MERCATOR INTERNATIONAL PTE. LTD.

Co. Reg. No: 200700869N

(Incorporated in Singapore)

DIRECTORS' STATEMENTS
AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

James Chan & Partners *LLP*
CHARTERED ACCOUNTANTS OF SINGAPORE

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

DIRECTORS' STATEMENTS

The directors are pleased to present their statement to the member together with the audited financial statements of Mercator International Pte. Ltd. (the "Company") for the financial year ended 31 March 2020.

Opinion of the directors

In the opinion of the directors,

(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 2020 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date, and

(b) at the date of this statement, with the sufficient positive cash flows from subsidiaries operations, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Adip Mittal
Shalabh Mittal (Appointed on 31 May 2019)

Arrangements to enable directors to acquire shares and debentures

During and as at the end of the financial year, the Company was not a party to any arrangement whose object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

The Company's immediate and ultimate holding company is Mercator Limited, a company incorporated and publicly listed in India.

According to the register of director's shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50, none of the director holding office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporation, except as follows:

	Number of shares Shareholdings registered in the name of the directors	
	As at 1.4.2019	As at 31.3.2020
The holding company		
Mercator Limited		
Adip Mittal	80,000	80,000
Shalabh Mittal	361,250	361,250

Share options

During the financial year, there were:

(a) no options granted by the Company to any person to take up unissued shares in the Company; and

(b) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

Auditors

The auditors, James Chan & Partners LLP, have expressed their willingness to accept re-appointment.

Adipmittal

____
Adip Mittal
Director

____
Shalabh Mittal
Director

Singapore, 26 June 2020

James Chan & Partners LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

101 Thomson Road
#14-02/03 United Square
Singapore 307591
Tel: (65) 6325 3859
Fax: (65) 6325 3858

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

Report on the Audited of the Financial Statements

Disclaimer of Opinion

We have audited the financial statements of Mercator International Pte. Ltd. (the "Company"), which comprise the statement of financial position of the Company as at 31 March 2020, the statement of 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. 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 a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(a) Investment in subsidiary corporations

Our audit report dated 24 October 2019 on the Company's statements for the previous financial year ended 31 March 2019 contained a disclaimer audit opinion on impairment assessment on investment in Mercator Energy Pte Ltd ("MEPL") that have a continuing relevance to the 2020 financial statements.

As at 31 March 2019, the management has not performed analysis of whether the carrying amount of the investment in MEPL exceeds its recoverable amount. We were unable to obtain sufficient audit evidence or verify by alternative means to test the recoverable amount of the investment in MEPL as at year end.

During the financial year ended 31 March 2020, the management assessed the recoverable amount of the investment in MEPL and recognised impairment loss on investment in subsidiary corporations based on assessment as disclosed in Note 8 to the financial statements.

Had the above matter been resolved in the current year, necessary adjustments to opening balances as at 1 April 2019 would have consequential effects on the current year's profit or loss and other elements of the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

Basis for Disclaimer of Opinion - continued

(b) Amount due from subsidiary corporations

Our audit report dated 24 October 2019 on the Company's statements for the previous financial year ended 31 March 2019 contained a disclaimer audit opinion on impairment assessment on net amount due from two subsidiary corporations, Mercator Energy Pte td ("MEPL") and Oorja Holdings Pte Ltd ("OHPL") that have a continuing relevance to the 2020 financial statements.

As at 31 March 2019, the management has not performed impairment review of whether the amount due from MEPL and OHPL are recoverable. We were unable to obtain sufficient audit evidence or verify by alternative means to test the recoverability of these balances.

During the financial year ended 31 March 2020, the management assessed the recoverability of these balances and written off the amount due from MEPL and recognised an impairment loss on the amount due from OHPL based on assessment as disclosed in Note 25(a) to the financial statements.

Had the above matter been resolved in the current year, necessary adjustments to opening balances as at 1 April 2019 would have consequential effects on the current year's profit or loss and other elements of the financial statements.

Interest income

The Company recognised interest income of US$1,137,827 due from OHPL and recognised an impairment loss in full as at 31 March 2020 as discussed above. This is not in compliance with FRS 115 *Revenue from Contracts with Customers*. As a result, we were unable to determine whether any adjustment on the current year's profit or loss and other elements of the financial statements may be necessary.

(c) Going concern

As disclosed in Note 2(d) to the financial statements, the Company incurred a net loss of US$48,442,038 during the financial year ended 31 March 2020 and, as of that date, the Company's total liabilities exceed its total assets by US$48,933,442. The financial statements have been prepared on a going concern basis on the assumption that the subsidiaries of the company will be in operational existence and to generate sufficient positive cash flows from their operations. The financial statements do not include any adjustments which may be required in the event that the Company is unable to continue as a going concern.

As disclosed in Note 16 to the financial statements, the Company breached covenants in respect of its term loan. Due to the breach of covenant clauses, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount.

We are unable to obtain sufficient appropriate audit evidence to conclude as to the appropriateness of the use of the going concern assumption in the preparation of the financial statements. Consequently, we are unable to determine whether any adjustments in respect of the Company's financial statements for the financial year ended 31 March 2020 are necessary.

As disclosed in the paragraph below and further disclosed in Note 23 to the financial statements, the Company is exposed to certain material uncertainties in relation to financial guarantee provided and liabilities that could result in material financial obligations in future periods and that may cast significant doubts over the ability of the Company to continue as a going concern.

This matter was similarly included in the Basis for Disclaimer of Opinion paragraphs in our independent auditor's report dated 24 October 2019 on the financial statements for the financial year ended 31 March 2019 where we rendered a disclaimer of opinion on the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

Basis for Disclaimer of Opinion - continued

(d) Financial guarantee and contingent liabilities

The Company neither performed the measurement of fair value nor recognised a liability in respect of financial guarantee provided to a financial institution for loans granted to subsidiary corporations. We have not been able to obtain sufficient appropriate audit evidence as to the extent that the Company may be implicated due to default payment by subsidiary corporations as disclosed in Note 23 to the financial statements. There were no adjustments made to the financial statements as at end of the reporting period.

This matter was similarly included in the Basis for Disclaimer of Opinion paragraphs in our independent auditor's report dated 24 October 2019 on the financial statements for the financial year ended 31 March 2019 where we rendered a disclaimer of opinion on the financial statements.

(e) Bank confirmation

We are not able to obtain bank confirmation for bank borrowings amounted to US$13,265,498 as at 31 March 2020 as disclosed in Note 16 to the financial statements. We are unable to ascertain the existence and completeness of the bank borrowings and whether there are any other facilities or similar with the financial institution which could have an impact on the financial statements, or related information that require disclosure.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement.

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 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

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.

JAMES CHAN & PARTNERS LLP
Public Accountants and Chartered Accountants
Singapore

Singapore, 26 June 2020

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

Statement of Financial Position as at 31 March 2020

	Note	2020	2019
		US$	US$
EQUITY			
Share capital	4	60,000	60,000
6.51% non-cumulative redeemable preference shares	5	56,549,515	56,549,515
Reserve	6	533,218	533,218
Accumulated losses		(106,076,175)	(57,634,137)
Capital deficiency		(48,933,442)	(491,404)
REPRESENTED BY:			
NON-CURRENT ASSETS			
Plant and equipment	7	-	-
Investment in subsidiary corporations	8	2	398,956
		2	398,956
CURRENT ASSETS			
Other receivables	9	-	-
Amounts due from holding company	10	-	-
Amounts due from subsidiary corporations	11	400,000	45,752,496
Cash and cash equivalents	12	9,310	16,857
		409,310	45,769,353
LESS: CURRENT LIABILITIES			
Other payables	13	2,125,219	2,014,985
Amounts due to holding company	14	11,128,173	9,808,000
Amounts due to subsidiary corporations	15	22,823,864	22,589,688
Borrowings	16	13,265,498	12,247,040
		49,342,754	46,659,713
Net current liabilities		(48,933,444)	(890,360)
Total net liability		(48,933,442)	(491,404)

The accompanying notes form an integral part of these financial statements.

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

Statement of Comprehensive Income for the financial year ended 31 March 2020

	Note	2020	2019
		US$	US$
Revenue		-	-
Other operating income	17	1,161,701	3,439,336
Staff costs	18	-	(131,869)
Administrative expenses		(29,502)	(47,544)
Other expenses		(48,395,284)	(49,707,741)
Loss from operations		(47,263,085)	(46,447,818)
Finance costs	19	(1,190,580)	(4,675,020)
Loss before taxation	20	(48,453,665)	(51,122,838)
Income tax income/(expense)	21	11,627	(45,288)
Loss for the year, representing total comprehensive loss the financial year		(48,442,038)	(51,168,126)

The accompanying notes form an integral part of these financial statements.

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

Statement of Changes in Equity for the financial year ended 31 March 2020

	Share capital	Preference shares	Fair value on guarantee	Accumulated losses	Total
	US$	US$	US$	US$	US$
Balance as at 1 April 2018	60,000	-	-	(6,466,011)	(6,406,011)
Total comprehensive loss for the financial year	-	-	-	(51,168,126)	(51,168,126)
Equity component on non-cumulative redeemable preference shares (Note 5)	-	56,549,515	-	-	56,549,515
Contribution from parent – fair value of the guarantee (Note 6)	-	-	533,218	-	533,218
Balance as at 31 March 2019	60,000	56,549,515	533,218	(57,634,137)	(491,404)
Total comprehensive loss for the financial year	-	-	-	(48,442,038)	(48,442,038)
Balance as at 31 March 2020	60,000	56,549,515	533,218	(106,076,175)	(48,933,442)

The accompanying notes form an integral part of these financial statements.

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

Statement of Cash Flows for the financial year ended 31 March 2020

	Note	2020	2019
		US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before taxation		(48,453,665)	(51,122,838)
Adjustments for:			
Amounts due from subsidiary corporations written off		31,687,295	47,119,020
Interest expense		1,190,580	4,675,020
Interest income		(1,137,827)	(3,434,184)
Provision of impairment loss on amounts due from holding company		1	-
Provision of impairment loss on amounts due from holding company		-	720,749
Provision of impairment loss on amounts due from subsidiary corporation		16,309,035	752,662
Provision of impairment loss on investment in subsidiary corporations		398,953	1,117,203
Operating cash flows before working capital changes		(5,628)	(172,368)
Changes in:			
Other payables		88,639	(396,752)
Cash used in operations		83,011	(569,120)
Income tax refund/(paid)		11,627	(45,288)
Net cash from/(used in) operating activities		94,638	(614,408)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		-	283,555
Decrease in fixed deposit		-	306,437
Net cash from investing activities		-	589,992
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in amounts due from holding company		-	(407,791)
Increase/(Decrease) in amounts due from subsidiary corporations		(185,834)	3,013,081
Decrease in amounts due to holding company		-	(1,066,985)
Increase in amounts due to subsidiary corporations		83,649	126,856
Interest paid		-	(1,373,621)
Repayment of bank borrowings		-	(2,255,920)
Net cash used in financing activities		(102,185)	(1,964,380)
Net change in cash and cash equivalents		(7,547)	(1,988,796)
Cash and cash equivalents at beginning of the financial year		16,857	2,005,653
Cash and cash equivalents at end of the financial year	12	9,310	16,857

The accompanying notes form an integral part of these financial statements.

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2020

The following notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The Company is incorporated as a limited liability company and domiciled in Singapore with its registered office and principal place of business located at 60 Paya Lebar Road, #13-05D Paya Lebar Square, Singapore 409051.

The Company's immediate and ultimate holding company is Mercator Limited, a company incorporated and publicly listed in India.

The principal activities of the Company are those of investment holding company and chartering of shipping vessels and provision of marine transport services.

The principal activities of the subsidiary corporations are disclosed in Note 8 of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs").

The financial statements expressed in United States Dollars, are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the use 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 the reported amounts of revenues and expenses during the financial period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(b) Adoption of New and Revised Standards

On 1 April 2019, the Company adopted the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and are mandatory for application from that date. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of the new and revised FRS and INT FRS did not result in any substantial changes to the Company's accounting policies and has no material effect on the financial statements, except as disclosed in the financial statements.

(c) Standards Issued but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2020 or later periods and which the Company has not early adopted.

The management anticipates that the adoption of the new FRS and INT FRS in future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Fundamental Accounting Concept

The Company incurred a net loss of US$48,442,038 for the financial year ended 31 March 2020 and, as of the date, the Company has capital deficiency of US$48,933,442. These conditions indicate the existence of material uncertainties which may cast significant doubt as to the ability of the Company to continue as going concern and to realise the assets and discharge the liabilities in the ordinary course of business.

Nevertheless, in the preparation of the financial statements, the directors of the Company believe the use of the going concern assumption is appropriate after taking into consideration that the subsidiaries of the company will be in operational existence and to generate sufficient positive cash flows from their operations to enable the Company to meet its liabilities as and when they fall due.

If the Company were unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

(e) Consolidated Financial Statements (Non-consolidated)

The financial statements of the subsidiary corporations have not been consolidated with the Company's financial statements as the Company itself is a wholly owned subsidiary corporation of Mercator Limited, incorporated in India, which prepares consolidated financial statements on a worldwide basis. Such financial statements are publicly available.

The registered address of Mercator Limited is located at 3rd floor, Mittal Towers, B Wing, Nariman Point, Mumbai 400021, India.

(f) Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Preference shares

Preference shares are equity instrument only if it is non-redeemable or are redeemable at the discretion of the issuer, and the distributions to preference shareholders are at the discretion of the issuer.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(g) Plant and Equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

When significant parts of plant and equipment are required to be replaced in intervals, the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fittings	10 years
Computers	3 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(h) Subsidiary Corporations

A subsidiary corporation is an entity controlled by the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investment in subsidiary corporations is stated at cost less impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount.

On disposal of a subsidiary corporation, the difference between net disposal proceeds and the carrying amount of the investment is taken to statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(i) Financial Assets

(i) Classification and measurement

The Company classifies its financial assets in the following measurement categories:

- at fair value through other comprehensive income ("FVOCI"),
- at fair value through profit or loss ("FVPL"), and
- at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company's financial assets measured at amortised cost include amounts due from subsidiary corporations and cash and cash equivalents.

At initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(a) Debt instruments

There are three subsequent measurement categories, depending on the company's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost:

  Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instruments that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired.

- FVOCI:

  Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains/(losses)".

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(i) Financial Assets - continued

(i) Classification and measurement - continued

At subsequent measurement - continued

(a) Debt instruments - continued

- FVPL:

  Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in “other income” or “other expenses”.

(b) Equity instruments

The Company subsequently measures all its equity investments at their fair values. Equity instruments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in “other gains/(losses)”, except where the Company has elected to classify the investments as FVOCI. Movements in fair values of investments classified as FVOCI are presented as “fair value gains and losses” in Other Comprehensive Income.

(ii) Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Losses (“ECL”) associated with its assets carried at amortised cost and debt instruments measured at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment on financial assets are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk has occurred since initial recognition, then impairment is measured as lifetime ECL.

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(i) Financial Assets - continued

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On disposal of a debt instruments, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceeds is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceeds amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at banks and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

(k) Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

An impairment loss is charged to the statement of comprehensive income unless it reverses a previous revaluation, in which case, it will be charged to equity. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

(l) Financial Liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or financial liabilities measured at amortised cost.

Financial liabilities are recognised when the Company becomes a party to the contractual agreements governing the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(m) Other Financial Liabilities

Other financial liabilities measured at amortised cost included other payables, amount due to holding company amount due to subsidiary corporations and borrowings, which are initially recognised at fair value and subsequently carried at amortised cost, using the effective interest method.

(n) Borrowings

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

(o) Financial Guarantee Contracts

When the Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of FRS115; and
(b) the amount of loss provisions determined in accordance with FRS109.

Prior to 1 April 2019, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

(p) Provision

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

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

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

(q) Borrowings cost

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(r) Revenue Recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Interest income

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

(s) Employee Benefits

Wages and Salaries

The provision for employees’ entitlements to wages and salaries represents the present amount of obligation the entity has to pay resulting from employees’ services provided up to the reporting date. The provision has been calculated at undiscounted amounts based on current wages and salary rate and includes related on-costs. The carrying amount of the provisions approximates the net fair value.

Defined Contribution Plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund (“CPF”), are dealt with as payments to defined contribution plans where the Company’s obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(t) Taxation

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current tax assets and liabilities for the current year is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the report date.

Current income tax expenses are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax is provided using the balance sheet liability method, providing for all taxable temporary differences between the carrying amounts of all assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(u) Foreign Currency Transactions

Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements of the Company are presented in United States Dollars, which is also the functional currency of the Company.

Foreign Currency Transactions and Balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency at the exchange rates prevailing at the date of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies at the end of reporting period are translated at exchange rates ruling at that date. Foreign exchange differences arising from translation are recognised in profit or loss.

(v) Related Party

A related party is defined as follows:

(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 control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or the Company's parent.

(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 corporation and fellow subsidiary corporation is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

(vi) the entity is controlled or jointly 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).

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the most significant accounting estimates, assumptions and judgements that have the most significant effect for the preparation of financial statements.

Allowance for expected credit losses

The Company makes allowances for expected credit losses based on an assessment of the recoverability of receivables. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The identification of loss allowance requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying amount of the receivables and loss allowance in the period in which such estimate has been changed.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. In determining the fair value of the investment in non-financial assets, management has exercised its judgments and is satisfied that the estimates are reflective of the market conditions as at the reporting date based on the assumptions applied by the management.

Classification of preference shares

In the process of classifying preference shares, management has made various judgments. Judgment is needed to determine whether a financial instrument, or its component parts, on initial recognition is classified as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. In making its judgment, management considered the detailed criteria and related guidance for the classification of financial instruments as set out in FRS32 *Financial Instruments: Presentation*, in particular, whether the instrument includes a contractual obligation to a fixed number of ordinary shares for each preference share at the point of conversion. Management and the directors of the Company have concluded that the classification of the preference shares as an equity instrument in the financial statements is appropriate and in accordance to FRS32 *Financial Instruments: Presentation.*

4. SHARE CAPITAL

	2020	2019
	US$	US$
Issued and fully paid (no par value)		
100,000 ordinary shares	60,000	60,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares with no par value carry one vote per share without restriction.

5. 6.51% NON-CUMULATIVE REDEEMABLE PREFERENCE SHARES

The 6.51% non-cumulative redeemable preference shares will have to be converted into equity at any time till 10 years from the issue date. Based on term of issuance of preference shares, the Company will issue fixed number of preference share of 56,549,515 of US$1 each to the holding company. Accordingly, these preference shares have been classified as equity in the financial statements.

6. RESERVE

This related to a contribution from the holding company on the fair value of the guarantee as an equity infusion by the holding company to the Company. The Company recognised guarantee fee of US$Nil (2019: US$533,218) during the financial year.

7. PLANT AND EQUIPMENT

	Furniture and fittings	Computers	Total
	US$	US$	US$
Cost			
Balance as at 1.4.2018, 31.3.2019 and 31.3.2020	17,658	7,301	24,959
Accumulated depreciation			
Balance as at 1.4.2018, 31.3.2019 and 31.3.2020	17,658	7,301	24,959
Carrying amount			
Balance as at 31.3.2020	-	-	-
Balance as at 31.3.2019	-	-	-

8. INVESTMENT IN SUBSIDIARY CORPORATIONS

	2020	2019
	US$	US$
At cost:		
Unquoted investments	3,399,112	3,399,112
Less: Written off	1	-
	3,399,111	3,399,112
Less: Impairment loss		
Balance at beginning of the financial year	3,000,156	1,882,953
Impairment loss recognised during the financial year	398,953	1,117,203
Balance at end of the financial year	3,399,109	3,000,156
	2	398,956

Details of the subsidiary corporations are as follows:

Name of subsidiary corporation	Principal activities	Country of incorporation/ place of business	Percentage of shareholdings		Cost of investment	
			2020	2019	2020	2019
			%	%	US$	US$
(1) Oorja Holdings Pte Ltd	Investment holding	Singapore	100	100	1	1
(1) Offshore Holdings Company Pte Ltd	Shipping lines, chartering of ships, barges and boats with crew	Singapore	99.99	99.99	3,000,157	3,000,157
(1) (4) Mercator Energy Pte Ltd	Providing services incidental to offshore production assets and oil and gas extraction	Singapore	75	75	398,952	398,952
(1) (3) Brio Resources Pte Ltd	Provide business support services to a related company which is dealing in trading of mining and services	Singapore	-	100	-	1
(2) Marvel Value International Limited	Investment holding	British Virgin Islands	100	100	1	1
					3,399,111	3,399,112

8. INVESTMENT IN SUBSIDIARY CORPORATIONS - continued

[1] The financial statements of these subsidiary corporations are audited by another firm of auditors.
[2] The subsidiary corporation is exempted to have its accounts audited in the country of incorporation.
[3] The subsidiary corporation was struck off on 4 June 2019.
[4] The subsidiary corporation is in the process of liquidation subsequent to end of the year.

At the end of the reporting period, the management performed an impairment assessment on its investment in subsidiary corporations due to continued losses incurred by the subsidiary corporations. From the impairment review, the Company recognised impairment loss of US$398,953 (2019: US$1,117,203). The impairment assessment was based on fair value less costs to sell.

9. OTHER RECEIVABLES

	2020	2019
	US$	US$
Non-trade receivables	6,232,055	6,232,055
Less: Impairment loss		
Balance at beginning and end of the financial year	(6,232,055)	(6,232,055)
	-	-

Other receivables are denominated in United States Dollars.

10. AMOUNTS DUE FROM HOLDING COMPANY

	2020	2019
	US$	US$
Amounts due from holding company	-	720,749
Less: Impairment loss	-	(720,749)
	-	-

Amounts due from holding company are non-trade related, unsecured, interest-free and receivable on demand.

Amounts due from holding company are denominated in United States Dollars.

Movement in impairment loss for amounts due from holding company:

	2020	2019
	US$	US$
Balance at beginning of the financial year	720,749	-
Impairment loss recognised during the financial year	-	720,749
Amount written off as uncollectible	(720,749)	-
Balance at end of the financial year	-	720,749

11. AMOUNTS DUE FROM SUBSIDIARY CORPORATIONS

	2020	2019
	US$	US$
[a] Mercator Energy Pte Ltd	30,752,194	30,713,514
[a] Offshore Holdings Company Pte Ltd	1,331,551	47,117,127
[a] Oorja Holdings Pte Ltd	16,309,035	15,038,982
[b] Brio Resources Pte Ltd	-	1,893
[b] Marvel Value International Limited	3,550	752,662
	48,396,330	93,624,178
Less: Bad debts written-off	(31,687,295)	(47,119,020)
Less: Impairment loss	(16,309,035)	(752,662)
	400,000	45,752,496

[a] Amounts due from subsidiary corporations are interest bearing ranging from 4% to 7.80% (2019: 4% to 7.32%) per annum, non-trade related, unsecured and receivables on demand.

[b] Amounts due from subsidiary corporations are interest free, non-trade related, unsecured and receivable on demand.

Amounts due from subsidiary corporations are denominated in United States Dollars.

Movement in impairment loss for amounts due from subsidiary corporations:

	2020	2019
	US$	US$
Balance at beginning of the financial year	752,662	-
Impairment loss recognised during the financial year	16,309,035	752,662
Amount written off as uncollectible	(752,662)	-
Balance at end of the financial year	16,309,035	752,662

12. CASH AND CASH EQUIVALENTS

	2020	2019
	US$	US$
Cash on hand	25	37
Cash at banks	9,285	16,820
	9,310	16,857

Cash and cash equivalents are denominated in the following currencies:

	2020	2019
	US$	US$
United States Dollars	9,029	16,246
Singapore Dollars	281	611
	9,310	16,857

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

13. OTHER PAYABLES

	2020	2019
	US$	US$
Accruals	254,134	232,539
Other payables	1,002,085	913,446
Provisions	869,000	869,000
	2,125,219	2,014,985

In respect of the Compensation shares of the subsidiary corporation, Mercator Lines (Singapore) Limited (under Judicial Management), given to the owners of the chartered in vessels (the "Owners") on entering into early termination agreements in 2013, put options have been granted by the Company.

The put options require the Company to purchase the shares at a price equivalent to 50% of the closing price for the shares on the market day preceeding the date on which the shares are transferred to the Owners. The options can be exercised within 90 days after the 4th anniversary of the date on which the shares were transferred.

In 2018, the Owners have exercised the put options and the management has recognised the balance of US$849,220 under other payables in which the Company has entered the final settlement agreement with an Owner to purchase the put option. The provisions of US$869,000 had been recognised based on the management best estimates in respect for the Company to purchase the remaining put options from other Owners.

Other payables are denominated in the following currencies:

	2020	2019
	US$	US$
Singapore Dollars	1,221,879	1,121,384
United States Dollars	903,340	893,601
	2,125,219	2,014,985

14. AMOUNTS DUE TO HOLDING COMPANY

Amounts due to holding company are interest-free, non-trade in nature, unsecured and repayable on demand.

Amounts due to holding company are denominated in United States Dollars.

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

15. AMOUNTS DUE TO SUBSIDIARY CORPORATIONS

	2020	2019
	US$	US$
[a] Brio Resources Pte Ltd	-	1
[a] Marvel Value International Limited	1	1
[b] Mercator Offshore (P) Pte Ltd	19,626,795	19,661,795
[b] Oorja Holdings Pte Ltd	2,244,118	2,322,043
[b] MCS Holdings Pte Ltd	952,950	605,848
	22,823,864	22,589,688

[a] Amounts due to subsidiary corporations are interest free, non-trade in nature, unsecured and repayable on demand.

[b] Amounts due to subsidiary corporations are interest bearing at 4% (2019: 4%) per annum, non-trade in nature, unsecured and repayable on demand.

Amounts due to subsidiary corporations are denominated United States Dollars.

16. BORROWINGS

Bank loan was secured by:

(i) Charge over Debt Service Reserve Account (“DSRA”);
(ii) Charge over all assets of Pt Indo Perkasa (other than land);
(iii) Pledge 100% shares of Pt Indo Perkasa; and
(iv) Contractual comforts include corporate guarantee from subsidiary corporation, Mercator Energy Pte Ltd and PT Indo Perkasa.

The bank loan is repayable in 63 months from the initial drawn down in January 2016 and bears interest rate at 3 month United States Dollar LIBOR plus margin of 5% per annum. The bank loan is denominated United States Dollars

Since previous financial year, the Company has defaulted in making payment of a loan instalment. Due to the breach of covenant clauses, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount. The outstanding loan amount was presented as current liabilities.

On 13 May 2019, the Company received a legal letter of demand from a lawyer acting for ICIC Bank Limited, DIFC Dubai Branch (“ICIC”) by asking the Company to pay off US$12,498,142 including interest.

On 13 November 2019, a lawyer acting for ICIC has filed a writ of summons against the Company in the Singapore High Court for defaulted in making payment of outstanding loan amount including interest of US$13,205,272.

On 21 November 2019, the Company entered appearance before the Singapore High Court.

On 18 December 2019, PT Indo Perkasa initiated a suit before the Jakarta Selatan District Court, challenging the legality of the Facility Agreement under Indonesian law, and seeking a declaration that the Facility Agreement is void and unenforceable.

16. BORROWINGS - continued

On 19 December 2019, the Company filed their statement of defence ("**SOD**"), denying ICICI's claims *in toto*, and stating *inter alia* that:

(a) ICICI is estopped from enforcing its claim against the Company allegedly arising out of non-payment of monies to ICICI;

(b) ICICI had waived its right to accelerate the amounts payable under the Facility Agreement; and

(c) The Facility Agreement is illegal under Indonesian law, and should not be enforced by the Singapore High Court.

On 2 January 2020, ICICI filed its statement of reply to the Company's statement of defence ("**SOR**"), denying the statement of defence in its entirety, and joining issue with every allegation therein.

On 13 February 2020, ICICI filed an application for summary judgement, on the ground that the Company have no real defence. In its application for summary suit, ICICI largely reiterated the contents of their SOC and SOR.

On 13 March 2020, the Company filed their reply to ICICI's application for summary judgement, praying that:

(a) the Company be given unconditional leave to defend ICICI's application for summary suit; and/or

(b) ICICI's application for summary suit be dismissed.

The hearing of the application for summary judgement took place on 10 June 2020, and the judgement was reserved. The court directed the parties to file further written submissions on specific issues raised.

As of today, the hearing still on going and the outcome has not finalised.

17. OTHER OPERATING INCOME

	2020	2019
	US$	US$
Foreign exchange gain	23,874	5,152
Interest on amounts due from subsidiary corporations	1,137,827	3,432,025
Interest on fixed deposit	-	2,159
	1,161,701	3,439,336

18. STAFF COSTS

	2020	2019
	US$	US$
Salaries and bonuses	-	118,093
CPF contributions	-	13,574
Skill development levy	-	147
Staff welfare	-	55
	-	131,869

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

19. FINANCE COSTS

	2020	2019
	US$	US$
Interest on amounts due to subsidiary corporations	33,858	738,875
Interest on amounts due to holding company	-	2,283,193
Interest on bank loans	1,156,722	1,119,734
Interest on guarantee expense	-	533,218
	1,190,580	4,675,020

20. LOSS BEFORE TAXATION

This is stated after charging the following items which have not been otherwise disclosed in the statement of comprehensive income:

	2020	2019
	US$	US$
Amounts due from subsidiary corporation written off	31,687,295	47,119,020
Provision of impairment loss on amounts due from holding company	-	720,749
Provision of impairment loss on amounts due from subsidiary corporations	16,309,035	752,662
Provision of impairment loss on investment in subsidiary corporations	398,953	1,117,203

21. TAXATION

	2020	2019
	US$	US$
Income tax – (over)/under provision in prior years	(11,627)	45,288
Reconciliation of tax:		
Loss before taxation	(48,453,665)	(51,122,838)
Taxation at statutory rate of 17%	(8,237,123)	(8,690,882)
Tax effects of:		
Income not subject to tax	(4,059)	(499,354)
Non-deductible expenses	8,272,585	9,242,511
Statutory stepped income exemption	-	(26,450)
Income tax (over)/under provision in prior years	(11,627)	45,288
Transferred of group relief from subsidiary corporations	(31,403)	-
Others	-	(25,825)
	(11,627)	45,288

22. RELATED PARTY DISCLOSURES

During the year, in addition to those disclosed elsewhere in these financial statements, the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	2020	2019
	US$	US$
(a) With holding company		
Interest expense	-	2,816,411
(b) With subsidiary corporations		
Interest income	(1,137,827)	(3,432,025)
Interest expense	33,858	738,875

Compensation key management personnel

There is no key management apart from the directors. The directors did not receive any remuneration for the financial year.

23. CONTINGENT LIABILITIES

The Company has provided corporate guarantees to financial institutions in respect of banking facilities granted to subsidiary corporations. Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings.

There was default in loan repayment by certain subsidiary corporations in which the Company is corporate guarantor as follow:

As at 31 March 2020

1) MCS Holdings Pte Ltd (“MCS”), a wholly-owned subsidiary of Oorja Holdings Pte Ltd, has defaulted in making payment of working capital demand loan. As at 31 March 2020, the outstanding loan due to ICIC Bank Limited (“ICIC”) and DBS Bank Limited Singapore (“DBS”) was amounted to US$22,906,456 and US$3,154,985 respectively.

2) Oorja Holdings Pte Ltd (“OHPL”), a wholly-owned subsidiary of the Company has defaulted in making payment of bank loan. The outstanding bank loan was US$2,483,699 as at 31 March 2020. The Company has created charge on all shares of OHPL as per sanction terms of loan of ICICI Bank Limited.

3) Marvel Value International Limited (“MVIL”), a wholly-owned subsidiary of the Company has defaulted in making payment of bank loan. The outstanding bank loan of MVIL was US$7,261,000 as at 31 March 2020.

At present, the Mercator Limited’s group companies are negotiating debt resolution plan with lenders. The outcome has not been finalised and as a result, no contingent liability is recognised as the extent of the implication cannot be determined.

23. CONTINGENT LIABILITIES - continued

As at 31 March 2019

1) MCS Holdings Pte Ltd ("MCS"), a wholly-owned subsidiary of Oorja Holdings Pte Ltd, has defaulted in making payment of working capital demand loan. As at 31 March 2019, the outstanding loan due to ICIC Bank Limited ("ICIC") and DBS Bank Limited Singapore ("DBS") was amounted to US$20,149,208 and US$2,996,036 respectively.

2) Oorja Holdings Pte Ltd ("OHPL"), a wholly-owned subsidiary of the Company has defaulted in making payment of bank loan. The outstanding bank loan was US$2,758,466 as at 31 March 2019. The Company has created charge on all shares of OHPL as per sanction terms of loan of ICICI Bank Limited.

3) Marvel Value International Limited ("MVIL"), a wholly-owned subsidiary of the Company has defaulted in making payment of bank loan. The outstanding bank loan of MVIL was US$7,261,000 as at 31 March 2019.

In 2019, the Mercator Limited's group companies are negotiating debt resolution plan with lenders. The outcome has not been finalised and as a result, no contingent liability is recognised as the extent of the implication cannot be determined.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table summarises the carrying amount of financial assets and financial liabilities recorded at the end of the reporting period:

	2020	2019
	US$	US$
Financial assets measured at amortised cost		
Amounts due from subsidiary corporations	400,000	45,752,496
Cash and cash equivalents	9,310	16,857
	409,310	45,769,353
Financial liabilities measured at amortised cost		
Other payables (exclude provisions)	1,256,219	1,145,985
Amounts due to holding company	11,128,173	9,808,000
Amounts due to subsidiary corporations	22,823,864	22,589,688
Borrowings	13,265,498	12,247,040
	48,473,754	45,790,713

25. FINANCIAL RISK AND CAPITAL MANAGEMENT

(a) Financial Risk Management Policies

The main risks arising from the Company's financial statements are credit risk, foreign currency risk, interest rate risk and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks and they are summarised below:

(i) Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company performs on going credit evaluation of its counterparties' financial condition and generally do not require collateral.

The Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for amounts due from subsidiary corporations as disclosed in Note 11.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Amounts due from holding company

For amounts due from holding company, the management has taken into account information that it has available internally about the holding company's past, current and expected operating performance and cash flow position. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and available press information, if available), these exposures are considered to have high credit risk. Therefore impairment on these balances has been measured at an amount equal to lifetime ECL and impairment loss of 2020: US$Nil (2019: US$720,749) was recognised in profit or loss.

Amounts due from subsidiary corporations

Non-trade receivables from the subsidiary corporations are mainly amounts lent to subsidiaries to satisfy funding requirements. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and available press information, if available), these exposures are considered to have high credit risk. In view there is evidence that the amounts due from subsidiary corporations are in the several financial difficulties or in the process of liquidation, the Company has no realistic prospect of recovery the outstanding amount.

As at 31 March 2020

The management written off the amount due from Offshore Holdings Company Pte Ltd of US$1,331,551, Mercator Energy Pte Ltd of US$30,352,194 and Marvel Value International Limited of US$3,550 during the financial year. Total amount written off of US$31,687,295 were recognised in profit or loss since the subsidiary corporations had suffered significant losses from its operations where it was not probable that the balances due from subsidiary corporations would be recoverable.

In addition, the management has identified indicator of impairment on the amount due from Oorja Holdings Pte Ltd. At the end of the reporting period, impairment losses amounted to US$16,309,035 was recognised in profit or loss when there is no realistic prospect of recovery.

25. FINANCIAL RISK AND CAPITAL MANAGEMENT - continued

(a) Financial Risk Management Policies - continued

(i) Credit Risk - continued

Amounts due from subsidiary corporations - continued

As at 31 March 2019

The management written off the amount due from Offshore Holdings Pte Ltd and Brio Resources Pte Ltd amounted to US$47,117,127 and US$1,893 respectively. At the end of the reporting period, total impairment loss amounted to US$47,119,020 were recognised in profit or loss since the subsidiary corporations had suffered significant losses from its operations where it was not probable that the balances due from subsidiary corporations would be recoverable.

In addition, the management has identified indicator of impairment on the amount due from Marvel Value International Limited. At the end of the reporting period, impairment losses amounted to US$752,662 was recognised in profit or loss when there is no realistic prospect of recovery.

Cash and cash equivalents

Bank balances are maintained with financial institutions with high credit rating. The cash and cash equivalents are subject to immaterial credit loss and is measured based on 12-month credit losses model.

(ii) Foreign Currency Risk

The Company's operational activities are mainly carried out in United States Dollars, the measurement and reporting currency of the Company.

As at the end of the reporting period, the Company's foreign currency exposures are insignificant. Accordingly, foreign exchange sensitivity analysis is not prepared.

(iii) Interest Rate Risk

The Company's exposure to market risk for changes in interest rates relates primarily to bank borrowings as shown in Note 16 to the financial statements.

The Company's results are affected by changes in interest rates due to the impact of such changes on interest income and expenses from bank borrowing which are at floating interest rates. It is the Company's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Company.

If the interest rates increase/decrease by 0.5% with all other variables including tax rate being held constant, the profit after income tax will be lower/higher by approximately US$66,000 (2019: US$61,000) as a result of higher/lower interest expense on bank borrowings.

25. FINANCIAL RISK AND CAPITAL MANAGEMENT - continued

(a) Financial Risk Management Policies - continued

(iv) Liquidity Risk

Liquidity risk refers to the risk in which the Company encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The liquidity of the Company is dependent on certain assumptions as disclosed in Note 2(d) to the financial statements.

The maturity profile of the Company's financial liabilities at the end of the reporting period, based on contractual undiscounted payments is within one year.

(b) Capital Management

The primary objective of the Company's capital management is to ensure that it has sufficient capital in order to support its business and to generate sufficient returns to its shareholders. With the current market turmoil, management has decided to be prudent and to conduct a level of business, which will not expose the Company to excessive risk.

The Company's management actively and regularly reviews and manages the capital structures to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company currently does not adopt any formal dividend policy.

The Company is not subject to any externally imposed capital requirement. The Company's overall strategy remains unchanged from previous financial years.

(c) Fair Values

The carrying amounts of the financial instruments approximate their respective fair values due to their relatively short term maturity.

26. SIGNIFICANT EVENTS

In addition to significant events described in Note 16 and Note 23 to the financial statements, the following are significant events took place in subsidiary corporations during the year:

Oorja Holdings Pte Ltd ("OHPL")

In previous financial year, a minority shareholder of PT Karya Putra Borneo ("PTKPB"), a step down subsidiary has filed a claim as shareholder of the company by allegedly accessing Legal Entity Administration System (LEAS) of Ministry of Law and Human Rights (MoLHR) and filed Deed of Change of Board of Directors, Board of Commissioner and Shareholders (Akta) dated 5 March 2019.

One of the shareholders ("PT IPK") of PT KPB has filed court case with the State Administrative Court (PTUN). Management of the Company is anticipating positive outcome as per their judgment and other compliance under applicable Mining Law in Indonesia. As per Ministry of Energy and Mineral Resources (MEMR) clarification letter dated 19th August 2019, their records states existing board of commissioners and directors and stockholders are still registered and subsisting as per their records and they have been no change in MEMR records.

26. SIGNIFICANT EVENTS - continued

Oorja Holdings Pte Ltd ("OHPL") - continued

On the court hearing dated 23 October 2019, the shareholder - PT IPK was declared victorious in the case. The opponent (defendant (I)) intervention has filed an appeal to PTUN. There is no court hearing in the appeal stage. As at the end of reporting report, the final verdict is yet to be issued. As a result, MoLHR has not formally revoke its acceptance for the change happened on March 2019.

Based on the latest information, PT IPK and the company are still the legitimate shareholders of PT KPB which are consistent with record of LEAS of MoLHR which issued on 19 February 2020 with Letter number AHU.2.UM.01.01-828.

Disruption of business due to Covid-19 Outbreak

The recent development of the Covid-19 pandemic has significantly disrupted business activities of many organisations including the Company and its subsidiary corporations. As at the date of this report, the outbreak continues to evolve and there is no certainty to determine impact of the outbreak at this juncture. No adjustments have been made to the financial statements for the reporting period.

27. COMPARATIVE FIGURES

Certain comparatives figures have been reclassified to better reflect the nature of the balances and to consistent with the current financial year's presentation as follows:

	Previously reported 2019	After reclassification 2019
	US$	US$
Statement of Cash Flows:		
Cash flows from investing activities		
Interest received	3,434,184	283,555
Cash flows from financing activities		
Decrease/(Increase) in amounts due from holding company	1,875,402	(407,791)
(Increase)/Decrease in amounts due from subsidiary corporations	(137,548)	3,013,081
Increase in amounts due to subsidiary corporations	858,884	126,856
Interest paid	(4,141,802)	(1,373,621)
Repayment of bank borrowings	(2,502,960)	(2,255,920)

28. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Company for the financial year ended 31 March 2020 were authorised for issue in accordance with a directors' resolution on the date of the Directors' Statement.

THE FOLLOWING SCHEDULE DOES NOT FORM PART OF THE STATUTORY FINANCIAL STATEMENTS

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

Detailed Income Statement for the financial year ended 31 March 2020

	2020	2019
	US$	US$
Revenue	-	-
Add: Other operating income		
Foreign exchange gain	23,874	5,152
Interest on amounts due from subsidiary corporations	1,137,827	3,432,025
Interest on fixed deposit	-	2,159
	1,161,701	3,439,336
Less: Expenses (as per schedule)	48,424,786	49,887,154
Less: Finance costs		
Interest on amounts due to subsidiary corporations	33,858	738,875
Interest on amounts due to holding company	-	2,283,193
Interest on bank loans	1,156,722	1,119,734
Interest on guarantee expense	-	533,218
	1,190,580	4,675,020
Loss before taxation	(48,453,665)	(51,122,838)
Income tax income/(expense)	11,627	(45,288)
Loss for the financial year	(48,442,038)	(51,168,126)

MERCATOR INTERNATIONAL PTE. LTD.

(Incorporated in Singapore)

Schedule of Expenses for the financial year ended 31 March 2020

	2020	2019
	US$	US$
Amounts due from subsidiary corporations written off	31,687,295	47,119,020
Auditors' remuneration	4,381	14,037
Bank charges	1,136	3,483
Communication expenses	12	12
Conveyance	-	23
CPF contributions	-	13,574
Entertainment	-	11
General expenses	-	2,337
Investment in subsidiary corporations written-off	1	-
Penalty	-	1,875
Printing and stationery	335	417
Professional fees	23,638	23,456
Provision of impairment loss on investment in subsidiary corporations	398,953	1,117,203
Provision of impairment loss on amounts due from holding company	-	720,749
Provision of impairment loss on amounts due from subsidiary corporations	16,309,035	752,662
Salaries and bonuses	-	118,093
Skill development levy	-	147
Staff welfare	-	55
	48,424,786	49,134,492