



MGI N RAJAN ASSOCIATES
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS SINGAPORE

**INDEPENDENT AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
MERCATOR PROJECTS PTE. LTD.**

Report on the Financial Statements

We have audited the accompanying financial statements of **MERCATOR PROJECTS PTE. LTD.** ("the Company"), which comprise the statement of financial position of the Company 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 year then ended, 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 of 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

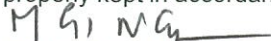
In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 March 2016, and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.15 in the financial statements which indicates that the Company has incurred a net loss of US\$223,749 for the year ended 31 March 2016 and, as of that date, the Company's total liabilities exceeded its total assets by US\$233,525. The financial statements of the company have been prepared on a going concern basis as explained in Note 2.15.

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: **19 MAY 2016** 10, JALAN BESAR #10-12, SIM LIM TOWER, SINGAPORE 208787.

TEL: (065) 6293 8089/6293 8370 / 6293 8047 / 6293 0732 FAX: (065) 6293 5756 Email: soma@nra.com.sg Web: www.nra.com.sg

G. Natarajan, P.S. Somasekharan, D. Govindaraj

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2016

	Note	2016 US\$	2015 US\$
Current Assets			
Cash and cash equivalents	6	28,988	342,969
Other receivables	7	1,650	225,520
Trade receivable from related parties	8	17,862,190	42,396,830
		<u>17,892,828</u>	<u>42,965,319</u>
Current Liabilities			
Trade and other payables	9	16,608,942	40,305,438
Amount due to immediate holding company	10	1,517,411	2,669,657
		<u>18,126,353</u>	<u>42,975,095</u>
Net Current (liabilities)		<u>(233,525)</u>	<u>(9,776)</u>
Net liabilities		<u>(233,525)</u>	<u>(9,776)</u>
Equity			
Share capital	11	2	2
Reserves & surplus		<u>(233,527)</u>	<u>(9,778)</u>
		<u>(233,525)</u>	<u>(9,776)</u>

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

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2016**

	Note	2016 US\$	Period from 13 June 2014 to 31 March 2015 US\$
REVENUE - Construction Income	3	-	73,308,288
Other income	3a	-	4,219
Purchases & Sub Contracting Costs		-	(65,477,513)
Rig Activation & Transportation		-	(6,904,317)
Survey & Studies		-	(326,521)
Other operating expenses		(223,749)	(613,933)
Loss before tax	4	(223,749)	(9,778)
Tax expense	5	-	-
Loss after tax		(223,749)	(9,778)
Other comprehensive income		-	-
Total comprehensive income		(223,749)	(9,778)

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

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2016

	Share capital US\$	(Accumulated Losses) US\$	Total US\$
At the date of incorporation	2	-	2
Total comprehensive income	-	(9,778)	(9,778)
Balance as at 31 March 2015	2	(9,778)	(9,776)
Total comprehensive income	-	(223,749)	(223,749)
Balance as at 31 March 2016	2	(233,527)	(233,525)

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

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2016

		Period from 13 June 2014 to 31 March 2015
	NOTE	US\$
Cash flows from operating activities		
Loss before taxation		(9,778)
Adjustment for:		
Interest income		(3,639)
Operating (loss) before working capital changes		(13,417)
Other receivables		(225,520)
Trade receivable from related party		(42,396,830)
Trade and other payables		40,305,438
Cash (used in) operating activities		(2,330,329)
Cash flows from investing activities		
Interest on Fixed Deposit		3,639
Cash from investing activities		3,639
Cash flows from financing activities		
Amount due to immediate holding company		2,669,657
Shares issued		2
Net cash generated from financing activities		2,669,659
Net change in cash and cash equivalents		342,969
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at the end of the period	6	342,969

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

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

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

1. GENERAL INFORMATION

The company was incorporated as a Private Company Limited by Shares and domiciled in the Republic of Singapore.

The principal activities of the Company are Engineering, Procurement, Construction and Commissioning activities, turnkey projects which involves structural works, specialized construction, other construction installation and related activities.

The company's registered office is located at:-

8 Temasek Boulevard, #07-01/05,
Suntec Tower 3
Singapore 038988.

The Company's holding Company is Mercator Energy Pte Ltd, a Company incorporated in Singapore and the ultimate holding Company is Mercator Limited, a company incorporated in India.

The financial statements of the company for the year ended 31 March 2016 were authorised for issue in accordance with a resolution of the director on the date of the Director's Statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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 the financial statements in conformity with Singapore Financial Reporting Standards requires using of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the financial year. 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.

ADOPTION OF NEW AND REVISED STANDARDS

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any material effect on the financial statements.

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, contd...

2.2 IMPAIRMENT OF NON FINANCIAL ASSETS

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The impairment loss is recognised in the income statement unless the asset is carried at re valued amount, in which case, such impairment loss is treated as a revaluation decrease.

2.3 REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue is recognized as follows:

Construction income

Construction income is recognized only to the extent of contract costs incurred to estimated total cost of the project.

Interest income

Interest income is recognized using the effective interest method.

2.4 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.

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, contd...

2.4 FINANCIAL INSTRUMENTS

(a) *Financial assets, cont'd*

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 amortized 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 recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges is recognized as an expense in "finance cost" in the income statement.

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

De-recognition of financial liabilities

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

2.5 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 amortized cost

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that 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.

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, contd...

2.5 IMPAIRMENT OF FINANCIAL ASSETS, contd...

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 amortized 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 amortized cost at the reversal date. The amount of reversal is recognized in profit or loss.

2.6 CURRENCY TRANSLATION

Functional currency

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the company ("the functional currency"). The financial statements are prepared in United States Dollar, which is the functional currency of the Company.

Transactions and balances

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 profit and loss account in the year in which they arise. However, where a foreign currency transaction is to be settled at a contracted rate or is covered by a related or matching forward exchange contract, the rate of exchange specified in the contract will be used and any corresponding monetary assets or liabilities will not be retranslated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, contd...

2.7 TAXATION

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 recognized 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).

Deferred tax assets are recognized 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 utilized (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.

2.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and bank deposits.

2.9 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) has 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 its parent;
- 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 e); 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.

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, contd.....

2.10 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.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised in the income statement as interest expense.

2.11 SHARE CAPITAL

Ordinary shares are classified as equity. 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.

2.12 BORROWING COSTS

All borrowing costs are recognized in profit or loss as per effective interest rate method.

2.13 BORROWINGS

All loans and borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transactions costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the balance sheet date are presented as current borrowings even though the original term was for a period longer than 12 months and an arrangement to refinance, or reschedule payments, on a long term basis is completed after the balance sheet date and before the financial statements are authorized for issue. Other borrowings due to be settled more than 12 months after the balance sheet date are presented as non-current borrowings in the balance sheet. Trade and other payables and interest bearing borrowings are stated at cost. Interest bearing borrowings are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, interest – bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit & loss account over the period of the borrowings on effective interest basis.

2.14 FAIR VALUE ESTIMATION

The carrying amounts of current financial assets and liabilities, carried at amortised cost, are assumed to approximate their fair values.

2.15 GOING CONCERN

The Company's total liabilities exceeded its total assets by US\$233,525 (2015:US\$9,776) as at 31 March 2016. The financial statements have been prepared on a going concern basis depending on the support from the creditors of the company.

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

3. REVENUE

During the year, the Company has negotiated settlement of payments with various parties as the project is under suspension. The Company has reversed the liabilities based on negotiations which in turn resulted in reversal of expenses and revenue amounting to US\$20,329,366.

3a. OTHER INCOME

	2016 US\$	Period from 13 June 2014 to 31 March 2015 US\$
Interest on Fixed Deposit	-	3,639
Gains on foreign exchange	-	580
	<u>-</u>	<u>4,219</u>

4. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2016 US\$	Period from 13 June 2014 to 31 March 2015 US\$
Professional fee	174,508	8,282
Loss on exchange	8,940	-
Communication & other expenses	27,954	309
	<u>211,402</u>	<u>8,591</u>

5. TAX EXPENSE

	2016 US\$	Period from 13 June 2014 to 31 March 2015 US\$
Current year/period tax expense	-	-
	<u>-</u>	<u>-</u>

The tax expense on the results of the financial year 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:-

	2016 US\$	Period from 13 June 2014 to 31 March 2015 US\$
Loss before tax	<u>(223,749)</u>	<u>(9,778)</u>
Tax @ 17% (2015:17%)	(38,037)	(1,662)
Tax effect on non-deductibles	38,037	-
Deferred tax assets not recognized	-	1,662
Tax expense	<u>-</u>	<u>-</u>

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

5. TAX EXPENSE, cont'd

No current tax for the financial year ended 31st March 2016 has been provided in the financial statement as the company has no taxable profit. The company has tax losses as at 31st March 2016 amounting to US\$233,527 (2015: US\$ 9,778) which is subject to agreement with the tax authorities. The tax losses could be carried forward for offsetting against future taxable income provided that the provision of Section 23 and 37 of the Singapore Income Tax Act, Cap. 134 are complied with. Deferred tax asset has not been recognized due to uncertainties of future taxable income.

6. CASH AND CASH EQUIVALENTS

	2016	2015
	US\$	US\$
Cash in hand	86	253
Cash at banks	28,902	342,716
	<u>28,988</u>	<u>342,969</u>

7. OTHER RECEIVABLES

	2016	2015
	US\$	US\$
Deposit	307	307
GST	1,343	165,555
Prepayments	-	59,658
	<u>1,650</u>	<u>225,520</u>

8. TRADE RECEIVABLE FROM RELATED PARTIES

These are unsecured, interest-free and receivable on demand.

9. TRADE AND OTHER PAYABLES

	2016	2015
	US\$	US\$
Trade payables:		
Trade creditors:		
*Accruals	16,567,302	24,042,361
Provisions	-	16,250,000
Other payables:		
**Related party	13,686	13,077
**Amount due to ultimate holding company	27,954	-
	<u>16,608,942</u>	<u>40,305,438</u>

*As the project is under suspension, management has negotiated with their suppliers for settlement of liabilities which resulted in a write back of accruals and provision amounting to US\$20,512,491.

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

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

10. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest-free and repayable on demand.

11. SHARE CAPITAL

	2016		2015	
	No. of shares	US\$	No. of shares	US\$
Issued and fully paid ordinary shares				
At 1 April and 31 March	2	2	2	2

The ordinary shares are denominated in Singapore dollar and are converted to United States dollar at historical rates.

The ordinary shares are with no par value and entitled for dividend as and when declared and carry one vote per share with no restriction.

12. FINANCIAL RISK MANAGEMENT

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 summarised as follows:

a) *Foreign exchange risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company transacts mainly in United States Dollar, which is the functional currency of the Company. The Company has minimal exposure to other currencies.

b) *Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company is not exposed to any movements in market interest rates as it does not have any interest bearing financial instruments.

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 exposed to credit risk to the extent of its trade receivable from its related parties amounting to US\$17,862,190 (2015: US\$ 42,396,830).

The Company's cash deposits are held with financial institutions of good standing.

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

12. FINANCIAL RISK MANAGEMENT contd...

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 has continued financial support from its immediate holding company to meet its working capital requirements.

13. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2016	2015
	US\$	US\$
Loans and receivables	17,889,834	42,740,106
Financial liabilities amortised at cost	18,126,353	42,975,095

14. RELATED PARTY TRANSACTIONS

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties who are members of the Company took place during the year/period at terms agreed between the parties.

	2016	2015
	US\$	US\$
Service fees to immediate holding Company	183,125	2,246,804
Expenses paid by immediate holding Company	603	48,110
Loan received from immediate holding Company	5,669,657	374,745
Loan repaid to immediate holding Company	4,333,683	-
Funds received from related parties	3,451,570	5,520,000
Loan repaid to related parties	-	5,520,000
Expenses paid by related parties	755,807	30,911,457
Project revenue billed to related parties	-	73,308,288
Expenses paid by related party	27,954	50,759
Expenses paid to related party	-	20,199
Write back of liabilities transferred to related party	20,512,491	-

Other related parties comprise companies which are group subsidiaries.

Outstanding balances at 31 March 2016, arising from loans receivables/payables within 12 months from balance sheet date are disclosed in Notes 8 & 10.

MERCATOR PROJECTS PTE. LTD.
(Incorporated in Singapore)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

14. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business. The capital structure of the Company comprises issued share capital and retained earnings.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements.

The Company is not subject to any externally imposed capital requirements.

15. CONTINGENT LIABILITIES

During the year, a vendor has sent a legal notice against the Company for the recovery of their dues amounting to US\$6,128,937. However, the Company has filed a counter claim seeking refund as total payment made to this vendor is more than the value of goods and services delivered by them. The Company has obtained legal opinion and the Management is confident of verdict in their favour.

16. COMPARATIVE FIGURES

The financials for year ended 31 March 2016 cannot be compared with prior year financials as prior year financials has been prepared for 14 month period from 4 February 2014 (date of incorporation) to 31 March 2015.

17. NEW / REVISED FINANCIAL REPORTING STANDARDS

The Company has not applied the following new/revised FRS or interpretations that have been issued as of the balance sheet date but not yet effective:

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.