

**MERCATOR OFFSHORE ASSETS HOLDING PTE. LTD.**  
**(Incorporated in the Republic of Singapore)**  
**(Reg No: 201403178W)**

**FINANCIAL STATEMENTS - 31 MARCH 2017**

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**MERCATOR OFFSHORE ASSETS HOLDING PTE. LTD.**  
(Incorporated in the Republic of Singapore)

**DIRECTOR'S STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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The director presents his report to the members together with the audited financial statements of Mercator Offshore Assets Holding Pte Ltd. (the "Company") for the year ended 31 March 2017.

**Opinion of the director**

In my opinion,

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2017 and the financial performance, changes in equity and cash flows of the Company for the then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**Director**

The director of the Company in office at the date of this statement is as follows:

**SHALABH MITTAL**

**Arrangements to enable directors to acquire shares or debentures:**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate

**Director's Interest in Shares or Debentures:**

According to the register of director's shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company who held office at the end of the financial period had no interests in the shares or debentures of the Company and its related corporations except as stated below:

	Direct Interest		Deemed Interest	
	Number of Shares		Number of Shares	
	Beginning of financial year	End of financial year	Beginning of financial year	End of financial year
<b>The ultimate holding Company- Mercator Ltd, India</b>				
<b>Ordinary shares Shalabh Mittal</b>	361,250	361,250	-	-

**MERCATOR OFFSHORE ASSETS HOLDING PTE. LTD.**  
**(Incorporated in the Republic of Singapore)**

**DIRECTOR'S STATEMENT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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**Share options:**

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year

**Auditors**

MGI N Rajan Associates has expressed its willingness to accept re-appointment.

The Sole Director,

  
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**SHALABH MITTAL**  
Director

Date 29 MAY 2017

**MERCATOR OFFSHORE ASSETS HOLDING PTE. LTD.**  
(Incorporated in the Republic of Singapore)

**INDEPENDENT AUDITOR'S REPORT  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
MERCATOR OFFSHORE ASSETS HOLDING PTE. LTD.**

### **Report on the Audit of the Financial Statements**

#### **Disclaimer of Opinion**

We were engaged to audit the financial statements of Mercator Offshore Assets Holding Pte. Ltd. (the "Company"), which comprise the statement of financial position of the Company as at 31 March 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide for an audit opinion on these financial statements.

#### **Basis for Disclaimer of Opinion**

##### *Appropriateness of Going Concern Assumption*

As stated in Note 2.14, Company incurred a net loss of US\$26,361,511 during the financial year ended 31 March 2017 and as of that date, its current liabilities exceeded its current assets by US\$26,178,454 and its total liabilities exceeded total assets by US\$26,178,454. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern and to realise their assets and discharge their liabilities in the ordinary course of business.

The financial statements have been prepared on the assumption that the Company will continue in operation at least for a period of 12 months from the balance sheet date. The financial statements of the Company do not include any adjustments relating to the realization and classification of asset amounts that may be necessary if the Company is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that the assets may need to be realized other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to provide for further liabilities that may arise. No adjustments have been made in the financial statements of the Company in respect of these.

Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Company is appropriate.

**INDEPENDENT AUDITOR'S REPORT (Continued)**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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**Other information**

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 2-3.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Directors 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 Act and FRSS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

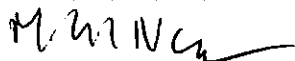
**Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

**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: 29 MAY 2017

**MERCATOR OFFSHORE ASSETS HOLDING PTE. LTD.**  
(Incorporated in the Republic of Singapore)

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2017**

	Note	2017 US\$	2016 US\$
<b>Non-Current Assets</b>			
Investment in Subsidiaries	6	-	20,900,004
		-	20,900,004
<b>Current Assets</b>			
Cash and cash equivalents	7	6,808	9,350
Amount due from immediate holding company	8	-	-
		6,808	9,350
<b>Current Liabilities</b>			
Amount due to subsidiaries	9	26,181,685	19,541,985
Amount due to immediate holding company		-	1,179,912
Accruals		3,577	4,400
		26,185,262	20,726,297
<b>Net Current (liabilities)</b>		(26,178,454)	(20,716,947)
Net (liabilities)/assets		(26,178,454)	183,057
<b>Equity</b>			
Share capital	10	240,090	240,090
Accumulated (losses)		(26,418,544)	(57,033)
		(26,178,454)	183,057

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

MERCATOR OFFSHORE ASSETS HOLDING PTE. LTD.  
(Incorporated in the Republic of Singapore)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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	Note	2017 US\$	2016 US\$
Revenue		-	-
Gain on exchange		44	-
Other operating expenses		(26,361,555)	(7,766)
Loss before tax	4	(26,361,511)	(7,766)
Tax expense	5	-	-
Loss after tax		(26,361,511)	(7,766)
Other comprehensive income		-	-
Total comprehensive income		(26,361,511)	(7,766)

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

**MERCATOR OFFSHORE ASSETS HOLDING PTE. LTD.**  
(Incorporated in the Republic of Singapore)

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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	Share capital US\$	Accumulated losses for the year US\$	Total US\$
Balance at 31 March 2015	240,090	(49,267)	190,733
Total comprehensive income	-	(7,766)	(7,766)
Balance at 31 March 2016	240,090	(57,033)	183,057
Total comprehensive income	-	(26,361,511)	(26,361,511)
Balance at 31 March 2017	240,090	(26,418,544)	(26,178,454)

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



**MERCATOR OFFSHORE ASSETS HOLDING PTE. LTD.**  
(Incorporated in the Republic of Singapore)

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	NOTE	2017 US\$	2016 US\$
<b>Cash flows from operating activities</b>			
Loss before taxation		(26,361,511)	(7,766)
Adjustments for:			
Allowance for impairment		26,353,715	-
<b>Operating loss before working capital changes</b>		<b>(7,796)</b>	<b>(7,766)</b>
Change in working capital			
Other payables		(823)	734
<b>Cash (used in) operating activities</b>		<b>(8,619)</b>	<b>(7,032)</b>
<b>Cash flows from investing activities</b>			
Amount due from immediate holding company		(5,453,711)	-
<b>Net cash (used in) investing activities</b>		<b>(5,453,711)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Amount due to subsidiaries		6,639,700	1,505,782
Amount due to immediate holding company		(1,179,912)	(1,508,872)
<b>Net cash from/(used in) financing activities</b>		<b>5,459,788</b>	<b>(3,090)</b>
<b>Net change in cash and cash equivalents</b>		<b>(2,542)</b>	<b>(10,122)</b>
Cash and cash equivalents at beginning of year		9,350	19,472
Cash and cash equivalents at the end of year	7	6,808	9,350

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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

**1 GENERAL INFORMATION**

The financial statements of the Company for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

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

The principal activity of the Company is that of investment holding.

However the Company has not earned any income during the financial year.

The Company's registered office & principal place of business address is located at 60 Paya Lebar Road, #11-05, Paya Lebar Square, Singapore 409051.

The Company's immediate 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.

**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.

**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 January 1, 2016. The adoption of these standards did not have material effect on the financial statements.

**Standards issued but not yet effective**

A number of new standards, amendments to standards and interpretations are issued but effective for annual periods beginning after 1 January 2016, and have been applied in preparing these financial statements. The Company does not plan to early adopt these standards.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd....

2.1 Basis of preparation, cont'd

The following standards that have been issued but not yet effective are as follows:

Description	Effective for annual periods Beginning on or after
FRS 115 Revenue from Contracts with Customers	1 Jan 2018
FRS 109 Financial instruments	1 Jan 2018
Amendments to FRS 7: Disclosure Initiative	1 Jan 2017
Amendments for FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 Jan 2017
Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 Jan 2018
FRS 116 Leases	1 Jan 2019

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.

2.2 Subsidiaries

Subsidiaries are entities over which the Company has power to govern the financial and economic policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investments in the subsidiaries are stated in the financial statements of the Company at cost less impairments losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

The subsidiaries' results have not been consolidated as the ultimate holding company, Mercator Limited, a Company incorporated in India publishes the consolidated financial statements.

2.3 Impairment of Non-financial assets

The carrying amount of investment in subsidiary is 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 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 revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd....

2.3 Impairment of Non-financial assets

An impairment loss for an asset other than goodwill is reversed if and only if there has been a change in the estimate used to determine the assets recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

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.

**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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd....

(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.

**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 amortised cost**

For financial assets carried at amortised 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. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd....**

**2.6 Revenue recognition**

The Company has been dormant during the year.

**2.7 Income taxes**

The current income tax is recognised at the amount expected to be paid to or recovered from the tax authorities.

Deferred income tax is recognised for all temporary differences except when the deferred income tax arises from the initial recognition of an asset or liability and affects neither accounting nor taxable profit nor loss at the time of the transaction.

Current and deferred income tax is measured using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date, and are recognised as income or expense in the income statement, except to the extent that the tax arises from a transaction which is recognised directly in equity.

**2.8 Functional currency**

Items included in the financial statements of the company 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 of the Company are presented in United States Dollars, which is also the functional currency of the Company.

**Conversion of foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into United States Dollars at rates of exchange closely approximating those ruling at balance sheet date. Exchange differences arising from such transactions are recorded in the income statement in the period 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.

**2.9 Fair value estimation of financial assets and liabilities.**

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

**2.10 Cash and cash equivalents**

For the purpose of presentation in the cash flow statement, cash and cash equivalents represent cash on hand and cash at bank.

**2.11 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has reliably estimated.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd....**

**2.12 Share capital**

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.

**2.13 Related party**

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

a) A person or a close member of that person's family is related to the Company if that person:

- (i) Has control or joint over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of parent of the Company.

b) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others)
- (ii) One entity is an associate or joint venture of the other entity
- (iii) Both entities are joint ventures of the same party
- (iv) One entity is a joint venture of a third party and other entity is an associate of the third party.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or a or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or joint controlled by a person identified in (a)
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**2.14 Going concern**

Company incurred a net loss of US\$26,361,511 during the financial year ended 31 March 2017 and as of that date, its current liabilities exceeded its current assets by US\$26,178,454 and its total liabilities exceeded total assets by US\$26,178,454. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern and to realise their assets and discharge their liabilities in the ordinary course of business.

The financial statements have been prepared on the assumption that the Company will continue in operation at least for a period of 12 months from the balance sheet date. The financial statements of the Company do not include any adjustments relating to the realization and classification of asset amounts that may be necessary if the Company is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments would have to be made to reflect the situation that the assets may need to be realized other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to provide for further liabilities that may arise. No adjustments have been made in the financial statements of the Company in respect of these.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

**Determination of functional currency**

In determining the functional currency of the Company, judgment is used by the Company to determine the currency of the primary economic environment in which the Company operates. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

3.2 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 are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Impairment of subsidiaries**

The Company records impairment charges on investments in subsidiaries when there have been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Company evaluates, among other factors, financial performance and the duration and extent to which the fair value of an investment is less than its cost.

The carrying amounts of the Company's investment in subsidiaries as at 31 March 2017 were nil (2016:US\$20,900,004).

4. (LOSS) BEFORE TAX

	2017	2016
	US\$	US\$
Loss on exchange	-	360
Allowance for impairment on immediate holding company receivables-non-trade	5,453,711	-
Allowance for impairment on investment in subsidiaries	20,900,004	-



**MERCATOR OFFSHORE ASSETS HOLDING PTE. LTD.**  
(Incorporated in the Republic of Singapore)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

**5. TAX EXPENSE**

There is no tax expense as the Company has no chargeable income.

**6. INVESTMENT IN SUBSIDIARIES**

	2017 US\$	2016 US\$
Unquoted shares at cost	20,900,004	20,900,004
Less: provision for impairment	(20,900,004)	-
	<u>-</u>	<u>20,900,004</u>

**Movement in the allowance for impairment losses**

	2017 US\$	2016 US\$
Balance at beginning of the year	-	-
Impairment losses recognized on investments	20,900,004	-
Balance at end of the year	<u>20,900,004</u>	<u>-</u>

Details of the subsidiaries are as follows:

Company	Principal Activities	Country of Incorporation	Cost of investment		Effective Percentage of equity held	
			2017 US\$	2016 US\$	2017 %	2016 %
Mercator Offshore (P) Pte Ltd.*	Construction of Mobile Production Unit that is incidental to Oil & Gas extraction services	Singapore	20,900,000	20,900,000	95	95
Mercator Okoro FPU Pte Ltd**	Construction of Mobile Production Unit that is incidental to Oil & Gas extraction services	Singapore	2	2	100	100
Mercator Okwok FPU Pte Ltd	Construction of Mobile Production Unit that is incidental to Oil & Gas extraction services	Singapore	2	2	100	100
			<u>20,900,004</u>	<u>20,900,004</u>		

**7. CASH AND CASH EQUIVALENTS**

	2017 US\$	2016 US\$
Cash at bank	6,808	9,350
	<u>6,808</u>	<u>9,350</u>

**MERCATOR OFFSHORE ASSETS HOLDING PTE. LTD.**  
(Incorporated in the Republic of Singapore)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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**8. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY**

	2017 US\$	2016 US\$
Non-trade receivables	5,453,711	-
Less: impairment loss		
Balance at beginning of the year	-	-
Impairment loss recognized during the year	(5,453,711)	-
Balance at end of the year	(5,453,711)	-

**9. AMOUNT DUE TO SUBSIDIARIES**

These non-trade amounts are unsecured, interest free and repayable on demand.

**10. SHARE CAPITAL**

	2017		2016	
	Number of shares	US\$	Number of shares	US\$
Balance at beginning of the year	300,000	240,090	300,000	240,090
Balance at end of the year	300,000	240,090	300,000	240,090

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 restrictions.

**11. 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 summarized as follows:

**a) Price risk**

***i) 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 transacts mainly in United States Dollar, which is the functional currency of the Company. The Company has limited exposure to other currencies.

***(ii) 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 has no interest-bearing financial instruments, hence, is not exposed to any movements in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS  
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11. FINANCIAL RISK MANAGEMENT, cont'd....

*(iii) Market risk*

Market 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.

**b) 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.

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

**(c) 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 is exposed to liquidity risk as its current liabilities exceeded its current assets by US\$26,178,454 and its total liabilities exceeded total assets by the same amount. However, management is confident that the Company will be able to continue as a going concern on the assumption that its subsidiaries will provide financial support to meet its liabilities as and when they fall due.

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2017			
	Carrying amount US\$	Contractual cash flows US\$	One year or less US\$	Two to five years US\$
<b><u>Financial assets</u></b>				
Cash and cash equivalents	6,808	6,808	6,808	-
Total undiscounted financial assets	6,808	6,808	6,808	-
	Carrying amount US\$	Contractual cash flows US\$	One year or less US\$	Two to five years US\$
<b><u>Financial liabilities</u></b>				
Amount due to subsidiaries	26,181,685	26,181,685	-	-
Accruals	3,577	3,577	-	-
Total undiscounted financial liabilities	26,185,262	26,185,262	-	-

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

**11. FINANCIAL RISK MANAGEMENT, cont'd....**

	2016			
	Carrying amount US\$	Contractual cash flows US\$	One year or less US\$	Two to five years US\$
<b><u>Financial assets</u></b>				
Cash and cash equivalents	9,350	9,350	9,350	-
Total undiscounted financial assets	9,350	9,350	9,350	-
	Carrying amount US\$	Contractual cash flows US\$	One year or less US\$	Two to five years US\$
<b><u>Financial liabilities</u></b>				
Amount due to subsidiaries	19,541,985	19,541,985	19,541,985	-
Amount due to immediate holding company	1,179,912	1,179,912	1,179,912	-
Accruals	4,400	4,400	4,400	-
Total undiscounted financial liabilities	20,726,297	20,726,297	20,726,297	-

**12. FINANCIAL INSTRUMENTS BY CATEGORY**

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

	2017 US\$	2016 US\$
Loans and receivables	6,808	9,350
Financial liabilities at amortised cost	26,185,262	20,726,297

**13. 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.

NOTES TO THE FINANCIAL STATEMENTS  
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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 period at terms agreed between the parties.

	2017	2016
	US\$	US\$
Loan received from immediate holding company	450,000	10,924,418
Loan repaid to immediate holding company	7,090,000	12,433,290
Expenses paid on behalf by immediate holding company	6,377	-
Loan repaid to subsidiaries	3,105,400	17,385,171
Loan received from subsidiaries	9,745,100	18,890,953

Outstanding balances at 31 March 2017, arising from loans receivables/payables within 12 months from balance sheet date are disclosed in Note 9.

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This does not form part of the audited statements

**DETAILED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2017**

	2017		2016	
	US\$	US\$	US\$	US\$
Revenue		-		-
Gain on exchange		44		-
Less:- operating expenses				
Audit fee	3,991		5,561	
Audit Fees - AIS MPA	1,540		1,463	
Allowance for impairment-non-trade	5,453,711		-	
Allowance for impairment-investment in subsidiaries	20,900,004		-	
Bank charges	333		367	
Filing & Registration	-		14	
Loss on exchange	-		360	
Professional fee	1,202		-	
Secretarial charges	774	26,361,555	-	7,766
<b>Net (loss) for the year</b>		<u>(26,361,511)</u>		<u>(7,766)</u>