (2014 : US$109,000).

18 SHARE CAPITAL

	Group and Company			
	2015	2014	2015	2014
	Number of ordinary shares		US $'000	US$'000
Issued and paid up:				
At the beginning of the year	1,361,435,003	1,316,294,879	213,694	209,480
Issue of share capital	–	45,140,124	–	4,214
At the end of the year	1,361,435,003	1,361,435,003	213,694	213,694

In the last financial year, a total of 45,140,124 of ordinary shares were issued for US$0.0933 per share in conjunction with the compensation agreed to be made for the early termination of charter-in vessels totaling US$4,214,000.

The Company has one class of ordinary shares with no par value, which are fully paid and carry one vote per share.

These shares carry a right to dividends as and when declared by the Company.

19 CAPITAL RESERVE

The capital reserve of the Group and of the Company relates to the fair values of the interest-free loans given by the immediate holding Company in the past. These were deemed to be equity contributions and recorded as capital reserve.

20 REVENUE

	Group	
	2015	2014
	US$'000	US$'000
Charter hire income	44,524	47,393
Freight income	9,846	23,535
Demurrage income	1,977	4,372
	56,347	75,300

21 VESSEL RELATED COSTS

	Group	
	2015 US$'000	2014 US$'000
Vessel hire expenses [1]	7,189	7,370
Direct vessel operating expenses	29,694	28,811
Bunker cost	8,987	13,407
Port expenses	795	2,323
	46,665	51,911

[1] Amount inclusive of reversal of provision for onerous contract (Note 15).

22 GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2015 US$'000	2014 US$'000
Gain arising from change in fair value of option on convertible bonds	331	109
Gain (Loss) from option on forward freight agreement	822	(544)
	1,153	(435)

23 OTHER EXPENSES

	Group	
	2015 US$'000	2014 US$'000
Bad debts written off	558	270
Allowance (Reversal of allowance) for doubtful debts (Note 8)	7,391	(46)
Impairment of available–for–sale investments	739	–
Compensation for chartered in vessel	–	489
Others	85	–
	8,773	713

24 FINANCE COST

	Group	
	2015 US$'000	2014 US$'000
Arising from:		
Convertible bonds [Note 16(a)]	1,605	1,520
Bank loans [Note 16(b)]	4,372	4,634
Other borrowings [Note 16(c)]	497	254
	6,474	6,408

25 INCOME TAX

The total tax charge for the year can be reconciled to the accounting loss as follows:

	Group	
	2015 US$'000	2014 US$'000
Loss before tax	(125,366)	(22,758)
Tax effect at the Singapore statutory income tax rate of 17% (2014 : 17%)	(21,312)	(3,868)
Non–deductible expense	21,312	3,869
Tax credit for the year	–	1

The Group's and the Company's qualifying shipping profits from its Singapore registered vessels operating outside the limits of the port of Singapore are not taxable under Section 13A of Singapore Income Tax Act. Additionally, the Company has been awarded the Approved International Shipping Enterprise Incentive ("AIS") for an initial period of 10 years commencing from 1 November 2005, subject to review of performance at the end of the fifth year. At the end of the tenth year, the exemption may be extended upon the Minister's approval. The AIS incentive exempts from tax, income from qualifying shipping activities of foreign registered vessels conducted outside the limits of the port of Singapore.

Profits, other than the exempt shipping profits (primarily interest income), are taxed at the Singapore statutory income tax rate of 17% (2014 : 17%).

26 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	Group	
	2015 US$'000	2014 US$'000
Directors' remuneration and fees	422	590
Staff costs (excluding director's remuneration)	1,411	1,805
Costs of defined contribution plans included in staff costs	49	54
Foreign exchange adjustment (gain) loss	(19)	58
Audit fees paid to auditors of the Company	87	96
Non–audit fees paid to auditor of the Company	15	–

27 LOSS PER SHARE

(a) The calculation of the basic loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2015 US$'000	2014 US$'000
Loss attributable to owners of the Company	(125,366)	(22,757)
Weighted average number of ordinary shares used for calculation of loss per share	1,361,435,003	1,361,330,858
Loss per share (US$)	(0.092)	(0.017)

(b) The contingently issuable shares upon conversion of "convertible bonds" as disclosed in Note 16 were not included in the calculation of diluted loss per share because they are antidilutive for the relevant periods presented.

28 COMMITMENTS AND CONTINGENT LIABILITIES

(i) Company

As at 31 March 2015, unsecured guarantees totaling US$58,230,000 (2014 : US$60,458,000) have been given by the Company to banks in respect of bank loans totaling US$58,230,000 (2014 : US$60,458,000) drawn down by the subsidiaries.

No deemed guarantee fee is accounted for by the Company under FRS 39 - *Financial Instruments: Recognition and Measurement,* as management is of the view that the interest rate for the loan and the quantum of the loan are not significantly influenced by the Company's guarantee.

(ii) Available-for-sale investments

	Group and Company	
	2015	2014
	US$'000	US$'000
Committed and approved amount for investment in an available–for–sale investment	–	1,749

The commitment to invest in available-for-sale equity investment related to an entity which invests in Indian infrastructure funds. The Company was obliged to make the investment when called upon up to the aggregate of US$6,000,000. As at 31 March 2015, the Company has invested US$4,281,000 (2014 : US$4,251,000) (Note 12).

29 OPERATING LEASE ARRANGEMENTS

	Group	
	2015	2014
	US$'000	US$'000
(a) Minimum lease payments recognised under operating leases recognised as an expense in the financial year:		
- office premise	292	272
- charter hire of marine vessels	7,189	7,971
	7,481	8,243

(i) At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases office premises, which fall due as follows:

	Group	
	2015	2014
	US$'000	US$'000
Within one year	315	298
In the second to fifth year inclusive	472	183

The rental for the office premises is fixed for a term of 1 to 3 years (2014 : 1 to 2 years).

29 OPERATING LEASE ARRANGEMENTS (continued)

(ii) At the end of the reporting period, the Group has outstanding commitments under non-cancellable contracts for charter hire of a marine vessel which fall due as follows:

	Group	
	2015 US$'000	2014 US$'000
Within one year	2,719	–
In the second to fifth year inclusive	42,741	31,995
After the fifth year	–	13,176
	45,460	45,171

The charter hire rates are fixed over the period of the charter which ranged from 12 months to 60 months (2014 : 12 months to 72 months).

(b) At the end of the reporting period, the Group also has long-term time charter contracts for which charter income are receivable as follows:

	Group	
	2015 US$'000	2014 US$'000
Within one year	9,860	7,330
In the second to fifth year inclusive	–	1,533
More than five years	–	–

30 SEGMENT INFORMATION

(a) The Group provides to customers dry bulk marine vessels on time charter or contracts of affreightment which can be short term or long term (defined by management as contracts of 11 months or more).

The Group engages in a mix of short term and long term contracts for the reasons stated in Note 4(b)(i).

In monitoring this mix, management uses the aggregate number of contract days for the entire fleet of marine vessels in the year which are derived from short term and long term contracts. Dollar amounts are not attributed to the contract days for the purpose of this monitoring.

The products carried are largely coal and iron ore.

(b) The Group's revenue from external customers is detailed below.

	2015 US$'000	2014 US$'000
Singapore	16,354	17,013
Greece	7,520	–
Hong Kong	–	14,674
India	–	1,925
Others (individually less than 10%)	32,473	41,688
Total revenue	56,347	75,300

Revenue from external customers are attributed to the countries based on the registered addresses of charterers.

30 SEGMENT INFORMATION (continued)

(c) The Group's revenue derived from customers who individually account for 7% or more of the Group's revenue are detailed below.

	2015		2014	
	US$'000	Percentage of Group's revenue (%)	US$'000	Percentage of Group's revenue (%)
Customer 1	4,257	8	8,903	12
Customer 2	4,012	7	5,312	7
Customer 3	4,005	7	5,304	7

(d) The Group's significant non-current assets comprise marine vessels which are deployed in international waters. Assets and capital expenditure are therefore not analysed by geographical segment.

STATISTICS OF SHAREHOLDINGS

AS AT 3 JUNE 2015

No. of ordinary shares issued (excluding treasury shares)	:	1,361,435,003
Class of Shares	:	Ordinary
Voting Rights	:	One vote per share
Treasury Shares	:	NIL

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	33	0.64	1,644	0.00
100 - 1,000	341	6.59	275,458	0.02
1,001 - 10,000	2,034	39.27	11,678,120	0.86
10,001 - 1,000,000	2,744	52.98	180,252,661	13.24
1,000,001 AND ABOVE	27	0.52	1,169,227,120	85.88
TOTAL	**5,179**	**100.00**	**1,361,435,003**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	Name	Number of Shares	%
1	MERCATOR INTERNATIONAL PTE LTD	900,850,000	66.17
2	CITIBANK NOMINEES SINGAPORE PTE LTD	64,608,108	4.75
3	DBSN SERVICES PTE. LTD.	44,846,484	3.29
4	DBS NOMINEES (PRIVATE) LIMITED	40,032,945	2.94
5	GESTIONI ARMATORIALI SPA	29,307,000	2.15
6	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	19,892,516	1.46
7	UOB KAY HIAN PRIVATE LIMITED	11,713,177	0.86
8	OCBC SECURITIES PRIVATE LIMITED	10,532,390	0.77
9	RAFFLES NOMINEES (PTE) LIMITED	8,270,314	0.61
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,176,927	0.45
11	PHILLIP SECURITIES PTE LTD	4,059,838	0.30
12	CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,785,063	0.28
13	NG KIM CHOON	3,090,380	0.23
14	KHAN SHADAB GAYASUDDIN	2,400,000	0.18
15	BHASKARAN NAIR NANDAKUMAR	2,063,000	0.15
16	RAMESH S/O PRITAMDAS CHANDIRAMANI	2,000,000	0.15
17	GOH BIN SENG	1,845,871	0.14
18	TAN SWEE GUEK	1,829,742	0.13
19	NG SER HAI	1,700,000	0.12
20	KHOO GEK HWA OR KHOO GEOK HONG	1,600,286	0.12
	TOTAL	1,160,604,041	85.25

STATISTICS OF SHAREHOLDINGS

AS AT 3 JUNE 2015

SUBSTANTIAL SHAREHOLDER AS AT 3 JUNE 2015

	Direct Interest		Deemed Interest	
Name	Number of Shares	%	Number of Shares	%
Mercator International Pte. Ltd.	900,850,000	66.17	–	–
Mercator Limited (India)	–	–	900,850,000	66.17

Note:

The deemed interest of Mercator Limited (India) is derived from its interest in its wholly owned subsidiary, Mercator International Pte. Ltd.

PERCENTAGE OF SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available as at 3 June 2015, approximately 33.82% of the Company's shares listed on the SGX ST are held in the hands of public. Therefore, pursuant to Rules 1207 and 723 of the Listing Manual of SGX ST, it is confirmed that at least 10% of the ordinary shares of the Company is at all times held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mercator Lines (Singapore) Limited (the "Company") will be held at Six Battery Road #10-01 Singapore 049909 on Wednesday, 22 July 2015 at 3.00 p.m. for the following purposes:

As Ordinary Business

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the financial year ended 31 March 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To note the retirement of Mr Atul J Agarwal, a Director retiring pursuant to Article 91 of the Articles of Association of the Company, who will not be seeking re-election. **(Resolution 2)**
   [See Explanatory Note (i)]

3. To re-elect Dr Maria Helena Dieleman, who retire by rotation pursuant to Article 91 of the Articles of Association of the Company, and who, being eligible, offers herself for re-election. **(Resolution 3)**
   [See Explanatory Note (ii)]

4. To re-appoint Mr Arul Chandran, Director of the Company retiring pursuant to Section 153(6) of the Companies Act, Chapter. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 4)**
   [See Explanatory Note (iii)]

5. To approve the payment of Directors' fees of S$180,000 for the financial year ended 31 March 2015 to be paid quarterly in arrears. (2014: S$392,000) **(Resolution 5)**

6. To re-appoint Messrs Deloitte & Touche LLP, Chartered Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

As Special Business

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

8. **Authority to issue new shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of Listing Manual of the Singapore Exchange Securities Trading Limited.**

   That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company:

(a) (i) issue new shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force, (the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
(c) any subsequent bonus issue, consolidation or subdivision of shares.

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held; or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments, whichever is earlier. **(Resolution 7)**
[See Explanatory Note (iv)]

9. **Renewal of Shareholders' Mandate for Interested Person Transactions**

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

(a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out in the Appendix for Renewal of Shareholders' Mandate for Interested Person Transactions ("**Appendix IPT**") any party who is of the class of Interested Persons described in the Appendix IPT, provided that such transactions are carried out in the normal course of business, at arm's length and on commercial terms and in accordance with the guidelines of the Company for Interested Person Transactions as set out in the Appendix IPT (the "**Shareholders' Mandate**");

(b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company ("**AGM**") or the date by which the next AGM of the Company is required by law to be held, whichever is earlier; and

(c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider desirable, expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the Shareholders' Mandate and/or this Resolution.
[See Explanatory Note (v)] **(Resolution 8)**

By Order of the Board

Thio Lay Choo
Company Secretary

Singapore
2 July 2015

Explanatory Notes:

(i) Mr Atul J. Agarwal has given notice to the Company that he wishes to step down as a Director of the Company at the conclusion of the Annual General Meeting. Upon his retirement, Mr Agarwal will relinquish as Member of the Nominating Committee and Executive Committee respectively.

(ii) Resolution (3): To re-elect Dr Maria Helena Dieleman ("Dr Marleen")

Dr Marleen is an Independent Director appointed on 25 April 2014 and currently serves as a member of Compensation and Nominating Committees. She is an Associate Professor and Associate Director of Governance, Institutions and Organisations at NUS Business School in Singapore and specializes in corporate strategy and governance of Asian family businesses.

Dr Marleen will, upon re-election as Director of the Company, remain as member of the Nominating and Compensation Committees and will be considered independent.

(iii) Resolution (4): To re-elect Mr Arul Chandran

Mr Chandran is an Independent Director appointed since 29 July 2008. He is the Chairman of the Nominating and Compensation Committees and a member of the Audit and Executive Committees respectively. Mr Chandran is a Barrister at Law, Middle Temple, London and is a consultant at a law firm, Arul, Chew & Partners, currently.

Mr Chandran will, upon re-appointment as Director of the Company, remain as Chariman/Member of the abovementioned Committees and will be considered independent.

Detailed information on these Directors can be found under "Board of Directors" and "Corporate Governance Report" in the Company's Annual Report 2015.

(iv) Resolution (7) above, if passed, will empower the Directors of the Company from the date of this Annual General Meeting ("**AGM**") until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(v) Resolution (8) above, if passed, will authorise the Interested Person Transactions as described in the Appendix IPT and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held whichever is the earlier.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 8 Temasek Boulevard, #07-02 Suntec Tower 3, Singapore 038988 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

MERCATOR LINES (SINGAPORE) LIMITED
Company Registration No. 200507205N
(Incorporated in the Republic of Singapore)

Proxy Form

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy Mercator Lines (Singapore) Limited]'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We *, _____

of _____

being a member/members of Mercator Lines (Singapore) Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Six Battery Road, #10-01 Singapore 049909 on 22 July 2015 at 3.00p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1	Adoption of Directors' Report and Audited Accounts for the financial year ended 31 March 2015		
2	Retirement of Mr Atul J Agarwal as Director in accordance to Article 91		
3	Re-election of Dr Maria Helena Dieleman as Director in accordance to Article 91		
4	Re-appointment of Mr Arul Chandran as Director pursuant to Section 153(6) of the Companies Act, Chapter 50		
5	Approval of Directors' fees amounting to S$180,000 for the financial year ended 31 March 2015, to be paid quarterly in arrears		
6	Re-appointment of Messrs Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration		
	Special Business		
7	Authority to issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual		
8	Renewal of Shareholders' Mandate for Interested Person Transactions		

Dated this _____ day of _____ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

_____

Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES FOR PROXY FORM OVERLEAF

Fold this flap for sealing

Affix
Postage
Stamp
Here

Company Secretary
Mercator Lines (Singapore) Limited
8 Temasek Boulevard
#07-02 Suntec Tower 3
Singapore 038988

Fold along this line

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such an event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Temasek Boulevard, #07-02 Suntec Tower Three, Singapore 038988, not less than 48 hours before the time appointed for the AGM.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of its attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the shareholder, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 2 July 2015.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Harish Kumar Mittal
Chairman and Non-executive Director

Shalabh Mittal
Managing Director and Chief Executive Officer

Huang Yuan Chiang
Lead Independent Director

Arul Chandran
Independent Director

Dr Maria Helena Dieleman
Independent Director

Atul J. Agarwal
Non-executive Director

Pushpatraj Shivlal Shah
Non-executive Director

AUDIT COMMITTEE

Huang Yuan Chiang (Chairman)
Pushpatraj Shivlal Shah
Arul Chandran

NOMINATING COMMITTEE

Arul Chandran (Chairman)
Huang Yuan Chiang
Dr Maria Helena Dieleman
Atul J. Agarwal

COMPENSATION COMMITTEE

Arul Chandran (Chairman)
Harish Kumar Mittal
Huang Yuan Chiang
Dr Maria Helena Dieleman

COMPANY SECRETARY

Thio Lay Choo (appointed on 1 September 2014)

INVESTOR RELATIONS

Mercator Lines (Singapore) Limited
Email: ir@mllsg.com

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

Deloitte & Touche LLP
6 Shenton Way, OUE Downtown 2 #32-00
Singapore 068809

Partner-in-charge : Ms Gill Kuldip Kaur
Date of Appointment : 16 September 2013

PRINCIPAL BANKERS

DBS Bank Ltd
HSH Nordbank AG, Singapore Branch
Malayan Banking Berhad, Singapore Branch

REGISTERED OFFICE

8 Temasek Boulevard
#07-02 Suntec Tower Three
Singapore 038988

Tel: (65) 6220 9320
Fax: (65) 6220 9310

Email: mercator@mllsg.com
Website: www.mllsg.com

COMPANY REGISTRATION NUMBER

200507205N

an EQUITY communications production



MERCATOR LINES (SINGAPORE) LIMITED
(Company Registration No. 200507205N)
(Incorporated in the Republic of Singapore)

8 Temasek Boulevard, #07-02 Suntec Tower 3, Singapore 038988
Tel: (65) 6220 9320 Fax: (65) 6220 9310
Email: mercator@mllsg.com Website: www.mllsg.com