



MGI N RAJAN ASSOCIATES

PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS SINGAPORE

INDEPENDENT AUDITOR'S REPORT FOR THE FINANCIAL PERIOD FROM 26 AUGUST 2015 TO 31 MARCH 2016

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF FORTUNE OFFSHORE O&M PTE. LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Fortune Offshore O&M Pte. Ltd. ("the Company"), which comprise the statement of financial position as at 31 March 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from 26 August 2015 (date of incorporation) to 31 March 2016, and a summary of significant accounting policies and other explanatory information.

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, Cap.50 (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 financial statements and to maintain accountability of assets.

Auditor's 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 judgment, 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 financial statements 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 financial position of the Company as at 31 March 2016 and the financial performance, changes in equity and cash flows of the company for the period ended on that date.

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 have been properly kept in accordance with the provisions of the Act.

MGI N RAJAN ASSOCIATES
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS
SINGAPORE

Date: 17 MAY 2016

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FORTUNE OFFSHORE O&M PTE. LTD.

(Incorporated in the Republic of Singapore)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	US\$
Current Assets		
Fixed Deposit	5	1,000,000
Cash and cash equivalents	6	<u>55,069</u>
		<u>1,055,069</u>
Current Liabilities		
Amount due to immediate holding company	7	1,069,573
Amount due to intermediate holding company	8	245
Accruals		<u>3,239</u>
		<u>1,073,057</u>
Net Current (liabilities)		(17,988)
Net (liabilities)		<u>(17,988)</u>
Equity		
Share capital	9	702
(Loss) for the period		<u>(18,690)</u>
Total equity		<u>(17,988)</u>

(The annexed notes form an integral part of and should be read in conjunction with these financial statements.)

FORTUNE OFFSHORE O&M PTE. LTD.

(Incorporated in the Republic of Singapore)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED FROM 26 AUGUST 2015 (DATE OF INCORPORATION) TO 31 MARCH 2016**

	Note	US\$
Revenue		-
Other operating expenses		(18,690)
(Loss) before tax	3	(18,690)
Tax expense	4	-
(Loss) after tax		(18,690)
Other comprehensive income		-
Total comprehensive income		(18,690)

(The annexed notes form an integral part of and should be read in conjunction with these financial statements.)

FORTUNE OFFSHORE O&M PTE. LTD.
(Incorporated in the Republic of Singapore)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 26 AUGUST 2015 (DATE OF INCORPORATION) TO 31 MARCH 2016

	Share capital	(Loss) for the period	Total
	US\$	US\$	US\$
At the date of incorporation	702	-	702
Total comprehensive income	-	(18,690)	(18,690)
End of the financial year	<u>702</u>	<u>(18,690)</u>	<u>(17,988)</u>

The annexed accounting policies and explanatory notes form an integral part of and should be read in conjunction with these financial statements.

FORTUNE OFFSHORE O&M PTE. LTD.
(Incorporated in the Republic of Singapore)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD FROM 29 MARCH 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

	Note	US\$
Cash flows from operating activities		
Net (loss) for the period before taxation		(18,690)
Operating (loss) before working capital changes		<u>(18,690)</u>
Change in working capital		
Fixed deposit		(1,000,000)
Other payables		3,239
Cash (used in) operations		<u>(996,761)</u>
Tax paid		-
Net cash (used in) operating activities		<u>(1,015,451)</u>
Cash flows from financing activities		
Amount due to immediate holding company		1,069,573
Amount due to intermediate holding company		245
Shares issued		702
Net cash flows from financing activities		<u>1,070,520</u>
Net increase in cash and cash equivalents		55,069
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	6	<u>55,069</u>

The annexed accounting policies and explanatory notes form an integral part of and should be read in conjunction with these financial statements.

FORTUNE OFFSHORE O & M PTE. LTD.
(Incorporated in the Republic of Singapore)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 AUGUST 2015 (DATE OF INCORPORATION)
TO 31 MARCH 2016**

(These notes form an integral part of and should be read in conjunction with the accompanying financial statements.)

1. CORPORATE INFORMATION

The financial statements of the Company for the period from 26 August 2015 (date of incorporation) to 31 March 2016 were authorised for issue in accordance with a resolution of the director on the date of the Statement by Director.

The Company was incorporated on 26 August 2015 as a limited liability Company and domiciled in the Republic of Singapore.

The principal activities of the Company are that of service activities incidental to oil and gas extraction.

However, the Company has not commenced its business operations since incorporation.

The company's registered office and place of business is located at:-

8 Temasek Boulevard, #07-01,
Suntec Tower 3
Singapore 038988.

The Company's holding company is Mercator Offshore (P) Pte Ltd, a company incorporated in Singapore and its ultimate holding company is Mercator Limited, a company incorporated in India.

The Company's financials are presented in United States Dollar, which is also the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The company has assessed that there are no estimates or judgements used that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

FORTUNE OFFSHORE O & M PTE. LTD.
(Incorporated in the Republic of Singapore)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 AUGUST 2015 (DATE OF INCORPORATION)
TO 31 MARCH 2016

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

2.1 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognized when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company has the following non-derivative financial assets: loans and receivables.

Subsequent measurement

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loan and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, and through the amortization process.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents comprise cash at banks.

De-recognition

A financial asset is derecognized when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognized in other comprehensive income is recognized in profit or loss.

(b) Financial liabilities

The Company's financial liabilities include trade and other payables. Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance cost" in the income statement.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method

De-recognition of financial liabilities

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

FORTUNE OFFSHORE O & M PTE. LTD.
(Incorporated in the Republic of Singapore)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 AUGUST 2015 (DATE OF INCORPORATION)
TO 31 MARCH 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognized in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying amount of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impaired loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.3 Income taxes

The liability method of tax effect accounting is adopted by the Company. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial year that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

FORTUNE OFFSHORE O & M PTE. LTD.
(Incorporated in the Republic of Singapore)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 AUGUST 2015 (DATE OF INCORPORATION)
TO 31 MARCH 2016**

2.3 Income taxes, cont'd

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised (unless the deferred tax asset arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss). The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

2.4 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into United States Dollar at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the income statement in the period in which they arise.

2.5 Related party

A party is considered to be related to the Company if:-

- a) The party directly or indirectly through one or more intermediaries,
 - i) controls, is controlled by, or is under common control with, the Company;
 - ii) has an interest in the Company that gives it significant influence over the Company; or
 - iii) as joint control over the Company;
- b) The party is an associate;
- c) The party is a jointly-controlled entity;
- d) The party is a member of the key management personnel of the Company or
- e) The party is a close member of the family of any individual referred to in a) or d); or
- f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly referred to in d) ;
or
- g) The party is a post-employment benefit plan for the benefit of the employees of the Company, or of any entity that is a related party of the Company.

2.6 Cash and cash equivalents

Cash and cash equivalents are stated in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, balances with bank.

2.7 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

FORTUNE OFFSHORE O & M PTE. LTD.
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 AUGUST 2015 (DATE OF INCORPORATION)
TO 31 MARCH 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Share capital

Ordinary shares

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

2.9 Going concern

The Company has incurred a net loss of US\$18,690 for the financial period ended 31 March 2016, and as of that date, its total liabilities exceeded its total assets by US\$17,988. Notwithstanding these, the financial statements have been prepared on a going concern basis as the holding company, Mercator Offshore (P) Pte. Ltd., has undertaken to provide continuing financial support to enable the Company to continue operating as going concern in the foreseeable future and to meet its liabilities as and when they fall due.

3. (LOSS) BEFORE TAX

Period from
26 August 2015
to
31 March 2016
US\$

This is arrived after charging:-

Processing fee	5,096
Professional fee	9,318

4. TAX EXPENSE

Period from
26 August 2015
to
31 March 2016
US\$

Current tax	-
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There is no tax expense as the Company has no chargeable income. The tax expense on the results of the financial period varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on Company's (loss) as a result of the following:-

	Period from 26 August 2015 to 31 March 2016 US\$
(Loss) before taxation	<u>(18,690)</u>
Tax @ statutory rate of 17%	(3,177)
Tax effect on non-deductibles	<u>3,177</u>
Tax expense	<u>-</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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TO 31 MARCH 2016**

5. FIXED DEPOSIT

The fixed deposit matures on 17 May 2016. The interest rate of the deposit is 0.4%. The fixed deposit is under lien to the bank for guarantee issued.

6. CASH AND CASH EQUIVALENTS

	2016
	US\$
Cash at banks	55,069
	<u>55,069</u>

Cash and cash equivalents are denominated in the following currencies:

	2016
	US\$
United States Dollar	45,842
Singapore Dollar	9,227
	<u>55,069</u>

7. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

This non-trade amount is unsecured, interest-free and repayable on demand.

8. AMOUNT DUE TO INTERMEDIATE HOLDING COMPANY

This non-trade amount is unsecured, interest-free and repayable on demand.

9. SHARE CAPITAL

At the date of incorporation, the Company issued 1,000 ordinary shares with no par value amounting to US\$702.

Fully paid ordinary shares carry one vote per share without restrictions and carry a right to dividend as and when declared by the Company.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 AUGUST 2015 (DATE OF INCORPORATION)
TO 31 MARCH 2016**

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risk, including foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Director reviews and agrees on the policies for managing each of these risks and they are summarized as follows:

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to any significant foreign currency risk.

b) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company does not hold any quoted or marketable financial instrument, hence, is not exposed to any movements in market prices.

c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is not exposed to any credit risk.

Cash is held with financial institutions of good standing.

d) Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner.

The Company has obtained financial support from its immediate & intermediate holding company to meet its working capital requirements.

All liabilities are payable within 1 year.

e) Fair value estimation of financial assets and financial liabilities

The fair values of current financial assets and liabilities carried at amortized cost approximate their carrying amounts.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 AUGUST 2015 (DATE OF INCORPORATION)
TO 31 MARCH 2016**

11. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amount of the different categories of financial instruments is as follows:-

	2016 US\$
Loan and receivables	1,055,069
Financial liabilities amortised at cost	1,073,057

12. CAPITAL MANAGEMENT

The Company's primary objectives when managing capital is to maintain a strong base so as to maintain investor confidence and to sustain future development of the business.

The Company defines "capital" as including all components of equity.

The Company is not subject to externally imposed capital requirements.

13. CONTINGENT LIABILITIES

	2016 US\$
Bank guarantee issued	1,000,000

This secured against the fixed deposit of the Company.

14. RELATED PARTY TRANSACTIONS

	Period from 26 August 2015 to 31 March 2016 US\$
Loan from immediate holding Company	1,109,220
Expenses paid on behalf of immediate holding Company	55
Loan repaid to immediate holding Company	39,000

12. COMPARATIVES

There are no comparatives available as this is the first financial period for the company.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD FROM 26 AUGUST 2015 (DATE OF INCORPORATION)
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13. NEW OR REVISED STANDARDS AND INTERPRETATIONS

Description	Effective for annual periods beginning on or after
Amendments to FRS 27: Equity Method in Separate Financial Statements	1 Jan 2016
Amendments to FRS 16 & FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations	1 Jan 2016
Amendments to FRS 110 & FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined
Improvements to FRSs (November 2014)	
Amendments to FRS 105: Non-current assets Held for sale and Discontinued Operations	1 Jan 2016
Amendments to FRS 107: Financial Instruments: Disclosures	1 Jan 2016
Amendments to FRS 19: Employee benefits	1 Jan 2016
FRS 115: Revenue from Contracts with Customers	1 Jan 2016
FRS 109: Financial Instruments	1 Jan 2016
Amendments to FRS 1: Disclosure Initiative	1 Jan 2016
Amendments to FRS 110, FRS 112 & FRS 28: Investment Entities: Applying the Consolidation Exception	1 Jan 2016

The initial application of these standards and interpretations, where applicable, are not expected to have any material impact on the financial statements of the Company.
