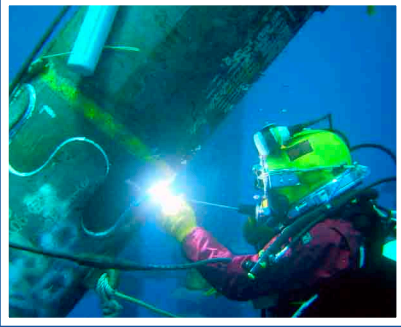


RISING  
PROFITABILITY  
IN A CYCLICAL  
UPTURN

# 2012



Mermaid Maritime  
Public Company Limited



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*"... delivering a world class service  
to the region within the region ..."*



Key Strengths



Balanced Earnings

Asset Ownership

Client Relationship

Niche Services



29

years since Mermaid Maritime's establishment



5

regions in which Mermaid Maritime operates: South East Asia, East Asia, India, Middle East, West Africa



500

skilled workers, crews, technicians, service providers & management



3

high-specification jack-ups rigs under construction with 33.75 percent ownership



9 subsea vessels



5 saturation diving systems



12 remotely operated vehicle



2 tender drilling rigs

Offshore Services to the Oil & Gas Industry

- Subsea inspection, repair and maintenance
- Subsea infrastructure installation support
- Subsea remotely operated vehicle support
- Subsea emergency callout service
- Subsea salvage and decommissioning support
- Offshore drilling and workover services
- Accommodation barge services



Key Milestones

2005 - 2007

Expanded subsea business and purchased 'Mermaid Responder' and 'Mermaid Commander'. Incorporated Mermaid Drilling and commenced offshore drilling services with purchase of tender rigs 'MTR-1' and 'MTR-2'. Purchased 'Mermaid Performer'. Converted to a public company and listed on the Main Board of the Singapore Stock Exchange. IPO raised ~SGD 218 million. Ordered newbuild 'Mermaid Sapphire'.

2008 - 2010

Acquired 80% of Seascope Surveys for access to hydrographic and positioning services. Took delivery of 'Mermaid Challenger'. Acquired 20% of 'Mermaid Asiana' under construction. Acquired 'Mermaid Endurer' under construction. Took delivery of 'Mermaid Sapphire' and purchased remaining 80% of 'Mermaid Asiana' under construction. Raised ~SGD 156 million from rights issue. Acquired Subtech to expand subsea services in the Middle East and Persian Gulf. Disposed 'Mermaid Responder', purchased 'Mermaid Siam' and took delivery of 'Mermaid Endurer' and 'Mermaid Asiana' bringing total subsea fleet to eight vessels. Founded Asia Offshore Drilling (AOD) with two high specification jack-up rigs under construction.

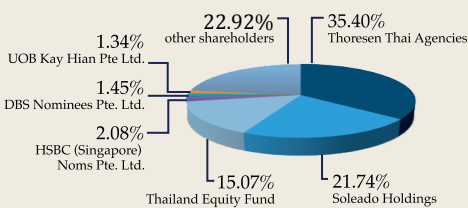
2011

Consolidated an equal 33.75% stake in AOD with Seadrill Limited. AOD ordered third high specification jack-up bringing total number of jack-up rigs under construction to three, with deliveries all scheduled for 2013. AOD successfully listed in Oslo Bors ASA during the year. Mermaid 'Endurer' and 'Asiana' commences maiden contract work in North Sea and Asia Pacific regions respectively.

2012

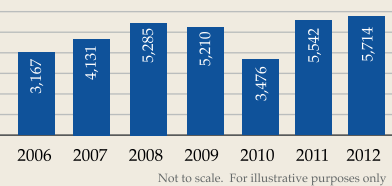
Restructured Board and management team for growth. Acquired the remaining 20% equity in Seascope Group thus consolidating the subsea group under full ownership. Chartered-in 'Endeavour' bringing total subsea fleet capacity to nine vessels. Secured a significant contract for subsea services worth USD 530 million over a five year period. AOD secured drilling contract for first jack-up rig worth USD 197 million over a three year period.

Shareholding Structure ( Dec. 2012)



Gross Revenue

2006 - 2012 (show in Baht millions)



(Consolidated numbers)  
Year Ended 30 September

	2012	2011	2010
<b>(Baht in millions, except share, per share data and ratios)</b>			
Service income	5,714.14	5,542.82	3,476.37
Earnings before finance costs, income taxes, depreciation and amortization	1,371.72	1,160.10	550.99
Net profits (losses)	86.02	(161.35)	(456.48)
Book value per share	15.76	15.85	16.54
Return on shareholders' equity (%)	0.69	(1.27)	(3.86)
Net profits (losses) margin (%)	1.51	(2.91)	(13.13)
Total debt to total capitalisation (Times)	0.25	0.24	0.25

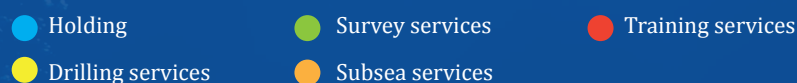
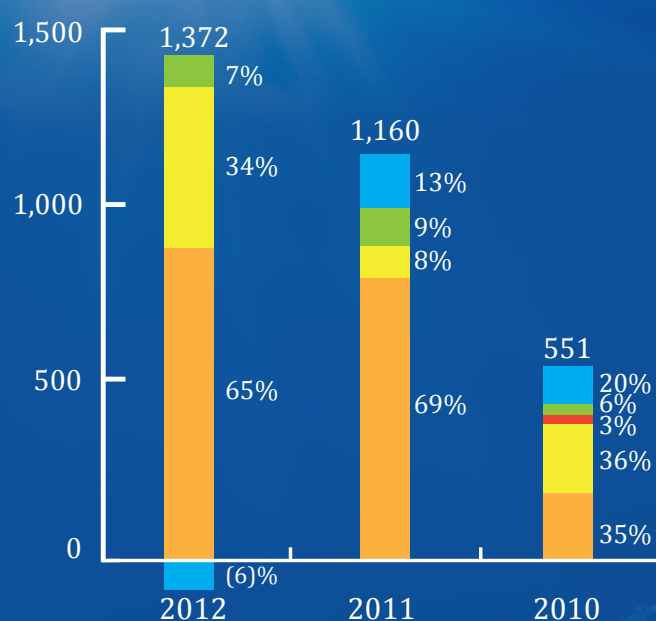
### SERVICE INCOME

unit : million baht



### EBITDA

unit : million baht



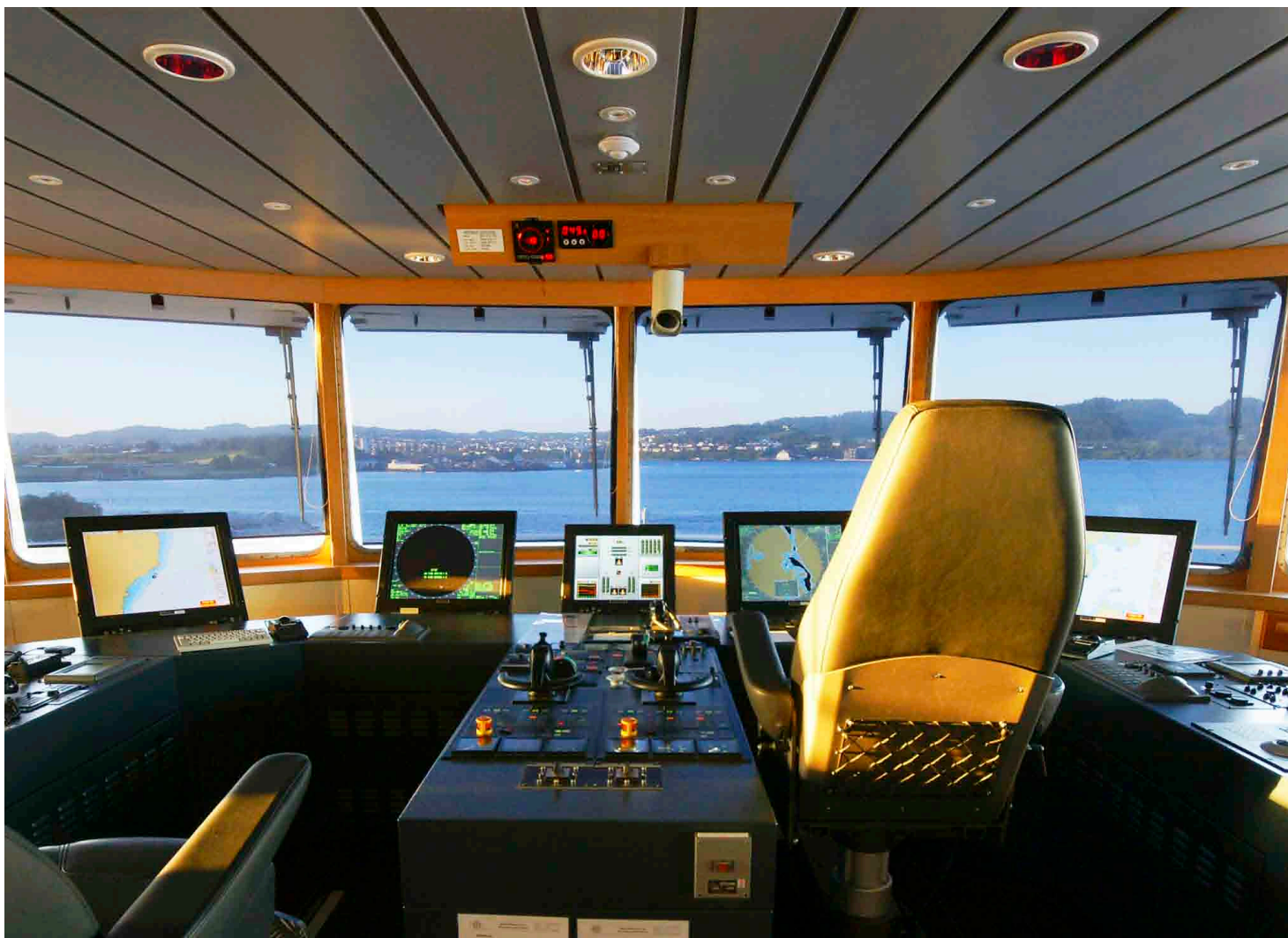
## 2012 – Rising profitability in a cyclical upturn

Mermaid Maritime Public Company Limited (“Mermaid”) reported net profits of Baht 86.0 million in the financial year that ended on 30 September 2012 (“2012”), the first positive result since 2009. Net profits increased 153.3% compared to net losses of Baht 161.3 million in the financial year that ended on 30 September 2011 (“2011”). Furthermore, as the cyclical upturn in the offshore services industry is expected to continue, we expect revenues and profits in the current financial year to remain healthy.

Mermaid is a holding company with two main operating divisions: (1) Subsea Engineering Services Division (“Subsea Division”) comprised of Mermaid Offshore Services Ltd., Subtech Ltd., Subtech Qatar Diving & Marine Services LLC, Seascope Surveys (Thailand) Ltd., Seascope Surveys Pte. Ltd., and PT Seascope Surveys Indonesia; and (2) Offshore Drilling Services Division (“Drilling Division”) comprised of Mermaid Drilling Ltd. and its two rig-owning subsidiaries, MTR-1 (Singapore) Pte. Ltd. and MTR-2 Ltd.

As a group, Mermaid served over 20 clients during the year, with an increasing number of contracts being awarded in the Middle East. Total service income in 2012 was Baht 5,714.1 million, an increase of Baht 171.3 million, or 3.1%, from the previous financial year. The service income increase was significantly driven by the Subsea Division, where Subtech and Seascope increased revenues by 69.6% and 43.8%, respectively. Gross profits increased 59.5% to Baht 1,202.6 million due to better vessel and project cost management.





Management reviews performance using different metrics. On two key metrics, Mermaid improved significantly in 2012. Earnings before interest, taxes, depreciation, and amortisation (“EBITDA”) rose 18.2% to Baht 1,371.7 million for a 24.0% margin. Earnings before interest and taxes (“EBIT”) rose 239.9% to Baht 489.2 million for an 8.6% margin. The EBITDA and EBIT improvement was driven by increased business from the Subsea Division, particularly Subtech and Seascope, and the Drilling Division, as the fleet had higher utilisation.

Interest expenses increased 24.5% to Baht 284.9 million in 2012, primarily due to the termination of an interest rate swap. Mermaid has no outstanding interest rate swaps as at end of the financial year. Otherwise, the average loan balance and average interest rate fell in 2012. As a result of our fundamental improvements, including changes in working capital, net cash generated from operations increased from Baht 6.3 million in 2011 to Baht 974.6 million in 2012.

As evident from the financial results, Mermaid is seeing a significant improvement in its business environment and is optimistic about this improving trend into the current financial year.

Mermaid’s assets are only as good as the people who operate them. To this end, Mermaid continued to streamline its work processes across all support functions to ensure better cost controls and synergies.

### *Subsea Division*

Since 2010, the primary objective for the Subsea Division is to increase business development activities across the region and price jobs competitively, resulting in higher utilisation for the fleet.

Focus on this primary objective delivered encouraging results with utilisation rates, revenues, and operating profits improving significantly over 2010 to 2012. Beyond its own efforts, the Subsea Division has been

helped by more robust demand for offshore services in the last twelve months.

The Subsea Division generated EBIT in 2012 of Baht 489.2 million compared to an EBIT loss of Baht 143.9 million in 2011. Of particular note, Subtech reported EBIT in 2012 of Baht 113.0 million, an increase of Baht 55.5 million, or 96.5%, from 2011 due to more project awards in the Middle East region resulting in a record year for Subtech. Seascope Surveys Group reported operating profits in 2012 of Baht 52.6 million, a decrease of Baht 23.3 million from 2011. Excluding a one-time tax penalty of Baht 38.7 million, EBIT would be Baht 91.3 million, an increase of Baht 15.4 million, or 20.3%, from 2011.

The outlook for the Subsea Division is positive on the back of some major contracts. In October 2012, a joint venture between Mermaid and Zamil Offshore Services Company LLC secured a USD 530 million, five-year diving services contract with the Saudi Arabian Oil Company ("Aramco"). In the same month, Subtech also secured a USD 25 million, five-year diving services contract with a major oil and gas company in Qatar.

### *Drilling Division*

The Drilling Division generated Baht 1,089.3 million of revenues, a 7.9% increase from 2011, and Baht 277.5 million of EBIT, a Baht 397.7 million increase from 2011. 'MTR-2' achieved high utilisation rates of 91% in 2012, while 'MTR-1' was idle for more than half the year before beginning work as an accommodation barge. The overall rig fleet utilisation increased from 47.9% in 2011 to 64.6% in 2012.

Given the old age of 'MTR-1' and 'MTR-2', Mermaid made a major strategic move into the offshore jack-up drilling rig business through the establishment of Asia Offshore Drilling Limited ("AOD"), which currently has three (3) high-specification jack-ups under construction at Singapore Keppel FELS Limited ("KFELS").

Mermaid owns 33.75% of AOD after two rounds of fund raising in the international capital markets, first in November 2010 and second in June 2011. To date, Mermaid has invested US\$ 63.8 million into AOD. Following Seadrill Limited's ("Seadrill") participation, all technical and commercial management agreements for AOD were transferred from Mermaid to Seadrill to leverage on their significant market leadership, reputation, and marketing strength to position AOD,

to gain economies of scale and compete more effectively against new-build jack-up rigs that will be delivered around the same time.

All three (3) jack-up rigs will be delivered in the first, second, and third calendar quarters of 2013, and the outlook for this business is very positive. In October 2012, the first jack-up rig, 'AOR-1', was awarded a USD 197 million, three-year drilling services contract with Saudi Aramco and will begin work in June 2013. Given the limited supply of new jack-up rigs, employment prospects for the other two units remain strong.

### *2013 Priorities*

Mermaid will work towards a number of critical objectives in 2013, some of which are outlined below.

### *People*

Mermaid needs to improve its management depth in both the Subsea Division and the Drilling Division to ensure sufficient strength to execute its enlarged business needs.



Mermaid must focus on developing strong leaders. These leadership qualities must be well communicated and reinforced through the performance management and talent assessment processes. This will be one of the high priority areas for the new Chief Executive Officer (“CEO”), who is in the process of being recruited.

### Commercial Activities

The Subsea Division is in a strong commercial position, as most of its key assets have been booked in 2013. In fact, the 2013 order backlog exceeds USD 84 million. On the other hand, the Drilling Division needs to aggressively market ‘MTR-1’ and ‘MTR-2’ for work in 2013. ‘MTR-1’s contract will expire in February 2013, while ‘MTR-2’ is currently in dry dock and will be available from February 2013 onwards.

### Summary

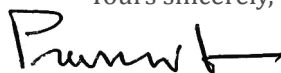
The 2013 outlook for Mermaid differs from 2012 with the expected addition of AOD’s new build jack-up rigs being delivered during each of the first three quarters of 2013. AOD will alleviate the reliance upon ‘MTR-1’ and ‘MTR-2’ as the sole profit providers of the Drilling Division. The Subsea Division is expected to be the main driver of performance for Mermaid in 2013. If oil prices stabilise in the USD 100-120 per barrel range in 2013, there would be increased demand for subsea engineering services and drilling services at a time of tight supply of assets. Thus, utilisation and day rates are expected to increase over the next twelve months.

Despite the improvement in its 2012 financial performance, we will be working very hard to drive further actions to improve Mermaid’s performances going forward and will continue to operate with a long-term view in mind.

The Board of Directors saw significant change in 2012, with the appointments of Mr. Chalermchai Mahagitsiri, Mr. Chia Wan Huat Joseph, and me as representative directors following changes in the shareholding and boardroom structure of Mermaid’s controlling shareholder, Thoresen Thai Agencies Public Company Limited (“TTA”). The additional appointments of Mr. Ng Cher Yan and Mr. Toh Wen Keong Joachim as independent directors bring additional expertise to complement the Board’s strength. We would like to thank Mr. Pichet Sithi-Amnuai, Mr. Leslie George Merszei, Mr. Robert Edward Bier, Mr. Ng Chee Keong and Mr. John Willoughby Crane III for their contributions as directors over the past few years.

We extend a special thank you to our shareholders, clients, suppliers, bankers, and colleagues for your understanding and support of Mermaid. There is nothing more important to us than improving shareholder value, and we are now seeing positive results of our strategic and restructuring activities.

Yours sincerely,



Mr. Prasert Bunsumpun

15 December 2012



*“We extend a special thank you to our shareholders, clients, suppliers, bankers, and colleagues for your understanding and support of Mermaid. There is nothing more important to us than improving shareholder value, and we are now seeing positive results of our strategic and restructuring activities.”*





1 2 3

The Board of Directors ("Board") is responsible for overall management and strategic direction. The Board is required to meet on a quarterly basis to review and monitor our financial position and operations. Ad-hoc meetings are called to discuss other major issues, such as establishment and capital increases of new subsidiaries, significant asset investments, and annual budget approvals. The Board will consist of not fewer than five (5) Directors as per the Articles of Association.

## 1 Mr. Prasert Bunsumpun *Non-Executive Chairman (Age 60)*

*Mr. Prasert Bunsumpun* brings to Mermaid 30 years of experience in the oil and gas industry. Besides his role at Mermaid, he serves as Chairman of other Boards including Thoresen Thai Agencies Plc., IRPC Plc., PTT Global Chemical Plc., and Thai Lube Base Plc. He was President and CEO of PTT Plc. for over eight years and has served in a number of senior roles at PTT Exploration and Production Plc., PTT Chemical Plc., PTT Aromatic and Refinery Plc., Thai Oil Plc., and Bang Chak Petroleum Plc. Mr. Bunsumpun holds a Master in Business Administration (M.B.A.) from Utah State University, U.S.A., a Bachelor of Engineering in Civil Engineering (B.Eng.) from Chulalongkorn University in Thailand, and has a number of Honorary Doctorates from renowned universities in Thailand. He also completed his Certificate in Advanced Management Program (AMP 155) from Harvard Business School, U.S.A.

## 2 Mr. Chalermchai Mahagitsiri *Executive Vice Chairman (Age 34)*

*Mr. Chalermchai Mahagitsiri* brings a proven track record of successfully managing and growing a variety of businesses through his service as Chief Executive Officer of PM Group Co., Ltd., Director of Quality Coffee Products Co., Ltd., Vice Chairman of Posco-Thainox Public Co., Ltd., Vice Chairman of Thai Film Industries Public Co., Ltd., and Managing Director of Lakewood Country Club Co., Ltd. He also serves as director of Thoresen Thai Agencies Plc. and is Executive Vice Chairman of its subsidiary, Unique Mining Services Plc., as well as Mermaid. Mr. Chalermchai holds a Master of Science (M.Sc.) in Finance from Boston University and a Bachelor of Science (B.Sc.) in Finance from Suffolk University, both in the U.S.A.

## 3 M.L. Chandchutha Chandratat *Executive Director (Age 46)*

*M.L. Chandchutha Chandratat* has been a Director since 2005 and was Executive Chairman from February 2009 to June 2012. He is the President and Chief Executive Officer of TTA. He received a Master of Business Administration (M.B.A.) from the University of California at Berkeley in 1989 and a Bachelor of Science (magna cum laude) in Economics from the University of Minnesota in 1987. In 2006, he completed the Directors Certification Program (DCP 70/2006) by the Thai Institute of Directors Association.



4 5 6 7

## 4 Mr. Chia Wan Huat Joseph Non-Executive Director (Age 53)

Mr. Chia Wan Huat Joseph is also a Director on TTA's Board and currently serves as Senior Executive Vice President of PM Group Thailand Co., Ltd. He brings to Mermaid over 13 years of experience in financial management. He previously worked at Advance Finance Plc., focusing on the steel, mining, paper, and energy sectors. Mr. Chia holds an Executive Master of Business Administration (M.B.A.) from the Sasin Graduate Institute of Business Administration of Chulalongkorn University, Thailand.

## 5 Mr. Surasak Khaoroptham Non-Executive Director (Age 47)

Mr. Surasak Khaoroptham has been a Director since 2006. He is the Managing Director of Atlas Advisory Co., Ltd., where he provides financial advisory services to various companies. Prior to this, he was Vice President of Credit Suisse First Boston (Singapore) Pte. Ltd., from 1997 to 2003 and Assistant Vice President of Phatra Thanakit Public Company Limited from 1995 to 1997. He received a Bachelor of Science (B.Sc.) from King Mongkut's Institute of Technology Ladkrabang in 1986, a Master of Science (M.Sc.) from the University of Michigan in 1993, and a Master of Business Administration (M.B.A.) from the Wharton Business School of the University of Pennsylvania in 1995.

## 6 Mr. Ng Cher Yan Independent Director (Age 53)

Mr. Ng Cher Yan is a professional accountant with almost 30 years of experience in his discipline. He worked for PricewaterhouseCoopers in both Singapore and Australia for six years before starting his own accounting practice, CY Ng & Co. in 1990. He serves as a director on several Singapore listed companies including Ecowise Holdings Ltd., Kian Ann Engineering Ltd., Samko Timber Ltd., and Vicplas International Ltd. He graduated with a Bachelor of Accountancy from the National University of Singapore and is a Member of the Institute of Chartered Accountants in Australia and Fellow Member of the Institute of Certified Public Accountants of Singapore (ICPAS).

## 7 Mr. Toh Wen Keong Joachim Independent Director (Age 48)

Mr. Toh Wen Keong Joachim is presently Deputy Chief Investment Officer at the National University of Singapore (Investment Office). He is a former Executive Vice President and Head of Investment Management at Great Eastern Holdings and Head of Insurance Asset Management at Straits Lion Asset Management Pte. Ltd. He has also worked for the Investment Company of the People's Republic of China (ICPRC) and ING Bank, Singapore. He brings with him strategic asset, investment and risk management skills earned during his years of experience in the finance and investment industry. He holds a Bachelor of Business Administration (Finance) from the University of North Texas and is a Chartered Financial Analyst (CFA).



1 2 3 4

The Board of Mermaid has an Executive Committee constituted to allow Board members to perform a more active role in the governance and management of the Mermaid group. It is a standing committee that works closely with Mermaid's management and has been vested with the power to act on behalf of the Board to make certain decisions delegated by the Board. The Chairman of the Executive Committee is Mr. Prasert Bunsumpun.

- 1** **M.L. Chandchutha Chandratat**  
*Executive Director*  
 Please see Board of Directors for a profile summary.
- 2** **Mr. Prasert Bunsumpun**  
*Non-Executive Chairman*  
 Please see Board of Directors for a profile summary.
- 3** **Mr. Chalermchai Mahagitsiri**  
*Executive Vice Chairman*  
 Please see Board of Directors for a profile summary.
- 4** **Mr. Chia Wan Huat Joseph**  
*Non-Executive Director*  
 Please see Board of Directors for a profile summary.



1 2 3 4

Our executive officers are responsible for day-to-day management and operations. Certain information on the business and work experience of our executive officers are set out as follows.

## 1 Mr. Chalermchai Mahagitsiri *Interim Chief Executive Officer & Executive Vice Chairman*

Please see Board of Directors for a profile summary.

## 2 M.L. Chandchutha Chandratat *Executive Director*

Please see Board of Directors for a profile summary.

## 3 Mr. Paul Whiley *Executive Director Mermaid Offshore Services (Age 45)*

Mr. Paul Whiley first joined Subtech Limited in 2003 as a Diving Superintendent and progressed through the roles of Offshore Construction Manager, Senior Project Manager, Business Development Manager and finally his current role as Managing Director for the Subtech Group of Companies. As a direct result of his efforts within Subtech, this company grew and developed from being an air diving concern, to a fully-fledged saturation diving outfit, which remains in ongoing service to many multinationals in several parts of the Middle East, the Mediterranean and West Africa. Subsequent to the acquisition of Subtech by Mermaid in 2010, Paul remains firmly in the engine room for Subtech, as he continues to drive and inspire his teams on the ground in the various countries that form part of the company's ever growing footprint. Prior to Subtech, Paul worked with Comex, later Stolt (now Comex Seaways), then Acergy (now Subsea 7).

Mr. Whiley began his career as a diver in 1988 after he graduated in English and Law from the University of Natal in South Africa, and further studies at the University of South Africa in Sociology. During the years that followed university, his military career culminated in him becoming the most highly decorated soldier in South African Naval history after he was awarded the Honouris Crux Gold (Bravery). In the civilian realm, Paul also received numerous other awards including a Special Award for Outstanding Commitment and Human Endeavour from the University of Natal and Special Award for International Countenance from the Afrikaans Businessman's Society in South Africa.

## 4 Mr. Stephen Gregor Lenz *Executive Director Mermaid Drilling (Age 58)*

Mr. Stephen Gregor Lenz re-joined Mermaid as Executive Director of Mermaid Drilling in May 2012. He was previously appointed in the same role from July 2008 to August 2011. He started his career with ODE in 1977 on land rigs in Australasia and then moved offshore to Sedco in 1980. In this time he moved from an Electrician on a DP drill ship, to Operations Manager with Transocean looking after 5 offshore rigs in Thailand and Vietnam. He then had 2 years as Rig Manager with Apexindo in Balikpapan before moving to Songa Offshore and bringing the Songa Venus into Australia and setting up the base and operations there. Later he brought the Songa Mercur into Australia and moved to Australian Country Manager. He then took up the challenge with Mermaid Drilling and reorganized the management and offices to concentrate on giving full support to the efficiency and safety of the two operating rigs. He also performed a key role in the establishment of Mermaid's associate company Asia Offshore Drilling Limited.

## Mermaid's Subsea Vessels

### M.V. Mermaid Endurer (Built 2010)

The M.V. "Mermaid Endurer" is a purpose-built DP2 dive support and light construction vessel, specially designed for operation under severe weather conditions with high manoeuvrability and station keeping capabilities. The built in 18-man single bell saturation diving system equipped with a self-propelled hyperbaric lifeboat will provide a diving vessel equipped with the very latest technology and safety enhancements. The vessel has a 100-tonne active heave-compensated knuckle boom crane and accommodation for 86 personnel. This vessel is capable of operating in the North Sea and Gulf of Mexico. The M.V. "Mermaid Endurer" is under the DNV classification society, and flying Panama flag.

### M.V. Mermaid Asiana (Built 2010)

The M.V. "Mermaid Asiana" is a purpose-built DP2 dive support and light construction vessel. The vessel is equipped with a built in 12-man single bell saturation diving system complete with a self-propelled hyperbaric lifeboat. The M.V. "Mermaid Asiana" has a 100-tonne active heave-compensated knuckle boom crane and accommodation for 100 personnel. This vessel is designed for operations in the Middle East and Asia-Pacific region. The M.V. "Mermaid Asiana" is under ABS classification society, and flying Panama flag.

### M.V. Mermaid Sapphire (Built 2009)

The M.V. "Mermaid Sapphire" is a DP2 remotely operated vehicle ("ROV") support vessel equipped with a deepwater work-class ROV, a 23-tonne knuckle boom crane and accommodation for 60 personnel. The M.V. "Mermaid Sapphire" is under ABS classification society, and flying Panama flag.



## Mermaid's Subsea Vessels

### M.V. Mermaid Commander (Built 1987)

The M.V. "Mermaid Commander" is a purpose-built DP2 diving support vessel, currently operating in the Gulf of Thailand. The vessel is equipped with a built-in 16-man twin bell saturation diving system complete with a self-propelled hyperbaric lifeboat. The M.V. "Mermaid Commander" has a 60-tonne crane and accommodation for 87 personnel. This vessel has an outstanding reputation for performance of diving operations worldwide, including offshore Brazil and the North Sea. The M.V. "Mermaid Commander" is under DNV classification society, and flying Panama flag.

### M.V. Mermaid Siam (Convert 2002)

The M.V. "Mermaid Siam" is a DP2 construction support vessel. The vessel has a moon pool for diving operations and is equipped with a semi-permanently installed C300 OGP compliant 12-man single bell saturation diving system that is capable of deploying saturation divers by means of a single 3-man diving bell. The M.V. "Mermaid Siam" has a 56-tonne crane and accommodation for 135 personnel. This vessel is well-suited for and has operations in the Middle East region. The M.V. "Mermaid Siam" is under DNV classification society, and flying St. Vincent and the Grenadines flag.

### M.V. Mermaid Challenger (Built 2008)

The M.V. "Mermaid Challenger" is a DP1 offshore support vessel with 72-tonne bollard-pull capacity, and is also suitable for performing ROV support vessel duties. This vessel can be equipped with heavy work-class ROVs and has accommodation for 38 personnel. The M.V. "Mermaid Challenger" is under DNV classification society, and flying Panama flag.



## Mermaid's Subsea Vessels

### S.S. Barakuda (Built 1982)

The S.S. "Barakuda" (formerly M.V. "Mermaid Supporter") is a utility vessel equipped with a built-in surface diving system, an omni-directional bow thruster and accommodation for 30 personnel. This vessel has an extensive track record for performance of platform inspection and FPSO (Floating Production Storage and Offloading) facility underwater inspection projects in South-East Asia using a combination of ROV and surface diving methods. To improve commercial and operational efficiency, the vessel was transferred to PT Seascope Surveys Indonesia, a majority owned subsidiary. The S.S. "Barakuda" is under DNV classification society, and flying Indonesia flag.

### M.V. Mermaid Performer (Built 1982)

The M.V. "Mermaid Performer" is a utility vessel equipped with an omni-directional bow thruster and accommodation for 30 personnel. This vessel has an extensive track record for performance of ROV pipeline inspection projects in South-East Asia. The M.V. "Mermaid Performer" is under DNV classification society, and flying Panama flag.

### M.V. Endeavour (Built 2008) (Chartered-In)

The M.V. "Endeavour" is a DP2 ROV support vessel, under 2-year charter with 2 x 1 year options. Charter commenced 1 March 2012 to PT Seascope Surveys Indonesia, a majority owned subsidiary, and currently operated in the Asia Pacific region. The Vessel has been specially modified for Inspection, Repair and Maintenance ("IRM") and construction support tasks but she is also capable of geophysical and geotechnical survey. This vessel is equipped with 25-tonne main crane, 3-tonne general purpose crane, 40-tonne and 30-tonne A-frame and accommodation for 51 personnel. The Vessel is permanently fitted with a SMD Quasar Compact 100hp Work Class ROV and a Seaeye Tiger Inspection Class ROV. The M.V. "Endeavour" is under Bureau Veritas / BKI classification society, and flying Indonesia flag.



## Mermaid's Tender Rigs

### MTR-1

Rig Type	<i>Accommodation Barge</i>
Year Built/Last Upgrade	<i>1978/1998</i>
Classification Society	<i>ABS</i>
Flag	<i>Singapore</i>
Water Depth Rating (meters)	<i>100</i>
Drilling Depth Rating (meters)	<i>6,100</i>
Accommodation Quarters	<i>112 persons</i>

### MTR-2

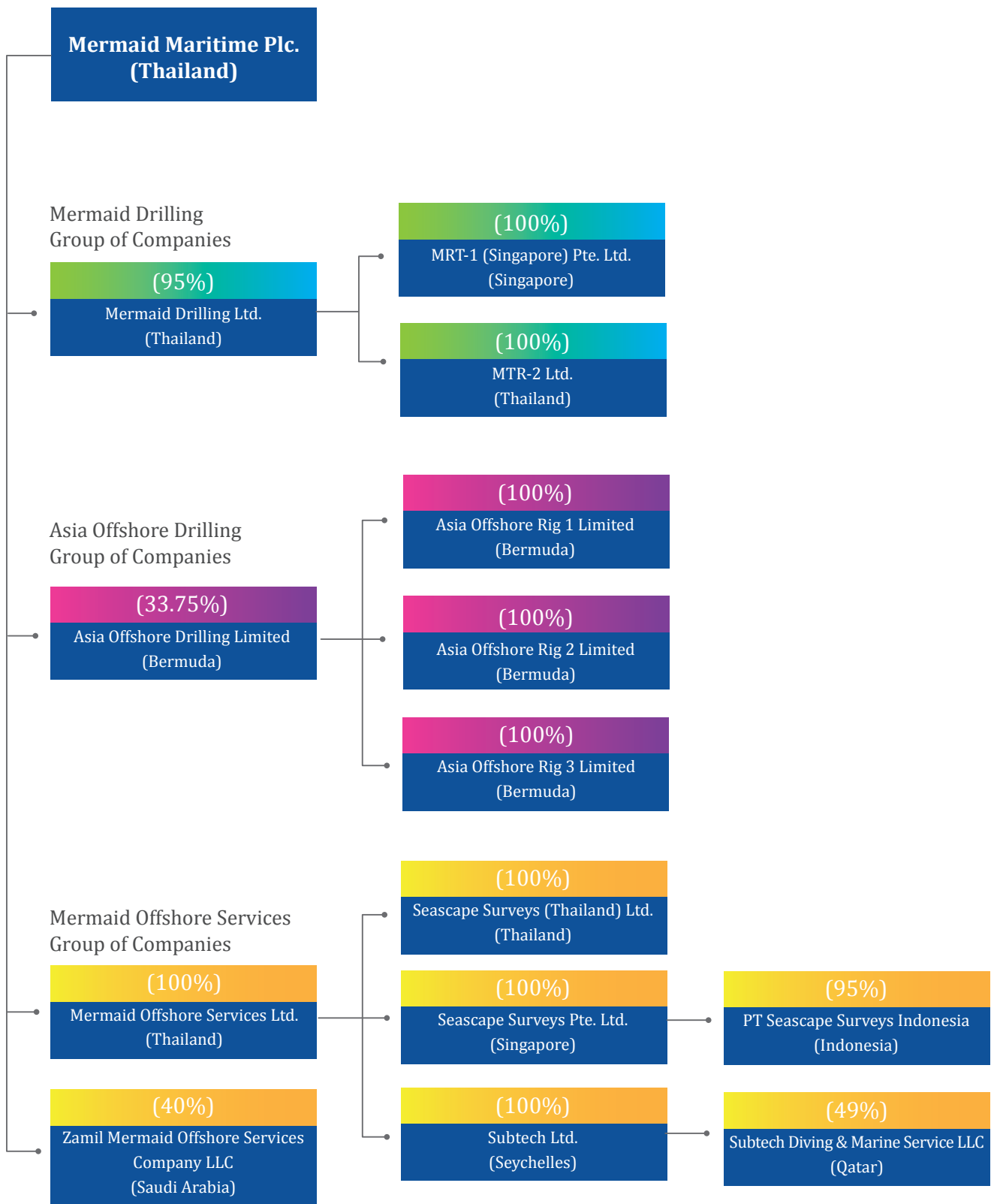
Rig Type	<i>Tender Assist Drilling Rig</i>
Year Built/Last Upgrade	<i>1981/1997/2007</i>
Classification Society	<i>Bureau Veritas</i>
Flag	<i>Thai</i>
Water Depth Rating (meters)	<i>100</i>
Drilling Depth Rating (meters)	<i>5,500</i>
Accommodation Quarters	<i>126 persons</i>

## Mermaid's Jack-Up Rig Investments

### AOR-1 / AOR-2 / AOR-3

Rig Type	<i>Jack-Up Rig</i>
Design	<i>KeppelFELS Mod V-B Class</i>
Year Built/Last Upgrade	<i>Under construction</i>
Scheduled Delivery Date	<i>2013</i>
Classification Society	<i>ABS</i>
Flag	<i>To be determined</i>
Water Depth Rating (feet)	<i>400</i>
Drilling Depth Rating (feet)	<i>22,000</i>
Accommodation Quarters	<i>150 persons</i>



*(as at 15 December 2012)*

No.	Company	Type of Business	Place of Incorporation	Date of Incorporation	Company Registration No.	Type of Share	Paid-up Capital	Shares Issued	% of Shareholding
1.	Mermaid Maritime Public Company Limited	Holding Co.	Thailand	15 January 2007*	0107550000017	Ordinary	THB784,747,743	784,747,743	-
2.	Mermaid Offshore Services Ltd.	Subsea	Thailand	24 June 2003	0105546072562	Ordinary	THB2,930,000,000	293,000,000	100% (direct)
3.	Seascope Surveys (Thailand) Ltd.	Survey & positioning	Thailand	26 March 2008	0105551035432	Ordinary	THB3,400,000	34,000,000	100% (indirect)
4.	Seascope Surveys Pte. Ltd.	Survey & positioning	Singapore	24 November 2004	200415192D	Ordinary	SGD100	100	100% (indirect)
5.	PT Seascope Surveys Indonesia	Survey & positioning	Indonesia	19 January 2005	09.03.1.74.44960	Ordinary	Rp916,000,000	100	95% (indirect)
6.	Subtech Ltd.	Subsea	Seychelles	05 March 2008	046418	Ordinary	USD1	1	100% (indirect)
7.	Subtech Qatar Diving & Marine Services LLC	Subsea	Qatar	11 November 2008	40867	Ordinary	QAR200,000	200	49% (indirect)
8.	Subtech Saudi Arabia Ltd.	Subsea	Saudi Arabia	8 April 2011	623353	Ordinary	SAR500,000	5,000	100% (indirect)
9.	Zamil Mermaid Offshore Services Company LLC	Subsea	Saudi Arabia	18 September 2012	2051050298	Ordinary	SAR2,000,000	2,000	40% (direct)
10.	Mermaid Offshore Services Pte. Ltd.	Subsea	Singapore	28 March 2011	201107423W	Ordinary	USD100	100	100% (indirect)
11.	Nemo Subsea AS	Vessel owner	Norway	13 February 2007	990922586	Ordinary	NOK100,000	1,000	100% (indirect)
12.	Mermaid Training & Technical Services Ltd.	Vocational training	Thailand	15 November 2005	0105548149694	Ordinary	THB2,000,000	200,000	100% (direct)
13.	Mermaid Drilling Ltd.	Holding Co.	Thailand	24 January 2005	0105548011196	Ordinary	THB410,000,000	41,000,000	95% (direct)
14.	Mermaid Drilling (Singapore) Pte. Ltd.	Holding Co.	Singapore	27 February 2007	200703192D	Ordinary	USD50,999,926	50,999,926	100% (direct)
15.	Mermaid Drilling (Malaysia) Sdn. Bhd.	Drilling	Malaysia	5 August 2005	705457A	Ordinary	RM500,000	500,000	95% (indirect)
16.	MTR-1 Ltd.	Drilling	Thailand	15 March 2005	0105548036890	Ordinary	THB240,000,000	24,000,000	95% (indirect)
17.	MTR-2 Ltd.	Drilling	Thailand	15 March 2005	0105548036881	Ordinary	THB350,000,000	35,000,000	95% (indirect)
18.	MTR-1 (Singapore) Pte. Ltd.	Drilling	Singapore	27 September 2007	200717860H	Ordinary	USD40,000	40,000	95% (indirect)
19.	MTR-2 (Singapore) Pte. Ltd.	Drilling	Singapore	27 September 2007	200717875R	Ordinary	USD1	1	95% (indirect)
20.	MTR-3 (Singapore) Pte. Ltd.	Drilling	Singapore	30 July 2008	200814981N	Ordinary	USD100	100	100% (indirect)
21.	Asia Offshore Drilling Limited	Holding Co.	Bermuda	29 October 2010	44712	Ordinary	USD40,000,100	40,000,100	33.75% (direct)
22.	Asia Offshore Rig 1 Limited	Drilling	Bermuda	29 October 2010	44713	Ordinary	USD36,000,000	36,000,000	33.75% (indirect)
23.	Asia Offshore Rig 2 Limited	Drilling	Bermuda	29 October 2010	44714	Ordinary	USD36,000,000	36,000,000	33.75% (indirect)
24.	Asia Offshore Rig 3 Limited	Drilling	Bermuda	1 July 2011	45551	Ordinary	USD100	100	33.75% (indirect)

(\*as a public limited company)

(as at 15 December 2012)

Mermaid Maritime Public Company Limited (the “Company” or “Mermaid”) and its subsidiaries (collectively the “Group”) is a leading provider of tender rig drilling and subsea engineering services for the offshore oil and gas industry, primarily in South East Asia, but also in other key regions, such as the Middle East.

The Group has grown significantly, from a single company founded by Dutch mariners in 1983 and operating exclusively in Thailand to a group of companies and alliances that operate internationally. For the past nine (9) years, the Group has widened the scope of its services to include not only subsea engineering but also tender rig drilling services for the offshore oil and gas industry.

The Group is well established and recognised by the industry for its high quality services delivered professionally, safely and efficiently. Moreover, it has developed a strong blue chip client base that includes some of the world’s largest oil and gas-related companies.

Its subsea division is represented by Mermaid Offshore Services, Subtech Middle East and Seascope Surveys, which operates as a unified structured unit across markets offering clients a comprehensive range of subsea solutions through a highly competent technical and operations workforce operating out of Thailand, Indonesia, Qatar and Saudi Arabia. The subsea group operates nine (9) subsea vessels, three (3) of which are specialized dive support vessels (“DSVs”), five (5) saturation diving systems and twelve (12) remotely operated vehicle (“ROV”) systems, all of which can be deployed to any region. The subsea group serves clients across South East Asia, India, China, the Mediterranean, West Africa and the Middle East. Mermaid’s drilling division comprises Mermaid Drilling, which provides tender-assist drilling and accommodation barge services through its ownership of two (2) tender rigs, and its investments with Seadrill Ltd. in Asia Offshore Drilling, which has three (3) high specification premium jack-up drilling rigs under construction in Singapore with deliveries scheduled for 2013.

Mermaid’s corporate headquarters is located in Bangkok, Thailand and is linked to a world class operations, logistics and maintenance base, located a short distance from Bangkok in Chonburi. The latter facility allows the Group to control its own equipment maintenance and refurbishment programmes. As it is located on the Eastern Seaboard, the facility is within close proximity to several deep water ports, thereby facilitating the expeditious and efficient mobilisation of personnel and equipment to client locations.

Furthermore, in order to sustain and support international expansion and to consolidate the Group’s competitiveness in South East Asia, the Group has satellite office support functions in Indonesia, Qatar and Saudi Arabia. To support mobile operations, additional shore base operations using a network of local contacts may be set up at short notice.

In the process of expanding into the tender drilling and subsea engineering markets, the Group identified opportunities that required a local presence in some countries. Recognising this, the Group appointed local representatives, each of whom has the required (local) licenses and permits, thereby increasing its market opportunities outside Thailand. This strategy has proven to be successful in the past with operations performed in the United Kingdom Continental Shelf (“UKCS”), Malaysia, China, Russia, India, Vietnam, Brazil and the Middle East.

For the 2012 financial year, drilling services contributed 15.2% and subsea engineering services contributed 84.8% of the Group’s total revenues.

### *2012 Financial Year to 15 December 2012*

In November 2011, the Company announced that the M.V. 'Mermaid Commander' had received a special award by our long-time clients Chevron Thailand and CUEL Ltd. for achieving 10 years of marine operations without a single lost time incident.

The M.V. 'Mermaid Commander' was acquired by the Company in 2005 and has worked on multiple projects since that time. As an investment, the M.V. 'Mermaid Commander' has been the star of the fleet. Throughout this period, the M.V. 'Mermaid Commander' crew have developed and maintained a tremendous safety ethos which is the envy of the industry and set a standard to which many aspire. This was a major reason why the M.V. 'Mermaid Commander' has been successful is its exemplary safety record, which it had received recognition for.

In January 2012, the Company announced that its rig 'MTR-1' has been awarded an accommodation barge contract with an international upstream oil and gas company operating in Indonesia for a term of 150 days.

In March 2012, the Company announced that its specialist DP2 vessel M.V. 'Mermaid Sapphire' had participated in the historic expedition to the Mariana Trench's lowest point, the "Challenger Deep", which lies 6.83 miles (10.99 kilometers) below the ocean surface, by National Geographic explorer-in-residence James Cameron. Although best known for directing films such as Titanic and Avatar, Cameron is an avid explorer with 72 submersible dives to his credit and becomes the first person in history to make the 6.8-mile dive alone. The expedition is the first extensive scientific exploration in a manned submersible of the deepest spot on Earth. The M.V. 'Mermaid Sapphire' was responsible for carrying the crew and James Cameron's 'DeepSea Challenger', a high tech craft that took the famed Canadian film maker to the bottom of the Marianas Trench. Given the highly complex and risky nature of the expedition, the Company very proud to have its vessel participate in this historic event and salutes the crew onboard for the successful conclusion of the expedition.

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In March 2012, PT Seascope Surveys Indonesia chartered-in a DP2 ROV support vessel M.V. 'Endeavour' under a two year charter. This vessel has been specially modified for Inspection, Repair and Maintenance ("IRM") and construction support tasks but she is also capable of geophysical and geotechnical survey.

Also in March 2012, the Company announced that its wholly owned subsidiary Subtech Ltd. ("Subtech") opened a branch office in Abu Dhabi, United Arab Emirates, thereby expanding its existing presence in the Middle East, from Qatar and Saudi Arabia, by giving Subtech the platform to bid directly for projects in the United Arab Emirates.

In April 2012, Subtech was awarded three new contracts with new and existing clients in Qatar. In the same month, the Company announced that its tender rig 'MTR-2' had achieved another 1000 consecutive days of no lost time accidents.

In May 2012, the Company announced that 'MTR-2' had secured a six month drilling contract award with its existing client to commence after the conclusion of its previous drilling contract.

In June 2012 and July 2012, following changes in the shareholding and boardroom structure of the Company's controlling shareholder, Thoresen Thai Agencies Public Company Limited ("TTA"), the Company made several changes to the Board of Directors to reflect TTA's interest in the success of Mermaid as a key part of its overall group strategy. The Company appointed Mr. Prasert Bunsumpun, an oil and gas veteran and former President and Chief Executive Officer of PTT Public Company Limited, Thailand's largest oil and gas company, as Chairman of the Board. The newly appointed Board also established an Executive Committee ("Excom") to allow Board members to perform a more active role in the governance and management of Mermaid.

In July 2012, Mermaid acquired the remaining equity of 20% in Seascope Surveys Pte Ltd and Seascope Surveys (Thailand) Ltd from its founding shareholders to bring the consolidation to 100%.

In August 2012, the Company announced that 'MTR-1' secured a contract with an existing client, an international upstream oil and gas company for accommodation barge support services in Indonesia for a period of 5 months.

In October 2012, the Company announced that a new joint-venture company Mermaid Zamil Offshore Services LLC formed between the Company and Zamil Offshore Services Company, had secured a significant long term offshore IRM contract with a reputable client whereby the Company will provide a suite of diving services using one of its modern DP2 dive support vessels along with remotely operated vehicles, specialized diving equipment and divers. The Company's joint venture partner, a reputable offshore and marine services company, will provide other offshore services and logistics. The contract duration is for a minimum of five years plus a two-year option. The total contract value for the five year period is estimated to be approximately USD 530 million. Mermaid's potential revenue is between 60 to 70 percent of the said contract value over this period, which had already commenced.

Also in October 2012, AOD announced the award of a drilling contract with a reputable client for jack-up rig "AOR-1" for a period of three years plus a one-year option. The potential revenues for the initial three year period are approximately USD 197 million plus a USD 39.5 million mobilisation fee which includes certain upgrades, other mobilisation costs and day rate during the mobilisation period. The rig is currently under construction with KFELS in Singapore. KFELS has advised AOD that delivery of the rig is March 2013. The rig is scheduled to start operations in June 2013.

This was followed by Seadrill acquiring 12,190,858 shares of AOD. As a consequence of this additional share acquisition, Seadrill's total number of shares was 25,690,958 shares in AOD equivalent to 65.34% of all the issued shares AOD and Seadrill proceeded with the launch of a mandatory cash offer for the remaining shares in AOD whilst continuing to acquire more shares from other shareholders. Following the conclusion of the mandatory cash offer, Seadrill's total shareholdings in AOD reached 26,463,050, representing approximately 66.16% of all the issued shares in AOD. Mermaid continues to hold 33.75% of all of the issued shares in AOD.

As at 15 December 2012, the Company, through its subsidiary MDL, owns a tender rig fleet of two (2) tender rigs, the 'MTR-1' and 'MTR-2'. The Company also owns a 33.75% stake in AOD which owns a fleet of three (3) high-specification jack-ups under construction at KFELS. The Company also, through its subsidiary MOS, owns a subsea fleet of eight (8) vessels: the S.S. 'Barakuda', M.V. 'Mermaid Commander', M.V. 'Mermaid Performer', M.V. 'Mermaid Challenger' M.V. 'Mermaid Sapphire', M.V. 'Mermaid Siam', M.V. 'Mermaid Asiana' and M.V. 'Mermaid Endurer' and chartered in one (1) vessel, M.V. 'Endeavour' through PT Seascope Surveys Indonesia.

## 1. Summary/Overview

The demand for drilling and subsea engineering services is driven by the level of activity in exploration, development and production of crude oil and natural gas. Important influencing factors are the access to develop available offshore fields and the oil companies' ability to drill and develop the fields based on their cash flow, revenues and financing. The most important influencing factor for the activity level is the oil and gas prices, as they determine the net present value returns of the development solutions.

After many years of heavy investments, exploration and production spending saw a decrease in 2009. In 2009 the spending slowed down due to a sharp decrease in oil prices, expensive financing and general slowdown in the global economy. Oil and gas companies had aggressively increased exploration and production spending after a period of little investment to increase oil and gas production when prices were increasing. The reduction in exploration spending in 2009 did not last for long. Already in 2010, the activity level was above 2008 levels and the level has continued to increase every year since then. Exploration and production budgets saw double-digit growth from 2003 to 2008, which led to exceptionally high levels of activity in the drilling and subsea engineering services markets. After the dip in 2009, the same annual growth continued and all signs point to a continued high activity level in the coming years.

In the last two years, there has been increased utilization and strengthening of day rates throughout most offshore drilling market segments. In the Asia Pacific region, there has been increasing demand within the premium jack-up and tender rig market segment.

Subsea services is in demand in all phases of an oil/gas fields lifetime, with survey and installation during the field development phase, maintenance and repair in the production phase and supporting services in the decommissioning phase. The demand for subsea capacity is experiencing a large growth worldwide, and Asia Pacific is one of the regions with the largest growth.

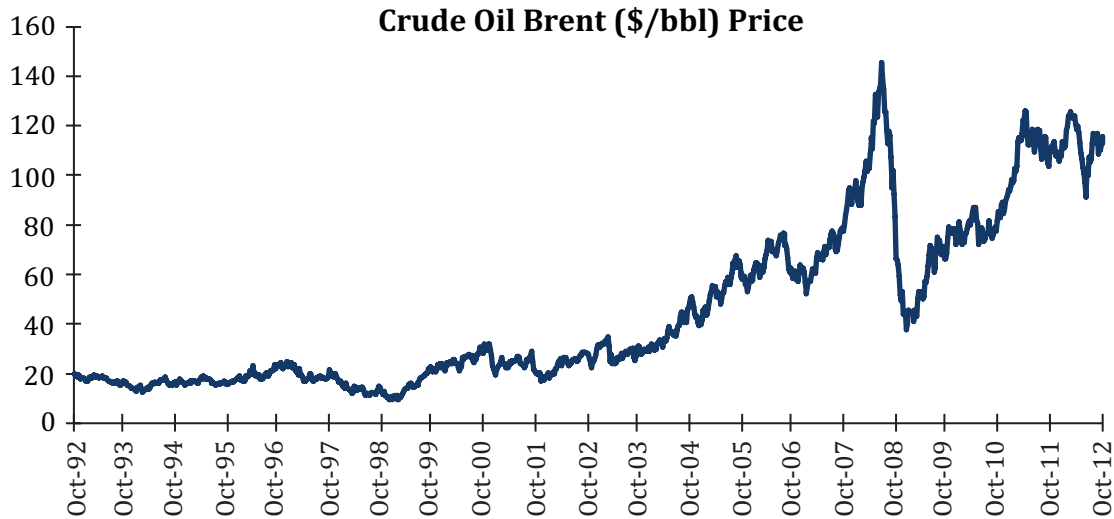
## 2. Offshore Market Drivers

### 2.1 Oil and Gas Prices

The oil prices have been between US\$125 per barrel and US\$90 per barrel in 2012. The oil price dropped about US\$ 35 during second quarter of the year, and even though the market was nervous in this period, oil price jumped back up to about US\$100-115 per barrel and stabilized at this level, which is above the hurdle rates that oil and gas companies have for both their committed and uncommitted development projects to be economically viable. The uncertainty about the global economy has not slowed down the oil companies' activities. On the contrary it looks like the high oil price the last years has gradually removed uncertainty and reinstating oil companies' confidence in a continued high oil price level, and many new projects have been initiated.

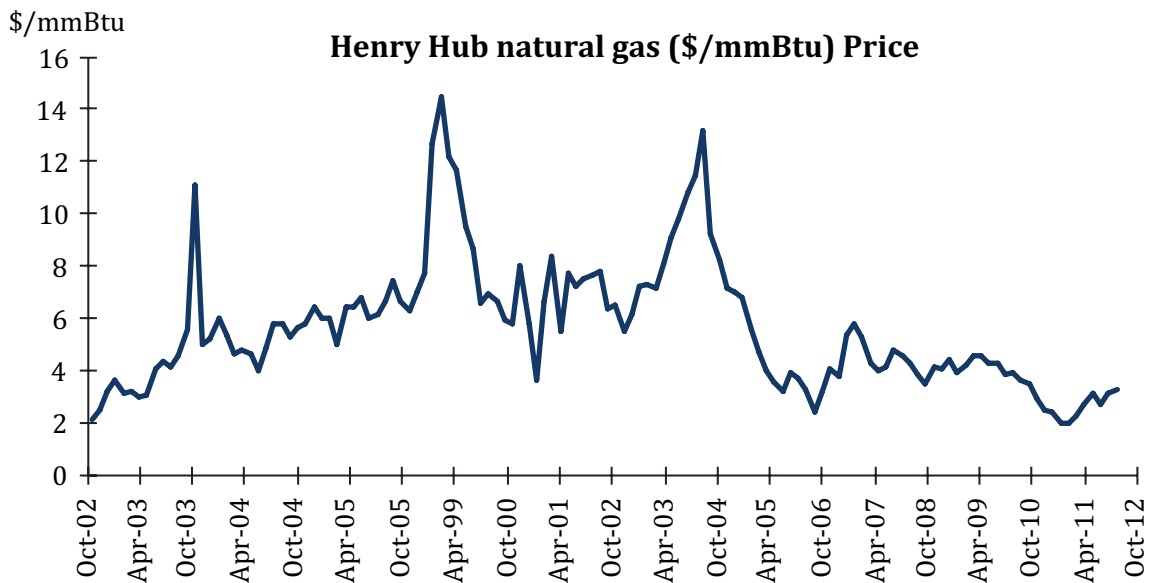
The charts below show the historical development of oil and gas prices.

**Chart 1: Historical Oil Price**



Source: Fearnley Securities

**Chart 2: History Hub Natural Gas Price**

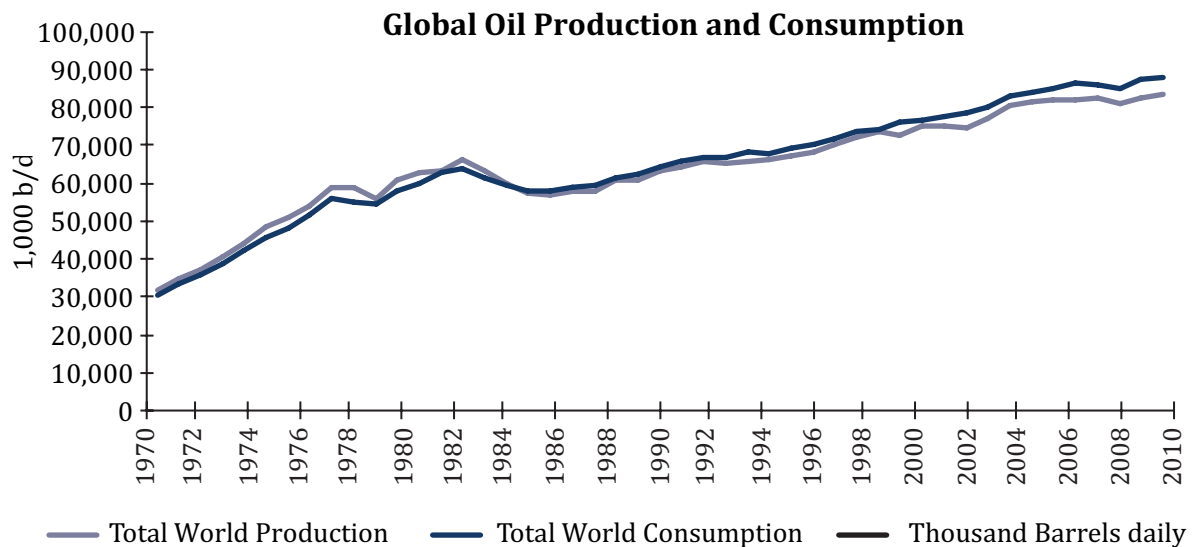


## 2.2 Oil and Gas Production and Consumption

From 2001 to 2011, consumption of oil increased from about 77 to about 88 million barrels per day, while production of oil increased from 75 to 84 million barrels per day. Similarly, from 2000 to 2009, consumption of gas increased from 2450 to 3220 billion cubic metres, while production of gas increased from 2480 to 3280 billion cubic metres.

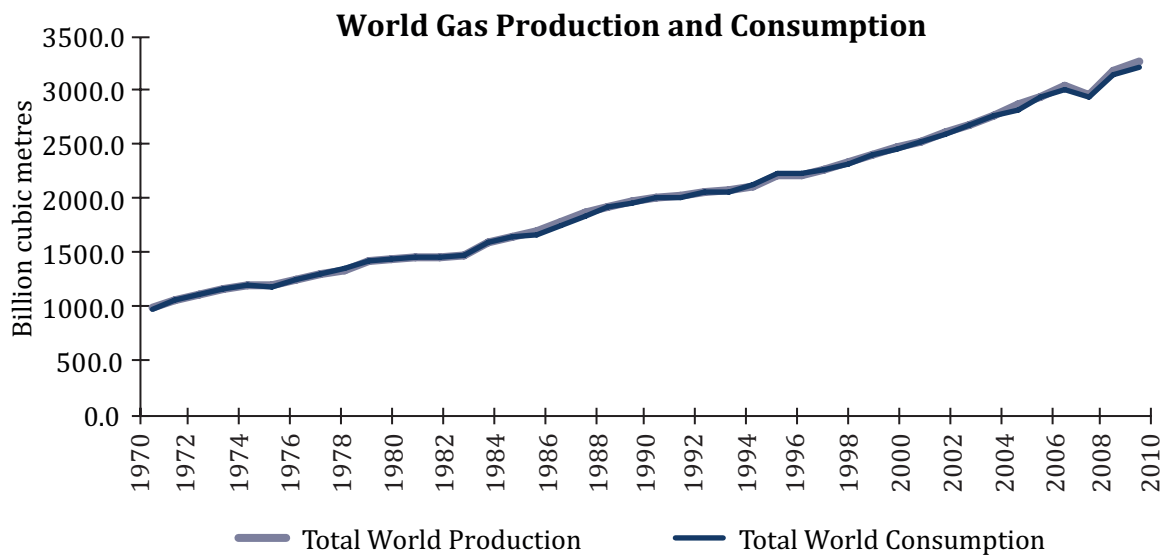
The next charts illustrate global oil and gas production and consumption for the periods indicated.

**Chart 3: Global Oil Production and Consumption (1965-2009)**



Source: BP Statistical Review of World Energy June 2010

**Chart 4: World Gas Production and Consumption (1970-2009)**



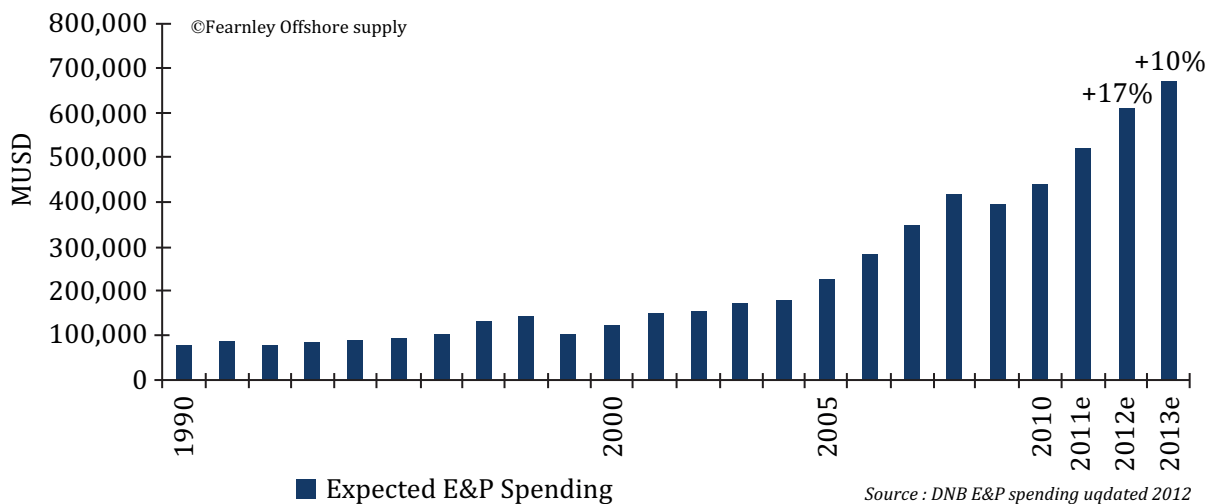
Source: BP Statistical Review of World Energy June 2010

In recent years, there has been a greater focus on offshore exploration and production to meet the rising global oil demand and as a result of depleting onshore reserves. Offshore oil production has been dominated by shallow water drilling and resources and exploration drilling in deepwater areas represent the new growth areas. In recent years, there has been increased emphasis on exploration and production in deeper waters. This is due to both technological developments that have made exploration feasible and more cost effective, and high oil and gas prices.

### 2.3 Exploration and Production Spending

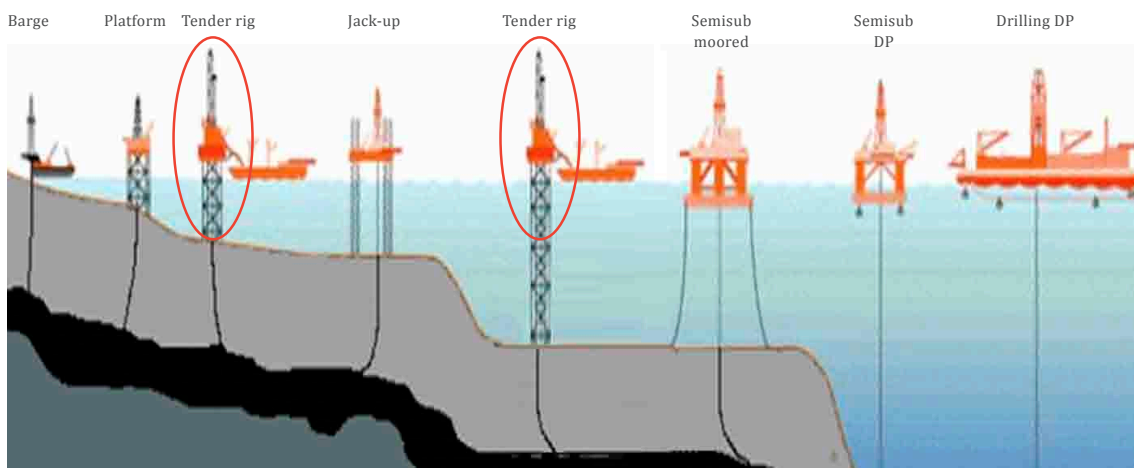
Exploration and production spending is mainly driven by oil and gas prices. In turn, exploration and production spending is a driver of drilling and subsea engineering services. However as large investment decisions are difficult to reverse, declines in the oil prices can take one or more years before impacting exploration and production spending. Between 2003 and 2008 there has been double-digit growth in E&P spending with an increasing oil price. In 2009, there was a reduction in how much oil companies have spent on exploration and development, as weaker GDP growth triggered lower oil demand growth and accordingly lower oil and gas prices. In addition the credit crunch made it tougher for many oil companies to finance further expansion. The oil companies' budgets for exploration and production have grown in the last years and are expected to continue to grow. This is to some extent because of higher costs and inflation, but mainly due to higher expected activity level. The extensive growth in number of drilling rigs under construction and announced drilling campaigns are also supporting this trend. Exploration, appraisal and production drilling activity are on a rise and small and large fields are being developed, also the high cost areas with reserves deep below seabed level, far from shore and in harsh environments. Thanks to the current oil price these fields are profitable to recover, and they require heavy duty drilling rigs and vessels for the subsea installation.

**Chart 5: Exploration and Production Spending and Oil Price**



Expected investment in oil and gas Exploration and Production. Source: DNB

### 3. Drilling Services Industry



Demand for drilling and related services is influenced by a number of factors, including the current and expected prices of oil and gas, as well as the level of activity in oil and gas exploration and production. Drilling operations (both exploration and production) are geographically dispersed throughout the world. The different types of drilling units employed depends on the water depths in which to drill, the stage of drilling (exploration/development/production) and the technical complexity of the well. The drilling units described below operate on different water depths, and can vary significantly in their technical specifications and capabilities.

### *3.1 Type of Drilling Units*

#### *Tender rigs*

A tender rig is a barge moored alongside a platform and contains crew quarters, mud tanks, mud pumps, and power generation systems. A tender rig carries its own drilling equipment and has a crane capable of erecting the derrick onto the neighboring platform, thereby eliminating the need for a separate derrick barge and related equipment.

#### *Semi Tender rigs*

A semi tender is a semi-submersible tender rig, which is identically constructed as a semi-submersible floating rig below the water surface. The topside of a semi tender is similar to the tender rig and serves the same purpose.

#### *Jack-up rigs*

A jack-up rig is a mobile self-elevating drilling platform equipped with legs that can be lowered down to the ocean floor. Once a foundation is established, the drilling platform is then elevated up the legs so that it rests above the highest expected wave height. When the rig is relocating, the platform is lowered to sea level and towed by a supply vessel to its next location.

A modern jack-up rig will normally have the ability to move its drill floor aft of its own hull (cantilever), so that multiple wells can be drilled without re-positioning the rig. Ultra-premium jack-up rigs have capabilities enabling them to work in water depths in excess of 350 feet.

#### *Semisubmersible rigs*

Semisubmersibles are floating drilling platforms with columns and pontoons featuring a ballasting system enabling the platform to adjust the draft of the partially submerged hull. The draft can for example be adjusted to a transit mode or an operational/drilling mode. A semisubmersible can maintain its position above the wellhead by means of a conventional mooring system or by use of a dynamic positioning system (DP) utilizing several thrusters controlled by advanced computer automated systems. A semisubmersible rig may be self-propelled (full propulsion capability) enabling the rig to relocate independently of a towing vessel, or it may have limited thruster assistance or no propulsion capability at all. The latter requiring the use of anchor handling tug and supply vessels (AHTS) for transit and positioning of anchors from one location to another.

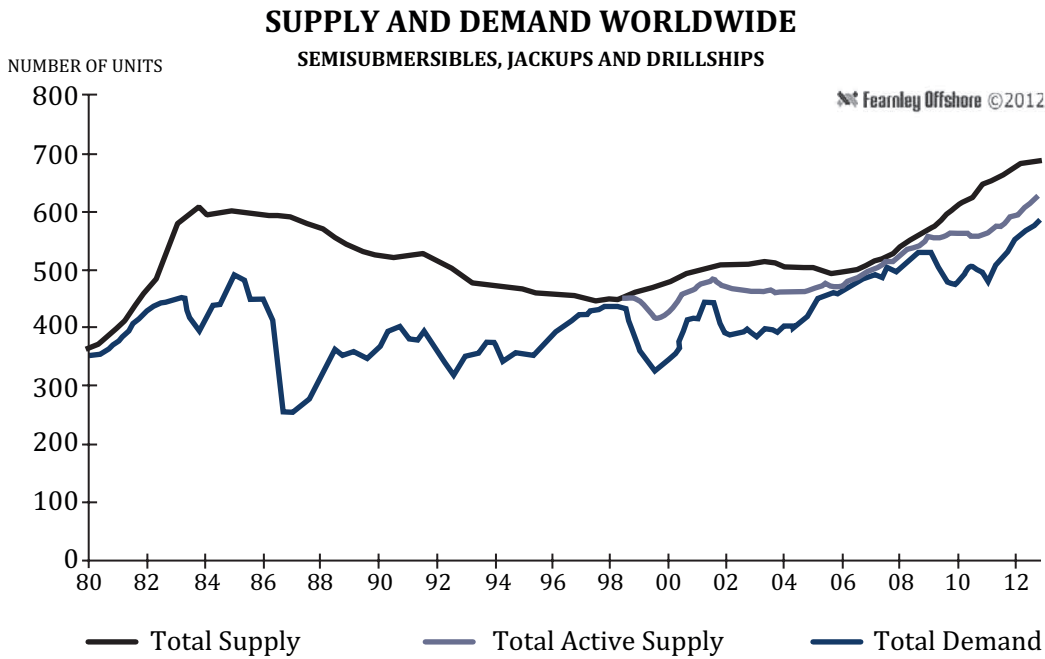
#### *Drillships*

Drillships have designs based on conventional ship hulls. They are all self-propelled and almost all utilize dynamic positioning systems (DP) to maintain their position above the wellhead. Drilling operations are performed utilizing the derrick and the moon pool which is installed mid ship. Drillships normally have a larger load capacity (Variable Deck Load) than semisubmersibles, and are well suited for drilling in remote locations due to their ease of mobility and their ability to carry more drilling equipment and supplies onboard.

3.2 Global Mobile Offshore Drilling Market

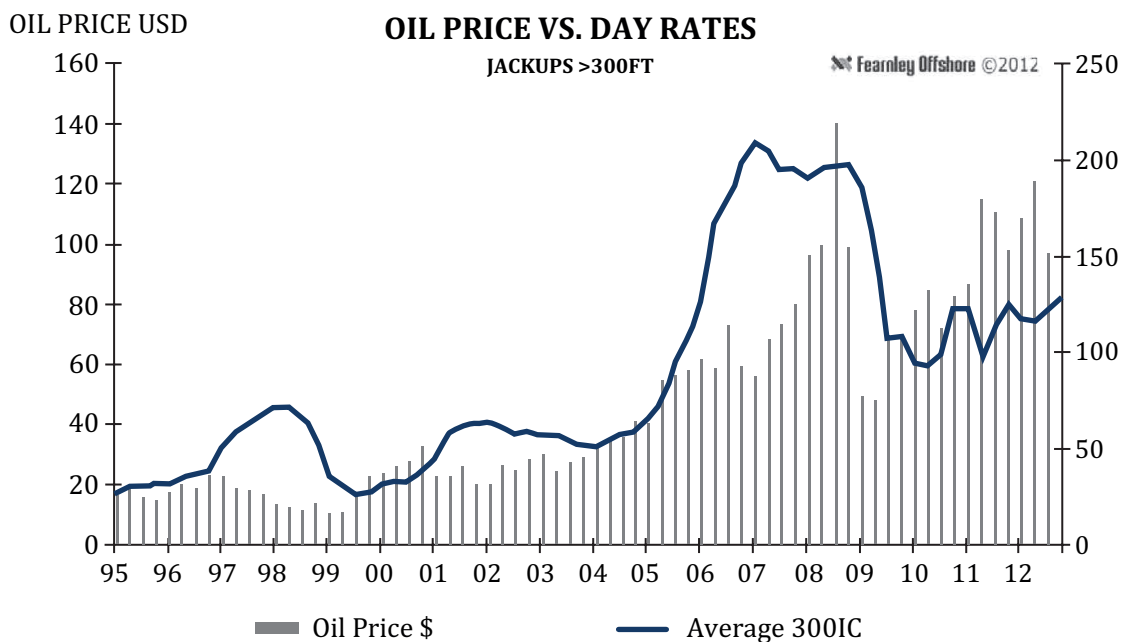
A sustained high oil price (>USD 100 per barrel) and increased E&P budgets among operators have led to increased utilization within most segments of the mobile offshore drilling market (“MODUs”) throughout 2012.

Chart 6: Supply And Demand Worldwide - Semisubmersibles, Jack-ups And Drillships



Source: Fearnley Offshore

Chart 7: Historical Jack-Ups Day Rates



Source: Fearnley Offshore

### 3.3 Tender and Semi Tender Rig Market

The majority of the tender rigs operate in South East Asia, on contracts ranging between one to three years. The market for tender rigs is a niche market that generally experience the same cycles as the market for other MODUs in general, and with jack-ups in particular.

South East Asia is the biggest market for tender rigs, followed by West Africa. The level of activity for tender rigs in South East Asia has remained relatively high. Total active supply comprise 20 units, of which 17 are currently on contract (15 operating in South East Asia), one is currently at the yard and available, while two are cold stacked. In addition, a total of eight tender rigs are under construction.

The total active supply of semi-tenders is nine units, of which one is cold stacked, eight is currently working and three are under construction.

## 4. Subsea Engineering Service Industry

The subsea engineering industry with respect to oil and gas exploration covers a wide range of activities that encompass all offshore developments from “cradle to grave”. The most intensive phase where subsea capacities are in demand is during field development. Subsea support vessels assist in, amongst other things, survey and preparations of the seabed, installation of modules, umbilicals and risers and provide remotely operated vehicles (“ROVs”) or divers for tie-in and testing. Also in the production phase, the oil and gas installations require assistance for vessels with subsea capabilities. Once installed, the equipment is surveyed and maintained, and together with both larger repair and development campaigns there is an ongoing requirement for subsea work for the life of an offshore oil and gas field. Also during decommissioning of the field subsea vessels are utilized.

Subsea work in the oil and gas industry has gradually becoming more important for the development of offshore fields. Technology development of subsea solutions has made it possible to recover oil in new areas, and in time also to a lower cost than conventional top-side solutions. Some of the key value drivers for the subsea market going forward are dependent on relatively robust oil and gas prices, development of new facilities in mid to deep water, expansion of existing installations, and increased maintenance activity on ageing offshore oil and gas fields.

### 4.1 Types of Subsea Vessels

The offshore subsea vessel market encompasses the various types of vessels utilized in the installation, inspection and maintenance of subsea equipment. Vessels supporting these activities are mostly unique and “one of a kind”, contrary to what you see in more conventional shipping markets like bulk carriers and tankers.

In broad terms, the subsea vessel market can be divided into offshore construction vessels (“OCV”) and construction support vessels. Vessels sorting under the OCV category are stable platforms with large cargo deck, accommodation facilities and larger tools such as larger AHC subsea crane(s), ROV handling equipment, moonpool(s), winches etc. Typically the clients chartering or acquiring these type of vessels do further upgrades to the vessel, above and beyond the standard design, by adding project relevant equipment to the back deck, for instance pipe/cable laying or well intervention equipment. All the major subsea contractors either own and operate OCVs or charter in vessels in on long periods.

Except from the heaviest installation work, most of the OCV work can be performed by smaller, less expensive vessels also referred to as construction *support* vessels. The OCV will often perform the work as part of a larger subsea campaigns, but subsea contractors also charter smaller construction support vessels for parts of the work. The smaller support vessels are also chartered in directly by the oil companies for inspection, maintenance and repair work. The subsea construction vessels encompass smaller multipurpose vessels, typically equipped with medium size cranes, ROV and also accommodation capacity. Most subsea vessels are equipped with a Dynamic Positioning system.

The subsea order book has grown substantially in the last 12 months. After a period with very few orders, more than 20 new subsea vessels have been ordered since September 2011, and will enter the market in 2013-2015. Especially the largest OCVs have been particularly popular with the vessel owners during the last 12 months.

#### 4.2 The Subsea Market

It has been a busy year for the subsea contractors, with hectic tendering activity for new subsea contracts, especially for larger multiyear EPIC contracts. The markets with the most momentum are the North Sea, Brazil and the Gulf of Mexico. It is fewer tenders and more competition for the tenders in Asia Pacific and West Africa, but this is about to change when development of discovered fields commence.

The increased demand for subsea construction, and very few new subsea vessels entering the market in the recent years, has put an upward pressure on the vessel day rates.

Type	2007 USD	2008 USD	2009 USD	2010 USD	2011 USD	2012 USD	Trending
Offshore Construction Vessels	65 - 70,000	65 - 70,000	50 - 55,000	50 - 55,000	55 - 95,000*	65 - 110,000*	↑
Light Construction Vessels	45 - 55,000	45 - 55,000	45 - 55,000	40 - 50,000	50 - 60,000	50 - 60,000	↑
Construction support Vessels	35 - 45,000	35 - 45,000	40 - 45,000	40 - 50,000	40 - 55,000	45 - 55,000	→

#### Comment:

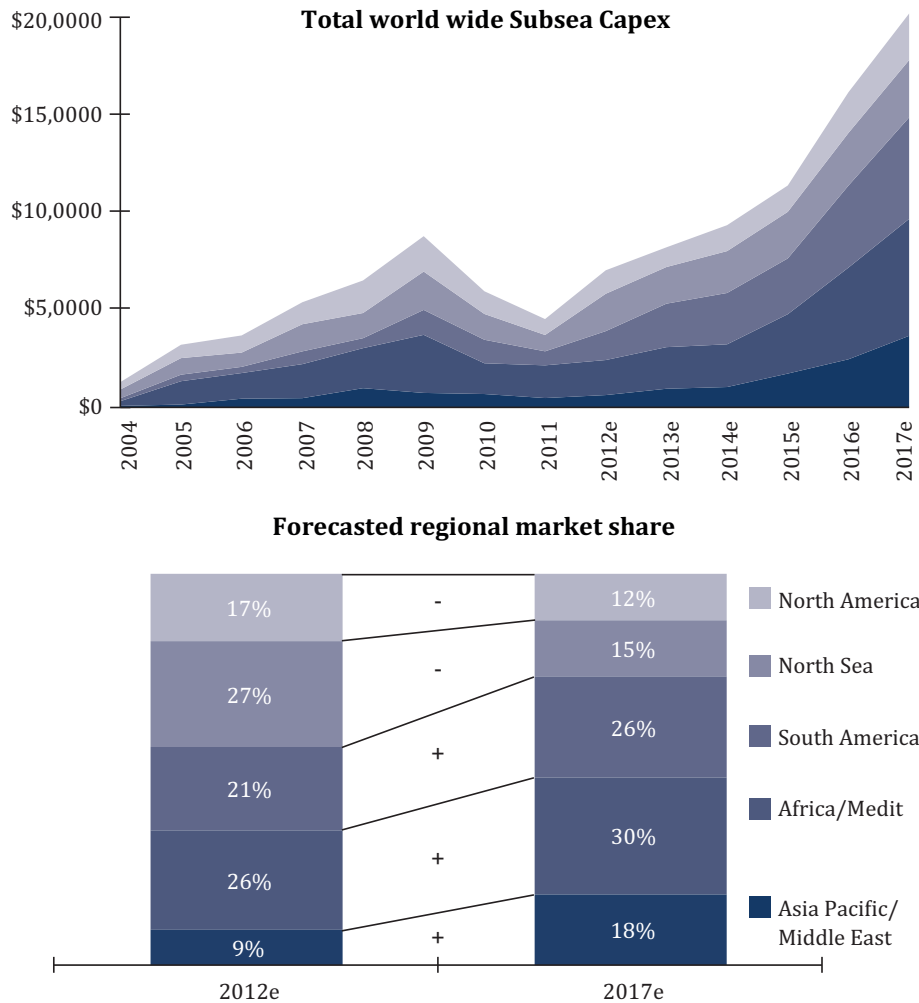
*Rates are based on a mix of public made information/contract awards, rates received in confidence and a general feeling of the market. The index is based on long term T/C contracts, i.e. 3 to 5 years, direct from vessel owner to 1<sup>st</sup> tier charterer. Rates do not include ROV's or special top-side equipment.*

*\*A new breed of larger OCVs (150 m LOA+) entered the market in 2010 and as such there is a larger span between the low and high end of this vessel segment.*

Fearnley Offshore Supply points at four different development trends mainly affecting the demand for subsea vessels. First of all, the recent year's large discoveries represent a pleasant "subsea market back-log". Secondly, in addition to the already discovered reserves, it is likely that the extensive drilling boom announced will lead to more discoveries and increase the back-log further. The third positive influencing factor for increased subsea demand is the new technology enabling producing field to look for life extension and further development. Especially in the North Sea, there has been several subsea tie-back and fast track solutions to increase recovery from existing fields and infrastructure. The fourth, and final, indicator for increased demand is that 70 percent of all the new subsea development shall be installed in deep water of 1,500 ft or more which implies longer subsea campaigns and increased pressure on the current fleet. Africa and Brazil is taking the largest share of the deepwater development, but also in areas like North Sea Gulf of Mexico and South East Asia the growth in deepwater development is on a rise, and subsea solutions are becoming more important.

Whilst data relating to number of rigs and geographical location of exploration and production activities is a good indicator for the development activity, the repair and maintenance budgets are less available. A commonly used indicator for subsea activity is the number of subsea trees to be installed in the different regions. Each well-head is connected to a topside facility or export pipe line, via a riser, and different subsea structures. The development in expenditures related to subsea structures indicates the demand for subsea installation capabilities.

Chart 8: Subsea Capital Expenditure Forecast



Source: Quest

As can be seen in the chart above, Quest expects to see growth in all offshore regions, and that the South East Asian market will experience the largest growth. According to Quest offshore, 18 percent of the world’s annual subsea investment will be poured into this region by 2017.

This discussion and analysis of Mermaid Maritime Public Company Limited (the “Company” or “Mermaid”) and its subsidiaries’ (collectively the “Group”) operating results is based upon consolidated financial statements, which have been prepared in accordance with the Thai Generally Accepted Accounting Principles (“Thai GAAP”), with the adoption of certain accounting policies based on the International Financial Reporting Standards (“IFRS”). The Group uses a variety of financial and operational terms and concepts to analyse the Group’s performance. These include the following:

- *Calendar-vessel-days/Calendar-rig-days.* Calendar-vessel-days and Calendar-rig-days are defined as the total number of days during which the vessels and drilling rigs have been owned and operated by the Group.
- *Available days.* Available days are defined as the number of Calendar-vessel-days or Calendar-rig-days less the total number of days that the vessels and drilling rigs are off-hire due to scheduled repairs or repairs under guarantee, upgrades or special surveys, and the amount of time spent positioning the fleet. Available days match up to the number of days during which the fleet is capable of generating revenues.
- *Operating days.* Operating days are defined as the number of available days less the total number of days that the fleet is off-hire due to any reason, including unforeseen circumstances. Operating days match up to the number of days during which the fleet actually generate revenues.
- *Fleet utilisation.* Fleet utilisation is calculated by dividing the number of operating days by the number of available days. Fleet utilisation measures the efficiency in finding suitable employment for the vessels and drilling rigs and minimising the amount of days that they are off-hire for reasons other than scheduled repairs or repairs under guarantee, upgrades, special surveys, or positioning.
- *Dry-docking.* Each of the vessels and drilling rigs must be periodically dry-docked for inspection, repairs and maintenance, and any modifications to comply with industry certification or government requirements. Generally, the vessels and drilling rigs are dry-docked every five (5) years. A substantial portion of the dry-docking costs are capitalised and amortised on a straight-line basis from the completion of a dry-docking to the estimated completion of the next dry-docking. Dry-docking is considered a separate component of a vessel’s or drilling rig’s total investment costs that have a different pattern of economic benefits and are therefore depreciated separately. Costs related to routine repairs and maintenance that do not improve or extend a vessel’s or a drilling rig’s useful life are expensed during the quarter in which they are incurred.
- *Depreciation.* Depreciation of the vessels and drilling rigs is calculated on a component basis, whereby each major component of a vessel or drilling rig is depreciated over its useful life. As components have different useful lives, the total of these component depreciation expenses is reported in the Company’s financial statements.
- *Service and administrative expenses.* Service and administrative expenses include onshore fleet related expenses such as payroll, rent, legal and professional expenses, and other general expenses and also include depreciation of building and office equipment.
- *Exchange rate.* The exchange rate of USD1 to Baht 31.1675 is used to translate value in Baht currency to US Dollar currency for the 2012 financial numbers.

In this section, unless otherwise specifically stated to the contrary, all references to years (i.e. 2010, 2011 and 2012) shall mean the financial years of the Group ending 30 September.

### Subsea Engineering Services

The subsea engineering services group comprise Mermaid Offshore Services Ltd. (“MOS”), Seascope Surveys (Thailand) Ltd., Seascope Surveys Pte., Ltd., PT Seascope Indonesia, Nemo Subsea AS, Nemo Subsea IS, Subtech Ltd., Subtech Qatar Diving and Marine Services LLC., and Subtech Saudi Arabia Limited (collectively “MOS Group”).

The following table provides a summary of the changes in Calendar-vessel-days by owned and chartered-in vessels for the MOS Group.

**Table 1: Calendar-Vessel-Days for Offshore Service Vessels**

*Unit: Days*

Calendar-Vessel-Days	FY 2012		FY 2011	
	No. of Days	% Change	No. of Days	% Change
Owned Vessels	2,928	0.27%	2,920	26.30%
Chartered in Vessel	214	100.00%	0	(100.00)%
<b>Total</b>	<b>3,142</b>	<b>7.60%</b>	<b>2,920</b>	<b>21.46%</b>

The calendar vessel days of MOS group increased by 7.60% due to additional chartered in vessel in March 2012. Compared to prior year, the average size of the MOS Group fleet increased 26.30 % in 2011, as the newbuild vessel, M.V. ‘Mermaid Endurer’ was fully available since September 2010, compared to 2010, when M.V. ‘Mermaid Sapphire’ started in February 2010 and M.V. ‘Mermaid Siam’ started in January 2010.

**Table 2: Fleet Utilisation for Offshore Service Vessels**

*Unit: Days*

Item	FY 2012		FY 2011	
	No. of Days	% Change	No. of Days	% Change
Calendar-Vessel-Days	3,142	7.60%	2,920	21.46%
Planned Off-Hire Days	292	210.64%	94	(1.05)%
<b>Available Days</b>	<b>2,850</b>	<b>0.85%</b>	<b>2,826</b>	<b>22.39%</b>
<b>Operating Days</b>	<b>1,955</b>	<b>2.75%</b>	<b>1,903</b>	<b>108.39%</b>
<b>Fleet Utilisation</b>	<b>68.60%</b>	<b>1.89%</b>	<b>67.33%</b>	<b>70.27%</b>

*Service Revenues:* Service revenues slightly increased 2.03% to Baht 4,624.83 million in 2012, or USD 47,226 per Calendar-vessel-day from Baht 4,532.99 million in 2011, or USD 51,343 per Calendar-vessel-day in 2011. The fleet utilisation slightly increased by 1.89% to 68.60% in 2012.

*Cost of Services:* Cost of service consists of two major components, which are service expenses and depreciation.

*Service Expenses:* Service expenses decreased 4.60% to Baht 3,061.64 million, or USD 31,261 per Calendar-vessel-day, in 2012 from Baht 3,208.99 million, or USD 36,347 per Calendar-vessel-day in 2011. The decrease in service expenses was primarily due to better vessel and project cost management.

*Depreciation:* Depreciation expenses decreased 10.56% to Baht 664.45 million in 2012 from Baht 742.93 million in 2011. There was a revision of estimated useful life in 2012 for some vessel components from 5-20 years to 5-30 years to be in line with the current use of assets.

## Offshore Drilling Services

The following table provides a summary of the changes in Calendar-rig-days for our drilling rigs.

**Table 3: Calendar-Rig-Days for Drilling Rigs (“MDL”)**

Unit: Days

Calendar-Rig-Days	FY 2012		FY 2011	
	No. of Days	% Change	No. of Days	% Change
Owned Rigs	732	0.27%	730	0.00%
Chartered in Rigs	0	0.00%	0	0.00%
<b>Total</b>	<b>732</b>	<b>0.27%</b>	<b>730</b>	<b>0.00%</b>

**Table 4: Fleet Utilisation for Drilling Rigs**

Unit: Days

Item	FY 2012		FY 2011	
	No. of Days	% Change	No. of Days	% Change
Calendar-Rig-Days	732	0.27%	730	0.00%
Planned Off-Hire Days	0	0.00%	0	0.00%
<b>Available Days</b>	<b>732</b>	<b>0.27%</b>	<b>730</b>	<b>0.00%</b>
Unplanned Off-Hire Days	0	0.00%	0	0.00%
<b>Operating Days</b>	<b>473</b>	<b>35.14%</b>	<b>350</b>	<b>-15.46%</b>
<b>Fleet Utilisation</b>	<b>64.62%</b>	<b>34.77%</b>	<b>47.95%</b>	<b>-15.45%</b>

*Service Revenues:* Service revenues slightly increased to Baht 1,089.31 million in 2012, compared to Baht 1,038.51 million in 2011. The increase was due to utilisation rates increased from 47.95% in 2011 to 64.62% in 2012. ‘MTR-1’ and ‘MTR-2’ were working in 2012 compared to only ‘MTR-2’ working in 2011.

*Cost of Services:* Cost of service consists of two major components, which are service expenses and depreciation. Cost of services decreased 5.48% to Baht 784.95 million in 2012, compared to Baht 830.45 million in 2011.

*Service Expenses:* Service expenses decreased 2.52% to Baht 602.79 million in 2012 compared to Baht 618.38 million in 2011.

*Depreciation:* Depreciation decreased 14.10% to Baht 182.17 million in 2012, from Baht 212.07 million in 2011. This was primarily due to a disposal of drilling pipes of ‘MTR-1’ in 2011.

## Other Operating Results

*General and administrative expenses:* Administrative expenses were Baht 787.4 million, an increase of Baht 68.4 million, or 9.5%, from 2011. This was primarily due to a provision of bad debts of Baht 56.8 million, and tax penalties of Baht 38.7 million. Excluding these two factors, administrative expense reduced Baht 27.1 million or 3.8% from prior year.

*Impairment losses of property, plant and equipment:* There was no impairment loss incurred in 2012 compared to impairment losses of Baht 203.74 million booked in prior year.

*Finance costs:* Finance costs in 2012 were Baht 284.9 million, an increase of Baht 56.0 million, or 24.5%, compared to FY2011. This was primarily due to the interest rate swap termination cost of Baht 99.9 million (one-time). The average loan balance decreased 2.9% to Baht 4,021.2 million in FY 2012, while the average interest rate on these loans fell to 4.5%.

*Interest income:* Interest income increased 71.1 % to Baht 11.31 million in 2012, from Baht 6.61 million in 2011.

*Foreign Exchange Gains (Losses):* The foreign exchange rates were Baht 56.38 million gains compared to Baht 21.21 million gains in 2011. The increase was mainly due to the translation of US Dollar assets and liabilities into Thai Baht on the balance sheet date.

*Net gains on disposals and write off property, plant, and equipment and intangible assets:* A net loss of Baht 2.34 million in 2012, compared to a net loss of Baht 8.81 million in 2011. The losses were occurred primarily due to a disposal of drilling pipe of MTR-1 in 2011.

*Other Income:* Other revenues decreased 90.2% to Baht 18.33 million in 2012, from Baht 187.60 million in 2011. The decrease was due to gain from early termination of the cross currency and interest rate swap contract of Baht 82 million, other income related to AOD of Baht 62 million and bad debts recovery of Baht 18 million in 2011.

*Income taxes:* Income taxes in 2012 were Baht 118.3 million, an increase of Baht 41.9 million, or 54.9%, from 2011 due to higher profits from Drilling and Seascope Surveys.

As a result of the factors discussed above, the result was reported net gain of Baht 86.02 million in 2012 which was a significant improvement from a net loss of Baht 161.35 million in 2011.

## Liquidity and Capital Resources

The following table sets forth the Group's consolidated capitalisation for the two previous financial years.

**Table 5: Total Capitalisation**

*Unit: Baht'000*

Item	As at 30 September	
	2012	2011
<b>Cash and cash equivalents</b>	<b>1,916,973</b>	<b>1,352,380</b>
<b>Debt</b>		
Bank overdrafts	-	-
Short-term debt	-	-
Current portion, long-term debt (including finance leases)	210,710	558,491
Long-term debt (including finance leases)	3,867,585	3,413,240
<b>Total Debt</b>	<b>4,078,295</b>	<b>3,971,731</b>
<b>Shareholders' Equity</b>		
Ordinary shares, Baht 1 par value 784.75 million shares (2011: 784.75 million shares) issued and fully paid-up	784,748	784,748
Additional paid-in capital	9,818,420	9,818,420
Retained earnings	2,008,621	1,937,134

Unit: Baht'000

Item	As at 30 September	
	2012	2011
Others	(240,747)	(98,687)
<b>Total Shareholders' Equity</b>	<b>12,371,042</b>	<b>12,441,615</b>
<b>Total Capitalisation</b>	<b>16,449,337</b>	<b>16,413,346</b>
<b>Total Debt to Total Capitalisation</b>	<b>0.25</b>	<b>0.24</b>

As at 30 September 2012, the Group's total cash and cash equivalents equalled Baht 1,916.97 million, an increase of Baht 564.59 million from Baht 1,352.38 million at 30 September 2011.

The Company had net cash from operating activities for 2012 of Baht 974.6 million, which represented a significant increase compared to net cash from operating activities of Baht 6.3 million for 2011. The increase in operating cash flows reflected improvements in both asset utilisation and working capital management.

The Company had net cash used in investing activities of Baht 528.4 million, a decrease of Baht 1,000.59 million compared to prior year.

The Company had net cash from financing activities of Baht 155.8 million due to loan refinancing.

As of 30 September 2012, the Company had total debt including financial lease (if any) of Baht 4,078.30 million, equivalent to US dollar loans of USD 131.62 million and Baht loans of Baht 2.59 million. Compared to 30 September 2011, the Company had total debt including financial lease (if any) of Baht 3,971.73 million, equivalent to US dollar loans of USD 105.85 million and Baht loans of Baht 658.95 million. Outstanding loans were mainly for acquisitions of vessels, rigs, and equipment.

## Capital Expenditures

The major capital expenditure in 2012 were for operation requirements which comprised of mandatory dry-docking of vessels, new equipment purchases, and mandatory special periodic survey of MTR-1 totalling of Baht 466.7 million.

In July 2012, the Company acquires remaining 20% equity in Seascope Survey. The first payment of USD 1.8 million (Baht 57.1 million) was paid on 20 July 2012. The second and final payments will be paid within 30 days after release of the audited financial results of Seascope Surveys Group for the 2013 and 2014 financial years based upon a certain percentage of earnings before interest expenses, income taxes, depreciation, and amortisation. However, it has been agreed that the initial guaranteed minimum consideration shall not be below USD 2.5 million.

## Qualitative and Quantitative Market Risk

### Foreign Currency Fluctuation Risk

The international offshore oil and gas industry utilises the US dollar as its functional currency. Consequently, a substantial portion of the Group's revenues and operating expenses are in US Dollars. The Group incurs certain crew, vessel and rig operating expenses, dry-docking and overhead costs in foreign currencies.

### Interest Rate Risk

The Group is subject to market risks relating to changes in US dollar interest rates, because all of the Group's loans are denominated in US Dollars and set against LIBOR. All interest on debt incurred is paid under the existing credit facilities at a rate of LIBOR plus a certain margin.

## Risks relating to the Group's Businesses

Mermaid Maritime Public Company Limited ("the Company" or "Mermaid") is an offshore oil and gas contractor operating on an international scale. The risks listed below are generally applicable to offshore oil and gas contractors in circumstances similar to Mermaid, and therefore not exclusive to Mermaid. To the extent such risks are capable of being managed and/or mitigated, Mermaid has put in place business strategies and management processes to identify, manage and mitigate these risks.

### *The Group is largely dependent on the oil and gas industry, which is affected by fluctuating oil and gas prices*

Mermaid and its subsidiaries (collectively the "Group") provides offshore services to the oil and gas industry, and its offshore business is affected by fluctuations in the global demand for assets and prices of oil and gas, in particular the level of activity in oil and gas exploration, development, and production in South East Asia and the Middle East, where the Group is active. Depending on the market price of oil and gas, companies exploring for oil and gas may cancel or reduce their activities, thus reducing the demand for the services provided by the Group. While the level of offshore drilling and production activity improved from 2005 to 2008, this had experienced a significant decline starting in the first half of the 2009 financial year. Although the global economy has shown signs of gradual improvement from 2010 to 2012, there can be no assurance on the pace of recovery or recovery itself, nor assurance that activity levels will eventually remain the same or increase. Any prolonged period of low drilling and production activity could materially and adversely affect the Group's financial condition and results of operations.

### *Demand for the Group's services is subject to fluctuations and the results of its offshore services segment operations may be volatile*

Demand for the services provided by the Group is subject to fluctuations, with periods of high demand, short supply, and high rates often followed by periods of low demand, excess supply, and reduced rates. The entry into the market of newly constructed, upgraded, or reactivated drilling rigs or subsea vessels will increase market supply and may inhibit the increase of rates or reduce them. Periods of low demand will intensify the competition in the industry and this often results in assets being idle for periods of time. The Group's assets may be idle, or the Group may have to enter into reduced day rate contracts in response to market conditions in the future. The Group's ability to renew these contracts, or obtain new contracts, and the terms of any such contracts will depend on market conditions at the time such contracts are being considered.

In addition, as most of the Group's subsea engineering services contracts are short-term in nature, changes in market conditions can quickly affect the Group's business. Further, as the business of the Group is project-based, its cash flow may not always be predictable and may be uneven. As a result of fluctuation in demand for the Group's services, its results of operations may be volatile.

### *The Group is subject to a number of operating risks*

The Group is subject to various risks inherent in the oil and gas industry, such as fires, natural disasters, adverse weather conditions, explosions, encountering formations with abnormal pressures, blowouts, cratering, pipeline ruptures and spills. A number of these risks could have severe consequences, including loss of human life or serious injury, significant damage to the Group's or its clients' assets and equipment, environmental pollution, personal injury litigation, political consequences, damage to the Group's reputation and third party claims. The Group has experienced accidents and other incidents involving its tender drilling rigs and subsea vessels and there can be no assurance that similar events will not occur in the future.

The Group is also subject to equipment failure risks, which may require long periods to repair and result in loss of revenue. The Group may be forced to cease part of its operations if any of its key assets break down until it can replace and/or repair such key assets. A major system failure could result in substantial loss of life and/or serious injury, damage to or loss of drilling rigs or subsea vessels and equipment and protracted legal disputes and damage to the Group's reputation. The Group is also subject to bad weather conditions, which may be hazardous to its tender drilling rigs or subsea vessels, equipment and personnel. In addition, such bad weather conditions may reduce its productivity. The contracts entered into by the Group also generally provide that the Group's clients can suspend or refuse services in the event their operations are affected by events of *force majeure* (as defined in the contracts).

Furthermore, the Group does not maintain business interruption insurance with respect to loss of profits, loss of hire, delays, consequential loss or loss of income resulting from a drilling rig or subsea vessel being removed from operation, however, the Group does have insurance cover in the case of claims against third parties. In addition, certain risks, such as those related to biochemical damage, are not insurable. As such, there can be no assurance that the Group will not suffer losses in excess of the insurance coverage or the losses and damages suffered by the Group shall be covered by insurance.

The occurrence of any of the events above could materially and adversely affect the Group's reputation, financial condition and results of operations. In addition, as there has been an increase in insurance claims made throughout the maritime industry, a general increase in insurance premiums could be imposed by insurers. The Group's inability to secure insurance on terms favourable to it, or at all could also materially and adversely affect its financial condition and results of operations.

*There are a limited number of potential clients in the niche markets in which the Group operates and the loss of a significant client could have a material impact on the Group's financial results*

There are a limited number of potential clients, particularly for the drilling business, and a limited number of projects available in the niche markets in which the Group operates. In any given year, a small number of contracts and projects account for a significant portion of the revenue of the Group. Further, given that the Group currently has a total of two (2) tender drilling rigs (one of which is operationally ready for offshore drilling and the other is operationally ready for work as an accommodation barge and could operate for offshore drilling if refurbishment work is undertaken on the drilling package and provided a firm drilling contract was awarded by a client) the drilling services business can only have a maximum of two (2) clients at any point in time.

In the event any of the Group's major clients terminates its contracts or refuses to award new contracts to the Group and the Group is unable to secure new clients to replace these clients in a timely manner or at all, the financial condition and results of operations of the Group could be materially and adversely affected.

*If the Group fails to effectively manage its growth, its results of operations may be adversely affected*

The Group ordered three (3) new high-specification jack-up drilling rigs through one of its associate companies, Asia Offshore Drilling Limited, during 2010-2011. There will be a time lag between the time the Group purchases a newbuild jack-up drilling rig or subsea vessel and the time such drilling rig or subsea vessel becomes operational. In that time, the conditions affecting the industry may change such that the Group may be unable to achieve its projected returns. If the Group fails to effectively manage its current and future acquisitions and newbuilds, its financial condition and results of operations could be materially and adversely affected.

The Group's expansion plans will require substantial management attention and significant company resources, both financial and human. The Group's growth has placed, and is expected to continue to place, significant demands on its personnel, management and other resources. If the Group does not continue or is unable to recruit or retain the necessary skilled personnel, improve the Group's operations and its financial, management and legal/compliance information systems to keep pace with the growth of the Group, the financial condition and results of operations of the Group could be materially and adversely affected.

*The industry in which the Group operates is highly competitive with intense price competition*

The market segments and region in which the Group operates are highly competitive. Pricing is often the primary factor in determining which contractor is awarded a contract. Some of its competitors are larger than the Group, have more diverse fleets or fleets with generally higher specifications, have greater resources than the Group, and/or have greater brand recognition and greater geographical reach and/or lower capital costs than the Group. This allows them to withstand industry downturns better, compete on the basis of price, and relocate, build, and/or acquire additional assets, all of which may affect the Group's revenues and profitability.

If other competitors in the industry relocate or acquire drilling rigs or subsea vessels for operations in the region where the Group operates, levels of competition in such region may increase and the financial condition and results of operations of the Group could be materially and adversely affected.

*Increases in the costs of the Group could adversely impact the profitability of its long-term contracts*

Contracts between the Group and its clients for the Group's drilling services are on a long-term fixed rate basis, while on the subsea engineering side for the Group only a portion are attributable with long durations, given the nature of subsea engineering work. Long-term fixed rate contracts limit the Group's ability to adjust rates in response to market conditions and any increase in its costs, such as salary costs and costs for spare parts and consumables, which are unpredictable and fluctuate based on events beyond its control. Any substantial increase in such costs could have a material adverse effect on the financial condition and results of operations of the Group.

*Maintenance and repair for the drilling rigs and subsea vessels of the Group will require substantial expenditures*

The operations of the Group's businesses rely on assets such as drilling rigs and subsea vessels. The Group is required to obtain and continually maintain as current its drilling rigs and subsea vessels to certain standards including, but not limited to those mandated by international classification societies. For example, its drilling rigs and subsea vessels are required to be dry-docked every five (5) years. Such dry-docking requires major capital expenditures and there can be no assurance that there will not be any cost overruns. The Group may have to repair or refurbish its drilling rigs or subsea vessels or incur substantial expenditures for the acquisition of additional spare parts and assets. Further, as most of the Group's owned tender drilling rigs and subsea vessels are not new, the cost of maintenance and repair may be higher than for newbuilds.

There can be no assurance that cash from operations or debt or equity financing on terms acceptable to the Group will be available or sufficient to meet these requirements. Any inability to access sufficient capital for its repair/maintenance of its fleet could have a material adverse effect on the financial condition and results of operations of the Group.

In the event that the Group fails to comply with these standards, it could lose the class certification for its drilling rigs and/or subsea vessels, which could have a material adverse effect on the financial condition and results of operations of the Group.

*The Group may be unable to maintain its health, safety and environmental standards*

The operations of the Group are subject to laws and regulations that relate directly or indirectly to the drilling and subsea engineering services industries, including those relating to the discharge of oil or other contaminants into the environment and protection of the environment. The Group is required by its clients, governments and regulatory agencies to maintain health, safety and environmental standards in the course of providing its services. In the event of any change in these standards, the Group may have to incur additional expenses to comply with such changes. Any failure to maintain standards may result in the cancellation of its present contracts, difficulties in securing new contract awards or regulatory authorities imposing fines, penalties or sanctions on it or prohibiting it from continuing its operations, each of which could have an adverse effect on it. A failure to maintain health, safety and environmental standards could also result in injuries, death, damage to the environment, liability, or damage to the Group's reputation. The occurrence of any of the above could have a material adverse effect on the financial condition and results of operations of the Group.

*The Group is subject to extensive regulations and potentially substantial liability that could require significant expenditures and adversely affect the Group's financial condition and results of operations*

The operations of the Group are subject to international laws, regulations and practices, as well as local laws of the countries in which the Group operates. Such laws and regulations include those relating to health, safety and environment standards and labour matters. Any failure to comply with such applicable laws, regulations and practices may result in, among others, interruption or delay to the Group's operations, cancellation of its present contracts, difficulties in securing new contract awards or regulatory authorities imposing fines, penalties or sanctions on the Group or prohibiting the Group from continuing its operations. The occurrence of any of the above could materially and adversely affect the Group's reputation and business, and in turn its financial condition and results of operations.

In addition, the Group is required to have certain permits and approvals to conduct its operations. In the future, the Group may be required to renew such permits and/or obtain new permits and approvals. There is no assurance that the Group will be able to renew or obtain such permits or approvals in the time frame anticipated by the Group or at all. Any failure to renew, maintain or obtain the required permits or approvals may result in the interruption or delay to the Group's operations and may have an adverse effect on the Group's business.

Under the Foreign Business Act B.E. 2542 (1999) of Thailand, a foreign entity is prohibited or restricted from engaging in certain businesses in Thailand, including the provision of the Group's services (the "Restricted Business") and a foreign entity engaging in Restricted Businesses without the requisite permission is subject to a fine of between Baht 100,000 and Baht 1 million. In addition, the Thai courts will order the cessation or dissolution of such businesses and the directors or representatives of such foreign entity will be subject to imprisonment not exceeding three (3) years, or a fine of between Baht 100,000 and Baht 1 million, or both. If, for any reason, the Company is considered to be a foreign entity due to the aggregate shareholding of the Thai shareholders being not more than 50.0% of the total issued share capital, and the Company and/or the Group are not able to secure the aforesaid requisite permits and approvals to continue to conduct its operations, this could lead to the cessation of the Group's businesses and could materially and adversely affect its financial condition and results of operations.

*The consolidated financial statements of the Group are prepared in accordance with Thai GAAP, which differs in certain respects from SFRS, IFRS and U.S. GAAP*

The consolidated financial statements of the Group are prepared in accordance with the Thai Generally Accepted Accounting Principles (“Thai GAAP”), with the adoption of certain accounting policies based on the International Financial Reporting Standards (“IFRS”). The Singapore Exchange Securities Trading Ltd. (“SGX-ST”) has granted a waiver in respect of Rule 220(1) of the Listing Manual that would otherwise have required the future periodic reports of the Group to be prepared in accordance with Singapore Financial Reporting Standards (“SFRS”), the IFRS or the United States Generally Accepted Accounting Principles (“U.S. GAAP”). As a result, the consolidated financial statements of the Group could be significantly different from that which would be prepared under SFRS, IFRS or U.S. GAAP.

The consolidated financial statements of the Group does not contain a reconciliation of the Group’s consolidated financial statements to SFRS, IFRS or U.S. GAAP, nor does it include any information in relation to the differences between Thai GAAP and SFRS, IFRS or U.S. GAAP. Had the consolidated financial statements and other financial information been prepared in accordance with SFRS, IFRS or U.S. GAAP, the results of operations and financial position may have been materially different. Because differences exist between Thai GAAP and SFRS, IFRS or U.S. GAAP, the financial information in respect of the Group contained in the consolidated financial statements of the Group may not be an effective means to compare the Group with other companies that prepare their financial information in accordance with SFRS, IFRS or U.S. GAAP.

In making an investment decision, investors must rely upon their own examination of the Group and the financial information relating to the Group. Potential investors should consult their own professional advisers for an understanding of these differences between Thai GAAP and SFRS, IFRS or U.S. GAAP, and how such differences might affect the financial information contained herein.

*The Group’s failure to attract and retain skilled personnel for its businesses could materially and adversely affect its financial condition and results of operations*

An important factor to the success of the Group’s business is its ability to recruit, train, and retain qualified and experienced officers to crew its drilling rigs and subsea vessels as well as shore-based staff. The Group’s offshore services business also requires highly skilled personnel to operate its drilling rigs and subsea vessels. The competition for the employment of qualified and experienced officers is intense and may, as a result of other employment opportunities and rising salaries, become increasingly so. There can be no assurance that the Group will be successful in its efforts to recruit and retain properly skilled personnel at reasonable costs. Any failure to do so could adversely affect its reputation and ability to operate safely and cost-effectively, and in turn its financial condition and results of operations.

*The Group’s performance is dependent on the creditworthiness of its clients*

The Group is subject to risks of loss resulting from non-payment or non-performance by its clients. Any material non-payment or non-performance by any of the Group’s key clients, especially during periods of downturn, could materially and adversely affect the Group’s financial condition or results of operations. The potential impact of any client defaults would be greater in the Group’s offshore drilling business where the contracts are of a longer duration and greater value.

*The Group's performance as well as its ability to grow its business through further asset acquisitions could be affected by the global credit and economic crisis*

Past expansion activities of the Group have been driven by ready access to, among others, loan facilities and credit lines. The Group's existing operations as well as future asset expansion plans may be subject to the systemic risks arising from the global credit and economic crisis, which could result in reduced financing availability generally across all sectors, including those associated with funding capital expenditure in drilling rigs and subsea vessels and other related acquisitions. As such, it may become more difficult for the Group to secure debt financing on reasonable terms or at all for its operations and expansion activities and this could affect the performance of the Group and the success of the Group's expansion plans, which could materially and adversely affect the Group's business, financial condition and results of operations.

In addition, the Group has secured bank financing for its committed acquisitions and the ability of the Group to continue to finance such committed acquisitions, and such committed acquisitions of the Group could be materially and adversely affected if withdrawn or the costs increase for such financing.

*Rig conversions, upgrades, or newbuilds and repairs may be subject to delays and cost overruns*

The Group may from time to time undertake to increase its fleet capacity through conversions or upgrades of its drilling rigs and subsea vessels or through the acquisition of newbuilds. Such projects are subject to risks of delay or cost overruns resulting from numerous factors including shortages of equipment, materials or skilled labour, unscheduled delays in the delivery of ordered materials and equipment, unanticipated cost increases, weather interferences, difficulties in obtaining necessary permits or in meeting permit conditions, design and engineering problems and shipyard failures.

In the event of significant cost overruns or delays, the Group's business, financial condition and results of operations could be materially and adversely affected. Furthermore, drilling rigs and subsea vessels undergoing conversion, upgrade and repair do not generate revenue during such periods and any delay would increase the number of days during which revenue will not be generated by such drilling rigs and subsea vessels. Also, if the Group is unable to repair and maintain its drilling rigs and subsea vessels to required standards, the Group may be unable to carry out its operations or be prevented from carrying out work for its clients, which could materially and adversely affect the Group's results of operations and its relationships with its clients and could subject the Group to certain penalty payments to its clients under certain of its contracts.

*The Group may suffer losses as a result of foreign currency fluctuations*

Substantially all of the Group's revenues are paid in US Dollars. However, some of the Group's operating expenses including capital expenditure for assets are in other currencies such as Euro Dollars, Norwegian Kroners, Thai Baht, Malaysian Ringgit and Indonesian Rupiah. As a result, the Group is exposed to currency fluctuations and exchange rate risks.

*The Group's rigs and vessels are exposed to the risk of attacks by pirates*

The Group's drilling rigs and subsea vessels are exposed to the risk of attacks by pirates. In the event that such attacks occur and the Group's drilling rigs and/or subsea vessels are, *inter alia*, captured, destroyed or damaged in excess of the insurance coverage, or lead to injuries or loss of personnel, the Group's financial condition and results of operations could be materially and adversely affected.

### *The Group has a holding company structure*

Most of the Company's assets are its shareholding interests in its subsidiaries and associated companies. The ability of the Company to, *inter alia*, pay dividends and meet its obligations such as the payment of principal and interest on its debt financing is therefore subject to the up-streaming of dividends from its subsidiaries and associated companies.

Both the timing and ability of the Company's subsidiaries and associated companies to pay dividends are limited by applicable laws, the terms of each subsidiary's or associated company's indebtedness, financial condition, results of operations, and future business prospects. Furthermore, payment of dividends may be subject to withholding taxes that will reduce the net amount of dividends received from its subsidiaries and associated companies.

In the event that any of the Company's subsidiaries or associated companies do not pay dividends or do so irregularly, or if such dividend payments are subject to materially high withholding taxes, the Group's financial condition and results of operations could be materially and adversely affected. Furthermore, the Group's shareholding interests in these companies may be diluted due to potential capital calls if the Group elects not to participate in capital raising activities. The Company's subsidiaries or associated companies, moreover, may have other shareholders whose business interests and activities may be in direct or indirect competition with the Group's businesses. As a result, the Group may be exposed to conflicts of interest with the other shareholders in these companies.

### *The Group may be exposed to risks relating to debt financing*

The Group may from time to time mortgage its drilling rigs and subsea vessels or pledge the shares of the Company's subsidiaries and associated companies as security for debt financing. In the event that there is a default in repayment of any loan instalments, the drilling rigs, subsea vessels and/or shares mortgaged and/or pledged may be liable to forfeiture, and the Group's financial condition and results of operations could be materially and adversely affected.

In addition, the Group may be subject to certain covenants in connection with any future debt financing that may, *inter alia*, limit or otherwise adversely affect its operations and its ability to pay dividends to the Shareholders.

### *The Group may be exposed to risks as a minority shareholder*

The Company's position as a non-controlling shareholder in its associated companies may be subject to dominance of its controlling shareholders who may be in a position to exercise significant influence on the financial performance, operations and governance over such associated companies. Such controlling shareholders may, *inter alia*, by exercising its voting powers in shareholder meetings of such associated companies, be able to resolve matter that may be made by a vote of a simple majority of votes cast. Consequently, they may be in the position to appoint all members of the associated company's board. Such concentration of ownership in these associated companies may not be in the best interest of other shareholders including Mermaid. In addition, the interests of the controlling shareholders may not always coincide with the interests of other shareholders including Mermaid, and Mermaid may not agree with the manner in which the controlling shareholder may act. Mermaid's investment in such associated companies may also, pursuant to applicable laws and regulations, be subject to compulsory acquisition by controlling shareholders should their shareholdings reach certain thresholds. For those associated companies that are listed on relevant stock exchanges, actions by controlling shareholders may affect liquidity of its shares and/or cause the de-listing of such associated companies from its relevant stock exchanges. In the event that the Company has a requirement for liquidity, the public market for minority shares may also generally be minimal and which may also affect market value pricing.

## Risks relating to Thailand

### *Economic, political, legal and regulatory conditions in Thailand may materially and adversely affect the Group's business, financial condition and results of operations*

The Group is subject to economic, political, legal and regulatory conditions in Thailand that differ in certain significant respects from those prevailing in other countries with more developed economies. The Group's business and operations are subject to the changing economic and political conditions prevailing from time to time in Thailand such as the protests and military crackdown in mid-2010. There is no assurance that the Thai government will not impose policy changes in the future or that any future political instability in Thailand or any changes in the Thai government's policies or in Thailand's political environment will not materially and adversely affect the Group's business, financial condition and results of operations.

### *Non-enforceability of non-Thai judgments may limit the ability of investors to recover damages from the Company*

The Company is a public company with limited liability incorporated under the laws of Thailand. A substantial number of the Directors and members of senior management are citizens or residents of Thailand.

Also, the assets of the Directors and members of senior management are located throughout the world including Thailand. As a result, save where a proceeding is commenced in Thailand and service is effected through diplomatic channels, it may not be possible for investors to effect service of process outside of Thailand, including within the United States, upon such persons or upon the Company, or to enforce judgments obtained in courts outside of Thailand, including in U.S. courts, including judgments predicated upon civil liabilities under the securities laws of the United States or any state or territory within the United States.

Thai courts will not enter any judgment or order obtained outside of Thailand, but a judgment or order from a foreign court may, at the discretion of a court in Thailand, be admitted as evidence of an obligation in a new proceeding instituted in that court, which will consider the issue or the evidence before it.

Thus, to the extent investors succeed in bringing legal actions against the Company, their available remedies and any recovery in any Thai proceeding may be burdensome or prolonged.

### 1. Mermaid Shares held by Directors

As at 15 December 2012, Mermaid Maritime Public Company Limited (the “Company” or “Mermaid”) had a total of 784,747,743 ordinary shares issued and fully paid. Mermaid has no convertible securities. The direct and deemed interests of each Director of Mermaid in Mermaid’s ordinary shares were as follows:

Name	Direct	% of Issued Share Capital	Deemed	% of Issued Share Capital
M.L. Chandchutha Chandratat	477,000	0.0608	None	n/a
Mr. Surasak Khaoroptham	None	n/a	None	n/a
Mr. Prasert Bunsumpun	None	n/a	None	n/a
Mr. Chalermchai Mahagitsiri	None	n/a	448,414,341	57.14
Mr. Ng Cher Yan	None	n/a	None	n/a
Mr. Toh Wen Keong Joachim	None	n/a	None	n/a
Mr. Chia Wan Huat Joseph	None	n/a	None	n/a

### 2. Material Contracts Involving Interested Persons

There were no material contracts of Mermaid or its subsidiaries involving the interests of the Mermaid’s chief executive officer (Managing Director), each Director of Mermaid, or any of the controlling shareholders of Mermaid, entered into during the financial year ended 30 September 2012 or still subsisting as at 30 September 2012.

### 3. Shareholder Base and Voting Rights

The only class of equity securities in Mermaid are ordinary shares. As at 15 December 2012, there were 5,307 shareholders holding a total of 784,747,743 ordinary shares in Mermaid.

Each ordinary share is entitled to one (1) vote per one (1) share. In a shareholders’ meeting, voting must be by a show of hands, unless at least five (5) shareholders request for a secret vote. Under the Thai Public Companies Act B.E. 2535 (1992), a resolution can be adopted at a general meeting of shareholders by a simple majority of the total number of votes cast of the shareholders who attend the meeting, except in the following matters which require at least three-fourths of the total number of voting rights of all of the shareholders who attend the meeting and have the right to vote:

- the sale or transfer of all or a substantial part of Mermaid’s business to any other person or the purchase by Mermaid or acceptance of transfer of the businesses of other companies to Mermaid;
- the making, amendment or termination of contracts relating to the leasing out of all or a substantial part of Mermaid’s business, the assignment to any other person to manage Mermaid’s business or the consolidation of Mermaid with other persons with an objective towards profit and loss sharing; and
- the increase or reduction of registered capital, issuance of bonds for offer to the public, amalgamation with another company, dissolution or the amendment to the Memorandum of Association and Articles of Association of Mermaid.

To remove a Director before his/her term requires a resolution of a general meeting of shareholders of not less than three-fourths of the number of shareholders who attend the meeting, who have the right to vote, and hold shares in aggregate of not less than half of the total number of shares held by shareholders attending the meeting and entitled to vote.

In addition, to fix the remuneration of Directors requires a resolution of a general meeting of shareholders of not less than two-thirds of all votes presented.

#### 4. Shareholder Spread

As at 15 December 2012, the distribution of ordinary shares amongst all shareholders was as follows:

No. of Shares	No. of Shareholders
1-999	172
1,000-10,000	2,580
10,001-1,000,000	2,537
1,000,001 and above	18

#### 5. Details of Substantial Shareholders

As at 15 December 2012, the names of substantial shareholders and a breakdown of their direct and deemed interests as recorded in Mermaid's register of substantial shareholders were as follows:

Name	Direct	Deemed	Total
Thoresen Thai Agencies Public Company Limited ("TTA") (see Note 1)	277,823,871 (35.40%)	170,590,470 (21.74%)	448,414,341 (57.14%)
Soleado Holdings Pte. Ltd.	170,590,470 (21.74%)	-	170,590,470 (21.74%)
Thailand Equity Fund ("TEF") (see Notes 2, 3, 4 and 5)	118,285,229 (15.07%)	-	118,285,229 (15.07%)
Mr. Chalermchai Mahagitsiri (see Note 6)	-	448,414,341 (57.14%)	448,414,341 (57.14%)

**Note 1:** The deemed interest arises from shares of Mermaid held by Soleado Holdings Pte. Ltd., a wholly owned subsidiary of TTA.

**Note 2:** Lombard Thailand Intermediate Fund LLC ("Lombard") has a deemed interest in the shares of Mermaid held by TEF as Lombard holds over 50% of the units in TEF. There are no other unit holders who hold 20% or more of the units in TEF.

**Note 3:** Lombard Thailand Partners LLP ("LTP") has a deemed interest in the shares of Mermaid held by TEF as LTP holds over 50% in Lombard.

**Note 4:** California Public Employees Retirement System ("CALPERS") has a deemed interest in the shares of Mermaid held by TEF as CALPERS holds a 99% interest in LTP who holds over 50% in Lombard.

**Note 5:** International Finance Corporation ("IFC") has a deemed interest in the shares of Mermaid held by TEF as IFC holds over 20% in Lombard.

**Note 6:** Prior to 11 October 2012, Mr. Chalermchai Mahagitsiri was the registered holder of 100,313,700 ordinary shares (14.17%) in TTA, Mermaid's majority shareholder. His associates are Ms. Ausana Mahagitsiri who is a registered holder of 27,417,100 ordinary shares (3.87%) in TTA and Ms. Suvimol Mahagitsiri who is the registered holder of 2,100,000 ordinary shares (0.30%) in TTA. The combined interest of Mr. Chalermchai Mahagitsiri and his two above mentioned associates in TTA is therefore 129,830,800 ordinary shares (18.34%).

On 11 October 2012, Mr. Chalermchai Mahagitsiri acquired ownership and control of Raffles Resources 1 Limited, a company that is the registered holder of 35,459,400 ordinary shares (5.01%) in TTA. This resulted in an increase in the collective interest of Mr. Chalermchai Mahagitsiri and his associates in TTA to 165,290,200 ordinary shares (23.35%).

By virtue of the aforesaid transaction, Mr. Chalermchai Mahagitsiri and his associates have now become entitled to exercise or to control the exercise of not less than 20% of the total votes of all ordinary shareholders of TTA. He is therefore considered to have a deemed interest in Mermaid shares held by TTA and hence falls under the definition of a Substantial Shareholder in Mermaid.

## 6. Top 20 Largest Shareholders

As at 15 December 2012, the twenty (20) largest holders of ordinary shares in Mermaid on record and the number of shares held by such shareholders were as follows:

No.	Name	Shares	%	Culm. %
1	THORESEN THAI AGENCIES PLC	277,823,871	35.40	35.40
2	SOLEADO HOLDINGS PTE LTD	170,590,470	21.74	57.14
3	THAILAND EQUITY FUND	118,285,229	15.07	72.21
4	HSBC (SINGAPORE) NOMS PTE LTD	16,072,365	2.05	74.26
5	DBS NOMINEES PTE LTD	11,531,715	1.47	75.73
6	UOB KAY HIAN PTE LTD	10,644,750	1.36	77.09
7	CITIBANK NOMS S'PORE PTE LTD	9,112,520	1.16	78.25
8	OCBC SECURITIES PRIVATE LTD	7,476,308	0.95	79.20
9	BNP PARIBAS NOMS S'PORE PL	4,959,000	0.63	79.83
10	BNP PARIBAS SECURITIES SVCS	4,783,900	0.61	80.44
11	DBS VICKERS SECS (S) PTE LTD	4,722,350	0.60	81.05
12	MERRILL LYNCH (S'PORE) PTE LTD	3,874,950	0.49	81.54
13	PHILLIP SECURITIES PTE LTD	3,488,400	0.44	81.98
14	UNITED OVERSEAS BANK NOMINEES	1,689,500	0.22	82.20
15	CIMB SEC (S'PORE) PTE LTD	1,315,500	0.17	82.37
16	MAYBANK KIM ENG SECS PTE LTD	1,193,340	0.15	82.52
17	LEE GEOK HWA	1,179,000	0.15	82.67
18	CHEE YAM MUI	1,125,000	0.14	82.81
19	TAN CHIN KWANG JOHNSON	968,000	0.12	82.94
20	CITIBANK CONSUMER NOMS PTE LTD	835,700	0.11	83.04

## 7. Shareholding Held by Public

As at 15 December 2012, the percentage of ordinary shares held in the hand of the public was 27.65%. This is in compliance with Rule 723 of the SGX-ST Listing Manual which requires that at least 10.00% of ordinary shares in Mermaid to be at all times held by the public.

## 8. Treasury Shares

Mermaid has no treasury shares.

## 9. Dealings in Securities

Based on best practice recommendations in Rule 1207(19) of the SGX-ST Listing Manual, Mermaid introduced a Code of Business Conduct that, among other things, prohibits its officers from using or sharing non-public information for trading purposes in the securities of Mermaid, or for any non-business purpose. Such prohibition should also have the effect of deterring such persons from trading in Mermaid's securities on short-term considerations.

Mermaid also introduced a specific Share Dealing and Inside Information Protection Policy which addresses dealings in securities in greater detail. The said policy sets out a prohibition on dealing in Company shares on short term considerations, prohibition on dealing in Company shares prior to release of financial results, prohibition on dealing in Company shares when in possession of inside information, prohibition on giving advice in respect of dealing in Company shares using inside information and general obligations to observe confidentiality.

Before announcement of financial results, Mermaid has also a system of sending prior notification to all its Directors and those other officers of Mermaid who have access to price-sensitive financial information reminding them not to deal in securities of Mermaid during each period commencing two (2) weeks before the announcement of Mermaid's financial statements for each of the first three quarters of the financial year, and one (1) month before announcement of Mermaid's full financial year statements, ending on the date of announcement of the relevant results.

## 10. Audit and Non-Audit Fees

Audit fee paid to PricewaterhouseCoopers ABAS Ltd. during the financial year that ended on 30 September 2012 amounted to Baht 4,237,580 (Baht four million two hundred thirty seven thousand five hundred and eighty).

Non-audit fee paid to PricewaterhouseCoopers ABAS Ltd. during the financial year that ended on 30 September 2012 amounted to Baht 569,220 (Baht five hundred sixty nine thousand two hundred and twenty). This was for work related to agreed-upon procedures in relation to Thailand Board of Investment ("BOI") related certification, corporate and personal income tax filing for subsidiaries. The Audit Committee had reviewed these transactions and was of the opinion that these transactions did not affect the independence of PricewaterhouseCoopers ABAS Ltd. conducting the audit of the Company and its relevant subsidiaries, did not affect the independence of their audit signatory's review and certification of the Company's financial statements and the Company and its subsidiaries' consolidated financial statements for the year ended 30 September 2012.



## 12. Interested Person Transactions

There were no interested person transactions of a value equal to, or more than 3% of Mermaid and its subsidiaries' ("Group") latest audited net tangible assets pursuant to Rule 905 of the SGX-ST Listing Manual.

There were no interested person transactions of a value equal to, or more than 5% of the Group's latest audited net tangible assets pursuant to Rule 906 of the SGX-ST Listing Manual.

Mermaid's aggregate value of all interested person transactions for the year that ended on 30 September 2012 pursuant to Rule 907 of the SGX-ST Listing Manual were as follows:

### Interested persons transactions for the year that ended on 30 September 2012

Name of interested persons	Aggregate value of all interested persons transactions during the period ended on 30 September 2012 (excluding transactions less than SGD100,000* and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested persons transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than SGD 100,000*)
	Baht'000	Baht'000
<b>Administrative expenses</b>		
Thoresen Thai Agencies Public Company Limited	5,883.87	-
Thoresen Service Center Ltd.	6,193.00	-
Thoresen Shipping Singapore Pte. Ltd.	6,093.90	-

\* Exchange rate Baht 25.3977 per SGD1.00

## 13. Land, Buildings and Key Movable Assets

As at 30 September 2012, land and buildings owned by Mermaid and held for investment purposes were as follows:

No.	Description	Location	Calendar Year	Million Baht		Ownership
			Purchase Year	Cost	Net Book Value	
1.	Land	Pinthong Industrial Estate, Chonburi, Thailand	2003	24.72	24.72	Freehold
2.	Land	Laem Chabang, Chonburi, Thailand	2001	10.41	10.41	Freehold
3.	Buildings	Built on land at no. (1) above	2005	189.11	106.48	On freehold land

The land and buildings at (1) and (3) were used as offices and the land at (2) remained vacant land.

As at 30 September 2012, Mermaid's key movable assets were eight vessels and two tender rigs owned by its subsidiaries as follows:

No.	Subsidiary Name	Name of Vessels/Rigs	Calendar Year		Million Baht	
			Build Year	Purchase Year	Cost	Net Book Value
1.	Mermaid Offshore Services Ltd.	Mermaid Commander	1987	2005	956.41	422.80
2.	Mermaid Offshore Services Ltd.	Mermaid Performer	1982	2006	127.82	4.70
3.	Mermaid Offshore Services Ltd.	Mermaid Challenger	2008	2008	638.62	507.65
4.	Mermaid Offshore Services Ltd.	Mermaid Sapphire	2009	2009	1,142.06	1,015.78
5.	Mermaid Offshore Services Ltd.	Mermaid Siam	2002	2010	976.72	841.15
6.	Mermaid Offshore Services Ltd.	Mermaid Endurer	2010	2010	3,206.24	2,916.60
7.	PT Seascope Surveys Indonesia	Barakuda	1982	2010	46.44	13.75
8.	Mermaid Offshore Services Ltd.	Mermaid Asiana (*)	2010	2010	2,577.65	2,336.29
9.	MTR-1 (Singapore) Pte. Ltd.	MTR-1	1978	2005	857.31	220.25
10.	MTR-2 Ltd.	MTR-2	1981	2005	1,242.91	500.56

(\*) Original currency of cost and NBV of Mermaid Asiana is in USD. The Baht valuation is subject to exchange rate between Baht and USD as at 30 September 2012.

#### 14. Reconciliation of material differences between Thai GAAP and IFRS

Mermaid has applied IAS 12: Income Taxes in its Thai GAAP financial statements. The Company received a waiver from the Singapore Exchange Limited and has not applied IAS 21: The Effects of Changes in Foreign Exchange Rates. Therefore, the significant difference between Thai GAAP and IFRS financial statements is the effect of changes in foreign exchange rates. This is reconciled below:

##### Thai GAAP

Thai GAAP does not require a determination of the functional currency (the currency of the primary economic environment in which the entity operates). The measurement currency as presented in the Thai GAAP financial statements is the local currency of Baht for companies registered in Thailand.

##### IFRS

IFRS requires each individual entity included in the reporting entity to determine its functional currency and measure its results and financial position in that currency.

##### Impact

Because the functional currency of Mermaid Offshore Services Ltd., MTR-1 Ltd., and MTR-2 Ltd. as considered material to the consolidated level, is in US Dollars, accounting records need to be measured in the functional currency. This would affect all statements of financial position and statement of comprehensive income line items.

The net effects on the consolidated statement of comprehensive income for the periods that ended on 30 September 2012 and 2011 and consolidated statements of financial position as at 30 September 2012 and 30 September 2011 can be summarised as follows:

**Net effects on Consolidated Statement of Comprehensive Income  
for the year that ended on 30 September 2012**

	Thai GAAP Million Baht	IFRS Million Baht	Changes Million Baht
Total service income	5,714.14	5,714.14	-
Total cost of services	4,511.57	4,511.57	-
Administrative expenses	787.35	787.35	-
Operating profits (losses)	498.90	392.66	(106.24)
Net profits (losses) for the year	86.02	(20.22)	(106.24)

**Net effects on Consolidated Statement of Comprehensive Income  
for the year that ended on 30 September 2011**

	Thai GAAP Million Baht	IFRS Million Baht	Changes Million Baht
Total service income	5,542.82	5,542.82	-
Total cost of services	4,788.64	4,788.64	-
Administrative expenses	718.96	718.96	-
Operating profits (losses)	185.71	177.11	(8.60)
Net profits (losses) for the year	(161.35)	(169.95)	(8.60)

**Net effects on Consolidated Statements  
of Financial Position as at 30 September 2012**

	Thai GAAP Million Baht	IFRS Million Baht	Changes Million Baht
Total current assets	4,199.58	4,219.33	19.75
Total non-current assets	13,157.91	13,226.53	68.62
Total current liabilities	1,045.98	1,066.86	20.88
Total non-current liabilities	3,940.46	3,963.80	23.34

**Net effects on Consolidated Statements  
of Financial Position as at 30 September 2011**

	Thai GAAP Million Baht	IFRS Million Baht	Changes Million Baht
Total current assets	3,495.52	3,432.44	(63.08)
Total non-current assets	13,608.58	13,667.01	58.43
Total current liabilities	1,226.54	1,249.19	22.65
Total non-current liabilities	3,435.94	3,348.67	(87.28)

### 15. Use of IPO Proceeds

In October 2007, Mermaid's total proceeds received from the Initial Public Offering ("IPO") of its shares was Baht 5,402.44 million after deduction of issuing costs.

The total actual accumulative uses of IPO proceeds as at 30 September 2009 was 5,402.44 Baht million, or 100% of the IPO proceeds and is summarised as follows:-

No.	Description	Baht (Million)
1.	Subscription of shares in Worldclass Inspiration Sdn. Bhd.	372.76
2.	Refurbishment expenses of the tender rig, MTR-2	845.35
3.	Construction cost of the newbuild tender rig, KM-1	2,000.57
4.	Subscription of shares in Seascope Surveys	251.27
5.	Construction cost of the newbuild sub-sea vessel, Mermaid Sapphire	436.86
6.	Purchase of ROVs and a saturation dive system	356.94
7.	Purchase of 2 deepwater construction class ROVs	218.38
8.	Construction cost of the newbuild sub-sea vessel, Mermaid Endurer	920.31
	<b>Total</b>	<b>5,402.44</b>

The use of proceeds is in accordance with the conditions governing the various options for the application of proceeds in the IPO prospectus and in accordance with the percentages allocated against such applications in the IPO prospectus.

### 16. Use of Rights Issue Proceeds

In November 2009, Mermaid's total proceeds received from the Rights Issue of its shares was Baht 3,591.17 million after deduction of issuing costs.

The total actual accumulative uses of Rights Issue proceeds as at 30 November 2010 was Baht 3,591.17 million, or 100% of the Rights Issue proceeds and is summarised as follows:-

No.	Description	Baht (Million)
1.	Construction cost of the newbuild subsea vessel, "Mermaid Endurer"	817.78
2.	Construction cost of the newbuild subsea vessel, "Mermaid Asiana"	842.82
3.	Purchase of the subsea vessel, "Mermaid Siam"	243.76
4.	Subscription of shares in Subtech Ltd.	230.18
5.	Subscription of shares in Asia Offshore Drilling Ltd.	1,456.63
	<b>Total</b>	<b>3,591.17</b>

The use of proceeds is in accordance with the conditions governing the application of proceeds in the Rights Issue offer information statement ("OIS").

### 17. Difference in Registered Capital and Issued and Paid-Up Capital

As at 15 December 2012, the registered capital of Mermaid was Baht 791,213,843. This is represented by 791,213,843 ordinary shares with a par value of Baht 1 each. The issued and paid-up capital was Baht 784,747,743 represented by 784,747,743 ordinary shares with a par value of Baht 1 each.

The difference between registered capital and issued and paid-up capital is therefore Baht 6,466,100 ordinary shares represented by 6,466,100 ordinary shares with a par value of Baht 1 each. These registered but unissued ordinary shares were reserved for the allocation and exercise of share options under the Company's Employee Share Option Plan ("ESOPs"). As at 15 December 2012, only 2,376,000 of these registered but unissued ordinary shares remain reserved under the ESOPs. The balance of 4,090,100 registered but unissued ordinary shares cannot be applied for any other purpose and will therefore remain unallocated.

### 18. Retirement Schedule of Directors

The table below sets out the retirement dates of the Directors, pursuant to the Articles of Association of the Company.

No.	Name of Directors	Date of Last Appointment	Commencement of Term	Date of Retirement
1.	Mr. Chalermchai Mahagitsiri	19 June 2012	28 January 2010*	AGM 2013
2.	Mr. Prasert Bunsumpun	19 June 2012	25 January 2011*	AGM 2013
3.	Mr. Surasak Khaoroptham	25 January 2011	25 January 2011	AGM 2013
4.	Mr. Ng Cher Yan	19 June 2012	25 January 2011*	AGM 2014
5.	M.L. Chandchutha Chandratat	26 January 2012	26 January 2012	AGM 2014
6.	Mr. Toh Wen Keong Joachim	26 June 2012	26 January 2012*	AGM 2014
7.	Mr. Chia Wan Huat Joseph	26 June 2012	26 January 2012*	AGM 2015

(\* Replacement Directors assume the commencement dates of the Directors they replaced).

## Statement of General Compliance

The Board of Directors (“Board”) recognise the importance of good corporate governance and the offering of high standards of accountability to shareholders. As at 30 September 2012, Mermaid Maritime Public Company Limited (the “Company” or “Mermaid”) is generally in compliance with the principles and guidelines of the Singapore Code of Corporate Governance 2005 (“Code”).

## Specific Disclosures pursuant to the Code

### 1. Delegation of authority, by the Board to any Board Committee, to make decisions on certain Board matters.

There are four (4) committees on the Board: the Audit Committee, the Nomination Committee, the Remuneration Committee and the Executive Committee. The Audit Committee, the Nomination Committee and the Remuneration Committee were all formed on 26 June 2007. The Executive Committee was formed on 26 June 2012. Details of each Board Committee are as follows:

#### Audit Committee:

The Audit Committee’s responsibilities include, among other things, to oversee the system of internal controls, to assess risk management framework and its implementation, to oversee Compliance and Internal Audit Department, to oversee the integrity of financial statements and other disclosures, to review the engagement and independence of the external auditor and to ensure the compliance of Interested Persons Transactions (“IPT”) and Related Party Transactions (“RPT”) with applicable rules and regulations.

#### Remuneration Committee:

The Remuneration Committee’s responsibilities include, among other things, to recommend to the Board a framework of remuneration for the Board and key executives of the Company, to determine performance-related elements of remuneration for the Board’s consideration and to administer share award or bonus schemes, if any.

#### Nomination Committee:

The Nomination Committee’s responsibilities include, among other things, to identify or make recommendations to the Board on all candidates nominated for appointment to the Board, to review Board structure, size, composition, core competencies and performance from time to time, and to review all candidates nominated for key positions in the Company from time to time.

#### Executive Committee:

The Executive Committee’s responsibilities include, among other things, to have the authority to approve transactions with a value of up to THB 750 million (circa USD 25 million), to exercise powers of the Board to act upon any specific matters delegated by the Board from time to time, to consider the Company’s business plan and annual budget for recommendation to the Board, and to consider the overall performance of the Company and provide recommendations to enhance performance.

2. The number of Board and Board committee meetings held in the year, as well as the attendance of every Board member at these meetings.

Name of Director	Board	Audit Com.	Rem. Com.	Nom. Com.	Exe. Com.
Mr. Prasert Bunsumpun	4/4	-	-	-	2/3
Mr. Chalermchai Mahagitsiri	4/4	-	-	-	3/3
M.L. Chandchutha Chandratat	9/9	-	-	-	3/3
Mr. Chia Wan Huat Joseph	4/4	1/1	1/1	1/1	3/3
Mr. Surasak Khaoroptham	9/9	-	-	-	-
Mr. Ng Cher Yan	4/4	1/1	1/1	1/1	-
Mr. Toh Wen Keong Joachim	3/4	1/1	1/1	1/1	-

Following changes in the shareholding and boardroom structure of Mermaid's controlling shareholder Thoresen Thai Agencies Public Company Limited, on 19 June 2012, Mr. Pichet Sithi-Amnuai, Mr. Leslie George Merszei and Mr. Robert Edward Bier resigned as Directors to make way for the appointment of Mr. Prasert Bunsumpun, Mr. Chalermchai Mahagitsiri and Mr. Ng Cher Yan, respectively. On 26 June 2012, Mr. Ng Chee Keong and Mr. John Willoughby Crane III also resigned as Directors to make way for Mr. Toh Wen Keong Joachim and Mr. Chia Wan Huat Joseph, respectively.

The same disclosure as above in relation to former Directors of Mermaid is as follows:

Name of Director	Board	Audit Com.	Rem. Com.	Nom. Com.	Exe. Com.
Mr. Pichet Sithi-Amnuai	5/5	5/5	-	-	-
Mr. Leslie George Merszei	4/5	4/5	2/2	1/1	-
Mr. Robert Edward Bier	5/5	-	2/2	1/1	-
Mr. Ng Chee Keong	4/5	-	2/2	1/1	-
Mr. John Willoughby Crane III	4/5	5/5	-	-	-

3. The type of material transactions that require Board approval under internal guidelines.

All acquisitions or investments, investments in securities and immovable assets, divestments, funding requests, borrowings and expenditures of Mermaid and its subsidiaries (collectively the "Group") with a value exceeding THB 750 million (circa USD 25 million) shall require the approval of the Board. The Executive Committee has the authority to approve such transactions below this threshold, unless they are, due to their nature, deemed to be material, in which case Board approval will be required instead.

4. Where the company considers a Director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the Director's relationship and the reason for considering him as independent should be disclosed.

Not applicable. Mermaid's independent Directors do not fall into any of the relationship categories or substantive definitions as set forth in the Code that may compromise their independence.

## 5. Relationship between the Chairman and the Chief Executive Officer where they are related to each other.

Not applicable. The Executive Chairman and the Chief Executive Officer (Managing Director) of Mermaid are not related to each other.

## 6. Composition of Nominating Committee.

As at 30 September 2012, the Nomination Committee members were Mr. Toh Wen Keong Joachim, Mr. Ng Cher Yan, and Mr. Chia Wan Huat Joseph. The Chairman of the Nomination Committee was Mr. Toh Wen Keong Joachim.

## 7. Process for the selection of new Directors to the Board.

The Nomination Committee reviews and assesses candidates for directorships before making recommendations to the Board. It also reviews the retirement and re-election of Directors at each annual general meeting under Mermaid's Articles of Association and makes recommendations to the Board.

## 8. Key information regarding Directors, which Directors are executive, non-executive or considered by the Nominating Committee to be independent.

Name	Position	Audit Com.	Rem. Com.	Nom. Com.	Exe. Com.
Mr. Prasert Bunsumpun	Non- Executive Chairman	-	-	-	●
Mr. Chalermchai Mahagitsiri	Executive Vice Chairman	-	-	-	●
M.L. Chandchutha Chandratat	Executive Director	-	-	-	●
Mr. Chia Wan Huat Joseph	Non-Executive Director	●	●	●	●
Mr. Surasak Khaoroptham	Non-Executive Director	-	-	-	-
Mr. Ng Cher Yan	Independent Director	●	●	●	-
Mr. Toh Wen Keong Joachim	Independent Director	●	●	●	-

The same disclosure as above in relation to former Directors of Mermaid is as follows:

Name	Position	Audit Com.	Rem. Com.	Nom. Com.	Exe. Com.
Mr. Pichet Sithi-Amnuai	Independent Director	●	-	-	-
Mr. Leslie George Merszei	Independent Director	●	●	●	-
Mr. Robert Edward Bier	Independent Director	-	●	●	-
Mr. Ng Chee Keong	Independent Director	-	●	●	-
Mr. John Willoughby Crane III	Non-Executive Director	●	-	-	-

## 9. Process for assessing the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board.

On the initiative of the Audit Committee and in line with past practice, each Director will, on an annual basis, undertake a self-assessment exercise of the performance of the Board as a whole and of himself/herself taking into relevant consideration the roles and responsibilities of Directors pursuant to the Code and the results of the business operations. The results of the self-assessment exercise will be reported to and discussed by the Board and areas for improvement will be noted by the Board and recorded in the minutes.

## 10. Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to Directors and key executives, and performance.

The Remuneration Committee reviews matters concerning the remuneration of Board members and key executives. Level and mix of remuneration are further detailed below.

## 11. Composition of Remuneration Committee.

As at 30 September 2012, the Remuneration Committee members were Mr. Ng Cher Yan, Mr. Chia Wan Huat Joseph, and Mr. Toh Wen Keong Joachim. The Chairman of the Remuneration Committee was Mr. Ng Cher Yan.

## 12. The name and remuneration of each person who is/was a Director of the company during the financial year in bands of SGD 250,000.

Name	Below SGD 250,000	SGD 250,000 to SGD 499,999	SGD 500,000 and above
Mr. Prasert Bunsumpun	●	-	-
Mr. Chalermchai Mahagitsiri	-	●	-
M.L. Chandchutha Chandratat	●	-	-
Mr. Chia Wan Huat Joseph	●	-	-
Mr. Surasak Khaoroptham	●	-	-
Mr. Ng Cher Yan	●	-	-
Mr. Toh Wen Keong Joachim	●	-	-

Directors who receive remuneration as executives of the Company include M.L. Chandchutha Chandratat in his capacity as Executive Director and Mr. Chalermchai Mahagitsiri in his capacity as Executive Vice Chairman and Interim-Chief Executive Officer.

For persons who served in the capacity of a Director for any part of a financial period, remuneration calculated for the purposes of the above disclosure is based on a pro-forma assessment of potential full year remuneration (i.e. the remuneration that the Director would have received if he/she had served as a Director for the full financial period).

The same disclosure as above in relation to former Directors of Mermaid is as follows:

Name	Below SGD 250,000	SGD 250,000 to SGD 499,999	SGD 500,000 and above
Mr. Pichet Sithi-Amnuai	●	-	-
Mr. Leslie George Merszei	●	-	-
Mr. Robert Edward Bier	●	-	-
Mr. Ng Chee Keong	●	-	-
Mr. John Willoughby Crane III	●	-	-

13. Breakdown (in percentage terms) of each Director's remuneration earned through (1) directors' fees, (2) base/fixed salary, (3) variable or performance-related income/bonuses, (4) benefits in kind, and (5) stock options granted and other long-term incentives.

Name	(1)	(2)	(3)	(4)	(5)
Mr. Prasert Bunsumpun	100%	-	-	-	-
Mr. Chalermchai Mahagitsiri	-	100%	-	-	-
M.L. Chandchutha Chandratat	-	100%	-	-	-
Mr. Chia Wan Huat Joseph	100%	-	-	-	-
Mr. Surasak Khaoroptham	100%	-	-	-	-
Mr. Ng Cher Yan	100%	-	-	-	-
Mr. Toh Wen Keong Joachim	100%	-	-	-	-

The same disclosure as above in relation to former Directors of Mermaid is as follows:

Name	(1)	(2)	(3)	(4)	(5)
Mr. Pichet Sithi-Amnuai	100%	-	-	-	-
Mr. Leslie George Merszei	100%	-	-	-	-
Mr. Robert Edward Bier	100%	-	-	-	-
Mr. Ng Chee Keong	100%	-	-	-	-
Mr. John Willoughby Crane III	100%	-	-	-	-

14. The names and remuneration of the key executives (who are not also Directors) in bands of SGD 250,000.

Key Executives	Below SGD 250,000	SGD 250,000 to SGD 499,999	SGD 500,000 and above
Mr. Paul Whiley	-	-	●
Mr. Michael Van Ambrose	-	-	●
Mr. Stephen Gregor Lenz	-	●	-
Ms. Siriwan Chamnannarongsak	●	-	-

Ms. Siriwan Chamnannarongsak was appointed as Finance Director effective 7 October 2011; Mr. Stephen Gregor Lenz resumed employment by serving as Executive Director for Mermaid Drilling Ltd. since 2 May 2012; Mr. Paul Whiley assumed the position of Executive Director for Mermaid's subsea business division covering Subtech Ltd., Mermaid Offshore Services Ltd. and Seascope Surveys Pte. Ltd. effective 16 August 2012; and Mr. Michael Van Ambrose was appointed as Managing Director of Mermaid Offshore Services Ltd. effective 1 September 2012.

For the financial year that ended on 30 September 2012 and due to operational changes in Mermaid, the following key executives resigned from their positions with the Group: Mr. James McGhee Nicol serving as General Manager of Mermaid Drilling resigned effective 13 April 2012; Mr. Graham Edward Cooper serving as Commercial Director of Mermaid Offshore Services resigned effective 31 July 2012; Mr. Bruce Muir Gemmill serving as Chief Executive Officer of Mermaid resigned effective 16 August 2012; Mr. Bruce Saunders serving as Projects Director resigned effective 30 September 2012. Mr. Nathan Williams was appointed as Groups Operations Director from 26 March 2012 until 30 September 2012.

The same disclosure as above in relation to former key executives of Mermaid is as follows:

Key Executives	Below SGD 250,000	SGD 250,000 to SGD 499,999	SGD 500,000 and above
Mr. Bruce Muir Gemmill	-	●	-
Mr. Bruce Saunders	-	●	-
Mr. Graham Edward Cooper	-	●	-
Mr. James McGhee Nicol	-	●	-
Mr. Nathan Williams	-	●	-

For persons who served in the capacity of a key executive for any part of a financial period, remuneration calculated for the purposes of the above disclosure is based on a pro-forma assessment of potential full year remuneration (i.e. remuneration that the key executive would have received if he/she was employed for the full financial period).

#### 15. Breakdown (in percentage terms) of each key executive's remuneration earned through (1) base/fixed salary, (2) variable or performance-related income/bonuses, (3) benefits in kind, and (4) stock options granted and other long-term incentives.

Key Executives	(1)	(2)	(3)	(4)
Mr. Paul Whiley	80%	13%	4%	2%
Mr. Michael Van Ambrose	75%	-	25%	-
Mr. Stephen Gregor Lenz	90%	-	10%	-
Ms. Siriwan Chamnannarongsak	96%	-	-	4%

The same disclosure as above in relation to former key executives of Mermaid is as follows:

Key Executives	(1)	(2)	(3)	(4)
Mr. Bruce Muir Gemmill	63%	-	37%	-
Mr. Bruce Saunders	98%	-	2%	-
Mr. Graham Edward Cooper	92%	-	8%	-
Mr. James McGhee Nicol	49%	35%	16%	-
Mr. Nathan Williams	98%	-	2%	-

## 16. Remuneration of employees who are immediate family members of a Director or the Chief Executive Officer of the Company, and whose remuneration exceeds SGD 150,000 during the year.

Not applicable. There are no employees who are immediate family members of a Director or the Chief Executive Officer (Managing Director) of Mermaid.

## 17. If a person served in the capacity of a Director or key executive for any part of a financial period, disclosure is required of the person's actual remuneration for the period that the person had served as a Director or key executive.

Please refer to Items 12 and 14 above.

## 18. Details of Employee Share Option Plan.

Mermaid's first employee share option plan ("ESOP") was approved by Mermaid's shareholders on 11 July 2007 ("ESOP 2008"). Mermaid's second employee share option plan was approved by Mermaid's shareholders on 29 January 2009 ("ESOP 2009"). Mermaid's third employee share option plan was approved by Mermaid's shareholders on 28 January 2010 ("ESOP 2010"). Mermaid's fourth employee share option plan was approved by the Mermaid's shareholders on 25 January 2011 ("ESOP 2011"). The following is a summary of the principal rules of the ESOPs.

### *(a) Objectives of ESOPs*

Mermaid recognises that the contributions and continued dedication of its executives and employees are significant to its future growth and development. The ESOPs were offered by Mermaid to advance the best interests of the Group by providing employees of the Group (including Executive Directors) with additional incentives through the grant of options ("Options") based on the performance of the Group.

The objectives of ESOP 2008, ESOP 2009, ESOP 2010 and ESOP 2011 are as follows: (a) to retain key personnel whose contributions are essential to the long-term growth and profitability of the Group; and (b) to align the interests of participants with the interests of the shareholders. To emphasize these objectives, Mermaid had extended the range of participants in ESOP 2010 and ESOP 2011 to include non-executive Directors of the Group.

The ESOPs are share incentive plans the implementation of which enabled Mermaid to recognise the contributions made by the participants by introducing a variable component into their remuneration package in the form of Options. The ESOPs also provided an opportunity for each participant to participate in the equity of Mermaid and will provide a further incentive for the participants to strive for greater long-term growth and profitability for the Group. Mermaid believes the ESOPs help to attract, motivate and retain key executives and reward them for achievement of pre-determined targets which create and enhance economic value for the shareholders.

### *(b) Summary of ESOPs*

A summary of the rules of each of the ESOPs is set out below. Full details of ESOP 2008 were disclosed to shareholders in Appendix-C of Mermaid's Initial Public Offering ("IPO") prospectus dated 9 October 2007 and a summary of the principle terms of ESOP 2009, ESOP 2010 and ESOP 2011 were circulated to the shareholders on 9 January 2009, 6 January 2010 and 3 January 2011 respectively with full details available to shareholders upon request.

*Plan administration:* All ESOPs are administered by the Remuneration Committee (“Committee”), which have powers to determine, among others, the persons to be granted Options, number of Options to be granted, recommendations for modifications to ESOPs and calculation of the exercise price of the Options.

*Option Participants:* Employees of the Group (including Executive Directors) were eligible to participate in ESOP 2008 and ESOP 2009, at the absolute discretion of the Remuneration Committee. The non-Executive Directors of the Group, and persons who are controlling shareholders and their associates, were not eligible to participate in ESOP 2008 and ESOP 2009. In ESOP 2010 and ESOP 2011, non-Executive Directors of the Group were included as eligible participants.

*Size of ESOPs:* The aggregate number of new shares that were available to be granted under ESOP 2008 was limited to 3,832,053 shares or 1.0% of the then issued share capital of Mermaid. The aggregate number of new shares that were available to be granted under ESOP 2009 was limited to 3,000,000 shares or 0.55% of the then issued share capital of Mermaid. The aggregate number of new shares that were available to be granted under ESOP 2010 was limited to 4,000,000 shares or 0.51% of the increased issued share capital of Mermaid (after the Rights Issue). The aggregate number of new shares that were available to be granted under ESOP 2011 was also limited to 4,000,000 shares or 0.51% of the paid-up capital of Mermaid.

*Maximum entitlements:* The number of shares in any Options to be offered to a participant was determined at the absolute discretion of the Remuneration Committee, which took into account criteria such as performance of the employee.

*Options, exercise period and exercise price:* The exercise price for each share in respect of which an Option is exercisable was set at the price equal to the average of the “Market Price” at the date of each grant of Options, being the price equal to the weighted average price for the shares on SGX-ST fifteen (15) consecutive trading days immediately preceding the date of grant of the Options.

Options may be exercised every six (6) months commencing from the third anniversary from the date of grant of the Option and will expire on the fifth (5th) anniversary from the date of grant of the Options, upon which the Options shall expire automatically.

*Grant of Options:* Under the rules of the Thai Securities and Exchange Commission (“Thai SEC”), the Options must be granted within one (1) year from the approval date of each ESOP. The expiry dates for the grant of Options under all the ESOPs have already lapsed. Therefore no new Options can be granted under the said schemes.

*Termination of Options:* Special provisions in the rules of each ESOP deal with the lapse or earlier exercise of Options in circumstances which include the termination or resignation of the employment of the participant. Compared with ESOP 2008, ESOP 2009 and ESOP 2010 material amendments were made to ESOP 2011 regarding the circumstances wherein Options shall lapse. The rationale for these amendments was principally to limit the circumstances in which participants who subsequently cease or discontinue their service to the Company may exercise their Options post employment since the ESOPs are premised on encouraging participants to remain in the service of the Company.

*Share Allotment:* Shares which are allotted through exercise of Options will upon issue rank *pari passu* in all respects with the then existing issued shares, save for any dividend, rights, allotments or distributions, the record date (“Record Date”) for which falls on or before the relevant exercise date of the Option. “Record Date” means the date as at the close of business on which the shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions.

### *(c) Financial Effects of ESOPs*

*Share capital:* ESOP 2008, ESOP 2009, ESOP 2010 and ESOP 2011 will result in an increase in Mermaid's issued share capital when the Options are exercised into new shares and when new shares are issued to participants pursuant to the grant. This will in turn depend on, among others, the number of shares comprised in the Options to be granted, the vesting schedules under the Options and the prevailing market price of the shares on the SGX-ST.

*Costs to the Company:* Under Thai Generally Accepted Accounting Principles ("Thai GAAP"), the granting of Options under ESOP 2008, ESOP 2009, ESOP 2010 and ESOP 2011 did not result in having to recognise any expenses in the income statement for those relevant periods.

### *(d) Status of ESOP 2008*

Allocation of Options pursuant to ESOP 2008 was made by the Remuneration Committee on 20 November 2008. In accordance with Rule 704(27) of the SGX-ST Listing Manual, Mermaid had on 20 November 2008 disclosed to the SGX-ST details of the grant of Options pursuant to ESOP 2008. On 20 November 2011, the Options granted under ESOP 2008 reached their third anniversary of the issue date and become exercisable by the participants pursuant to the principle terms of ESOP 2008. As at 15 December 2012, 672,800 of those Options remained exercisable amongst 11 participants.

The Remuneration Committee who administered ESOP 2008 comprised: Mr. Ng Chee Keong, M.L. Chandchutha Chandratat, and Mr. Leslie George Merszei. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong. Effective 24 November 2009, an adjustment was made pursuant to the terms of ESOP 2008 to the number of options granted under ESOP 2008 due to a variation to Mermaid's issued capital arising from the completion of Mermaid's renounceable underwritten rights issue ("Rights Issue"). The Remuneration Committee who approved the adjustments to ESOP 2008 arising from the Rights Issue comprised: Mr. Ng Chee Keong, Mr. Leslie George Merszei and Ms. Joey Horn. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong.

None of the participants of ESOP 2008 received more than 5% or more of the total number of Options available under ESOP 2008 and no Options were granted at a discount. Furthermore, no controlling shareholders or their associates were granted Options under ESOP 2008 and no Options were granted to Mermaid's parent company or other subsidiaries of the parent company outside Mermaid, nor any of its or their Directors and employees.

Reference is made to the Directors of Mermaid that remained in office as at 30 September 2012 (see Item 8). As at 15 December 2012, none of the said Directors are participants of ESOP 2008.

### *(e) Status of ESOP 2009*

Allocation of Options pursuant to ESOP 2009 was made by the Remuneration Committee on 16 November 2009. In accordance with Rule 704(27) of the SGX-ST Listing Manual, Mermaid had on 16 November 2009 disclosed to the SGX-ST details of the grant of Options pursuant to ESOP 2009. On 16 November 2012, the Options granted under ESOP 2009 reached their third anniversary of the issue date and become exercisable by the participants pursuant to the principle terms of ESOP 2009. As at 15 December 2012, 579,000 of those Options remained exercisable amongst 13 participants.

The Remuneration Committee who administered ESOP 2009 comprised: Mr. Ng Chee Keong, Mr. Leslie George Merszei and Ms. Joey Horn. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong.

None of the participants of ESOP 2009 received more than 5% or more of the total number of Options available under ESOP 2009 and no Options were granted at a discount. Furthermore, no controlling shareholders or their associates were granted Options under ESOP 2009 and no Options were granted to Mermaid's parent company or other subsidiaries of the parent company outside Mermaid, nor any of its or their Directors and employees.

Reference is made to the Directors of Mermaid that remained in office on 30 September 2012 (see Item 8). As at 15 December 2012, none of the said Directors are participants of ESOP 2009.

#### *(f) Status of ESOP 2010*

Allocation of Options pursuant to ESOP 2010 was made by the Remuneration Committee on 01 December 2010. In accordance with Rule 704(27) of the SGX-ST Listing Manual, Mermaid had on 1 December 2010 disclosed to the SGX-ST details of the grant of Options pursuant to ESOP 2010. ESOP 2010 will not be exercisable until 1 December 2013 being the third anniversary of the issue date. As at 15 December 2012, 370,000 of those Options remained exercisable amongst 14 participants.

The Remuneration Committee who administered ESOP 2010 comprised: Mr. Ng Chee Keong, Mr. Leslie George Merszei and Ms. Joey Horn. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong.

None of the participants of ESOP 2010 received more than 5% or more of the total number of Options available under ESOP 2010 and no Options were granted at a discount. Furthermore, no controlling shareholders or their associates were granted Options under ESOP 2010 and no Options were granted to Mermaid's parent company or other subsidiaries of the parent company outside Mermaid, nor any of its or their Directors and employees.

Reference is made to the Directors of Mermaid that remained in office on 30 September 2012 (see Item 8). As at 15 December 2012, none of the said Directors are participants of ESOP 2010.

#### *(g) Status of ESOP 2011*

Allocation of Options pursuant to ESOP 2011 was made by the Remuneration Committee on 15 December 2011. In accordance with Rule 704(27) of the SGX-ST Listing Manual, Mermaid had on 15 December 2011 disclosed to the SGX-ST details of the grant of Options pursuant to ESOP 2011. ESOP 2011 will not be exercisable until 15 December, 2014, being the third anniversary of the issue date. As at 15 December 2012, 755,000 of those Options remained exercisable amongst 24 participants.

The Remuneration Committee who administered ESOP 2011 comprised: Mr. Ng Chee Keong, Mr. Leslie George Merszei and Mr. Robert Edward Bier. The Chairman of the Remuneration Committee was Mr. Ng Chee Keong.

None of the participants of ESOP 2011 received more than 5% or more of the total number of Options available under ESOP 2011 and no Options were granted at a discount. Furthermore, no controlling shareholders or their associates were granted options under ESOP 2011 and no Options were granted to Mermaid's parent company or other subsidiaries of the parent company outside Mermaid, nor any of its or their Directors and employees.

Reference is made to the Directors of Mermaid that remained in office on 30 September 2012 (see Item 8). As at 15 December 2012, none of the said Directors are participants of ESOP 2011.

#### *(h) Summary of ESOP Distributions*

	ESOP 2008	ESOP 2009	ESOP 2010	ESOP 2011
Shares Allocated for Options	3,832,053	3,000,000	4,000,000	4,000,000
Options Issue Date	20 Nov 2008	16 Nov 2009	1 Dec 2010	15 Dec 2011
Total Options Issued	968,000	891,000	700,000	1,310,000
Original No. of Participants	18	21	25	33
Total Options Remaining*	672,000	579,000	370,000	755,000
No. of Participants Remaining*	11	13	14	24

(\* as at 15 December 2012)

As at 15 December 2012, none of the Options in any of the ESOPs have been exercised. The reduction in the number of exercisable Options remaining and reduction in number of participants remaining in each scheme was primarily due to cessation of employment or engagement of such participants. No new Options can be issued under any of the ESOPs. The Company does not have any ESOP in respect of 2012.

### 19. Composition of the Audit Committee and details of the Audit Committee's activities.

As at 30 September 2012, the Audit Committee members were: Mr. Ng Cher Yan, Mr. Toh Wen Keong Joachim and Mr. Chia Wan Huat Joseph. The Chairman of the Audit Committee was Mr. Ng Cher Yan.

The Audit Committee held five (5) meetings during the financial year. The management of Mermaid, including the Chief Executive Officer, Financial Director, Senior Finance and Accounting Manager, General Counsel, and concerned Managers also participated in those meetings when invited. Mermaid's external auditors from PricewaterhouseCoopers ABAS Limited also participated in the meetings to review Mermaid's financial statements and reports with the Audit Committee and management during the financial year. Mermaid's Internal Audit Director and Manager attended the meetings to review the internal audit activities and results with the Audit Committee during the financial year. The meeting agenda and minutes were prepared.

The Audit Committee carried out its functions as stated in the Audit Committee's scope of responsibilities as set out in Item (1) above.

## 20. Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems.

The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance.

The Compliance and Internal Audit Department is independent of management and has a direct and primary reporting line to the Chairman of the Audit Committee. The Compliance and Internal Audit Director assists the Audit Committee in the discharge of its duties and responsibilities by being responsible for all regulatory compliances, internal audits, corporate governance matters, and risk management systems of the Company. The Company Secretary assists in overseeing compliances with all law and regulations concerning public companies.

In line with the commitment of a high standard of compliance with accounting, financial reporting, internal controls, corporate governance and auditing requirements and any legislation relating thereto, the Company has a Code of Business Conduct applicable to Company personnel covering a wide range of business practices and procedures. This includes, but is not limited to, compliance with laws, rules and regulations, conflicts of interests, insider trading, corporate opportunities, competition and fair dealing, discrimination and harassment, health and safety, environmental matters, record-keeping, financial controls and disclosures, confidentiality, protection and proper use of company assets, financial reporting and compliance.

The Company also has a Share-Dealing and Inside Information Policy to ensure proper access and use of Company information. The said policy sets out a prohibition on dealing in Company shares on short term considerations, prohibition on dealing in Company shares prior to release of financial results, prohibition on dealing in Company shares when in possession of inside information, prohibition on giving advice in respect of dealing in Company shares using inside information and general obligations to observe confidentiality.

The Company has also set in place a Whistleblowing Policy, providing an avenue for its employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimization for whistleblowing in good faith. The Policy conforms to the guidance set out in the Code which encourages employees to raise concerns, in confidence, about possible irregularities.

The Audit Committee has been working with the Compliance and Internal Audit Department to continuously improve Mermaid's internal control systems and provides progress reports to the Board on a quarterly basis.

## 21. Specific Case of non-Compliance with the Code of Corporate Governance due to Legal Requirement and Other Reasons.

Thai law presently do not recognise telephonic and videoconference meetings. Therefore, Mermaid is presently unable to comply with the recommendation in Guideline 1.4 of the Code of Corporate Governance on the conduct of Board meetings which provides that “*Companies are encouraged to amend their Articles of Association to provide for telephonic and videoconference meetings*”. This also applies to all of Mermaid’s subsidiaries incorporated in Thailand.

However, the Thai Cabinet had on 18 August 2009 approved an amendment to the law to allow Thai private limited companies to conduct Board meetings using modern technology, such as teleconferencing, provided that, among other things, the company’s Articles of Association specifically allows the company to do so. If the amendment to the law is submitted to, and passed by Thai parliament as proposed, Mermaid’s subsidiaries incorporated as private limited companies in Thailand may amend their Articles of Association to allow for this compliance.

Notwithstanding this present limitation in Thailand, Mermaid is in compliance with this recommendation insofar as it relates to its subsidiaries incorporated in jurisdictions outside Thailand, to the extent permissible by applicable laws in such jurisdictions.

On 19 June 2012, following a re-composition of several of the Directors on the Board, the number of independent Directors on the Board became one short of Guideline 2.1 of the Code’s recommendation that at least one-third (1/3) of the Board comprise Directors who are independent.

The Nomination Committee had already proposed the election of a new independent Director to the Board at the upcoming Annual General Meeting of shareholders to be held on 28 January 2013 in order for the Company to be compliant with the Code on this matter.



## AUDITOR'S REPORT

To the Shareholders of Mermaid Maritime Public Company Limited

I have audited the accompanying consolidated and Company statements of financial positions as at 30 September 2012 and 2011, and the related consolidated and Company statements of comprehensive income, changes in shareholders' equity, and cash flows for the year then ended of Mermaid Maritime Public Company Limited and its subsidiaries, and of Mermaid Maritime Public Company Limited, respectively. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated and Company financial statements referred to above present fairly, in all material respects, the consolidated and Company financial positions as at 30 September 2012 and 2011, and the consolidated and Company results of operations and cash flows for the years then ended of Mermaid Maritime Public Company Limited and its subsidiaries, and of Mermaid Maritime Public Company Limited, respectively, in accordance with generally accepted accounting principles.

A handwritten signature in blue ink, appearing to read 'Kajornkiet Aroonpirodkul', written over a horizontal line.

Kajornkiet Aroonpirodkul  
Certified Public Accountant (Thailand) No. 3445  
PricewaterhouseCoopers ABAS Ltd.

Bangkok  
26 November 2012

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Statements of Financial Positions  
Mermaid Maritime Public Company Limited  
As at 30 September 2012 and 2011

	Notes	Consolidated		Company	
		2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	5	1,916,973	1,352,380	619,922	377,635
Restricted deposits at financial institutions	6	-	206,484	-	-
Trade accounts receivable - others, net	7	1,521,248	1,661,898	-	-
Other receivables	8	256,621	104,307	3,316	2,992
Advances to third party	9	286,707	-	-	-
Amounts due from related parties	29.2	-	-	514,200	412,021
Short-term loans to related parties	29.3	-	-	4,621,503	4,933,109
Supplies and spare parts		166,157	137,926	-	-
Other current assets	10	51,874	32,527	804	10,784
<b>Total current assets</b>		<b>4,199,580</b>	<b>3,495,522</b>	<b>5,759,745</b>	<b>5,736,541</b>
<b>Non-current assets</b>					
Restricted deposits at financial institutions	6	122,777	124,110	-	-
Investments in subsidiaries	11.1	-	-	4,970,999	4,970,999
Investments in associates	11.2	1,852,378	1,862,041	1,903,814	1,903,814
Property, plant, and equipment, net	12	10,718,929	11,122,394	156,088	170,644
Goodwill		332,279	332,279	-	-
Intangible assets, net	13	13,031	16,206	1,247	1,256
Deferred expenses		26,459	29,375	-	-
Deferred tax assets, net	14	85,694	99,437	-	-
Other non-current assets	15	6,359	22,739	569	864
<b>Total non-current assets</b>		<b>13,157,906</b>	<b>13,608,581</b>	<b>7,032,717</b>	<b>7,047,577</b>
<b>Total assets</b>		<b>17,357,486</b>	<b>17,104,103</b>	<b>12,792,462</b>	<b>12,784,118</b>

The accompanying notes on page 74 to 124 are an integral part of these consolidated and company financial statements.

## Statements of Financial Positions (CONT'D)

Mermaid Maritime Public Company Limited

As at 30 September 2012 and 2011

	Notes	Consolidated		Company	
		2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Trade accounts payable		327,302	187,311	-	-
Other accounts payable		14,077	57,110	3,501	5,758
Amounts due to related parties	29.2	24,892	12,530	1,154,480	1,141,526
Current portion of long-term loans from financial institutions	16	209,209	556,747	-	-
Current portion of finance lease liabilities		1,501	1,744	1,170	1,170
Current portion of share subscription payable	11.1	33,823	-	-	-
Income taxes payable		35,484	19,684	-	-
Accrued expenses		354,984	279,906	10,296	7,759
Current portion of employee benefit obligations	17	-	61,031	-	-
Other current liabilities		44,711	50,482	8,489	10,681
<b>Total current liabilities</b>		<b>1,045,983</b>	<b>1,226,545</b>	<b>1,177,936</b>	<b>1,166,894</b>
<b>Non-current liabilities</b>					
Long-term loans from financial institutions	16	3,866,496	3,409,963	-	-
Finance lease liabilities		1,089	3,277	196	1,366
Long-term portion of share subscription payable	11.1	42,207	-	-	-
Employee benefit obligations	17	30,669	22,703	4,249	2,908
<b>Total non-current liabilities</b>		<b>3,940,461</b>	<b>3,435,943</b>	<b>4,445</b>	<b>4,274</b>
<b>Total liabilities</b>		<b>4,986,444</b>	<b>4,662,488</b>	<b>1,182,381</b>	<b>1,171,168</b>
<b>Shareholders' equity</b>					
Share capital					
Authorised share capital					
Ordinary shares					
791,213,843 shares of par Baht 1 each	18	791,214	791,214	791,214	791,214
Issued and paid-up share capital					
Ordinary shares					
784,747,743 shares of paid-up Baht 1 each	18	784,748	784,748	784,748	784,748
Premium on share capital	18	9,818,420	9,818,420	9,818,420	9,818,420
Retained earnings					
Appropriated - legal reserves					
	19	78,475	78,475	78,475	78,475
Unappropriated					
		1,930,146	1,858,659	928,072	931,307
Other components of equity		(308,081)	(197,695)	366	-
<b>Equity attributable to owners of the parent</b>		<b>12,303,708</b>	<b>12,342,607</b>	<b>11,610,081</b>	<b>11,612,950</b>
Non-controlling interests		67,334	99,008	-	-
<b>Total shareholders' equity</b>		<b>12,371,042</b>	<b>12,441,615</b>	<b>11,610,081</b>	<b>11,612,950</b>
<b>Total liabilities and shareholders' equity</b>		<b>17,357,486</b>	<b>17,104,103</b>	<b>12,792,462</b>	<b>12,784,118</b>

The accompanying notes on page 74 to 124 are an integral part of these consolidated and company financial statements.

## Statements of Comprehensive Income

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2012 and 2011

	Notes	Consolidated		Company	
		2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Service income		5,714,142	5,542,823	-	-
Cost of services		(4,511,570)	(4,788,639)	-	-
<b>Gross profits</b>		1,202,572	754,184	-	-
Management fee income	29.1	-	147,601	70,380	238,374
Dividend income	29.1	-	-	-	1,400,540
Interest income		11,312	6,613	130,707	94,778
Other income		18,326	187,599	12,268	90,349
Administrative expenses		(787,351)	(718,957)	(174,103)	(196,944)
Gains (losses) on exchange rates		56,379	21,208	(39,527)	31,699
Net losses on disposals and write-offs of property, plant, and equipment and intangible assets		(2,340)	(8,805)	-	(9)
Impairment losses of property, plant, and equipment and deposits	12.1	-	(203,736)	-	-
Impairment losses of investments in a subsidiary		-	-	-	(24,729)
<b>Operating profits (losses)</b>		498,898	185,707	(275)	1,634,058
Share of losses of investments in associates	11.2	(9,663)	(41,773)	-	-
<b>Profits (losses) before finance costs and income taxes</b>		489,235	143,934	(275)	1,634,058
Finance costs	21	(284,897)	(228,916)	-	(1,235)
<b>Profits (losses) before income taxes</b>		204,338	(84,982)	(275)	1,632,823
Income taxes	22	(118,316)	(76,371)	(2,960)	-
<b>Net profits (losses) for the year</b>		86,022	(161,353)	(3,235)	1,632,823
<b>Other comprehensive income (expenses):</b>					
Exchange differences on translating financial statements		(22,150)	75,086	-	-
<b>Total comprehensive income (expenses) for the year</b>		63,872	(86,267)	(3,235)	1,632,823
<b>Profits (losses) attributable to:</b>					
Owners of the parent		71,487	(167,347)	(3,235)	1,632,823
Non-controlling interests		14,535	5,994	-	-
		86,022	(161,353)	(3,235)	1,632,823
<b>Total comprehensive income (expenses) attributable to:</b>					
Owners of the parent		50,017	(94,340)	(3,235)	1,632,823
Non-controlling interests		13,855	8,073	-	-
		63,872	(86,267)	(3,235)	1,632,823
<b>Earnings (losses) per share</b>	23				
Basic and diluted earnings (losses) per share (Baht)		0.09	(0.21)	(0.00)	2.08

The accompanying notes on page 74 to 124 are an integral part of these consolidated and company financial statements.

**Statements of Changes in Shareholders' Equity**  
**Mermaid Maritime Public Company Limited**  
**For the years that ended on 30 September 2012 and 2011**

Notes	Consolidated							Baht'000		
	Attributable to owners of the parent									
	Issued and paid-up share capital	Premium on share capital	Legal reserves	Unappropriated retained earnings	Other components of equity				Total owners of the parent	
Other comprehensive expenses					Share-based payment	Other changes from owner	Total other components of equity	Non-controlling Interests		Total Shareholders' equity
	784,748	9,818,420	78,475	1,858,659	-	-	(197,695)	12,342,607	99,008	12,441,615
	-	-	-	-	-	(89,282)	(89,282)	(89,282)	(45,529)	(134,811)
11.1	-	-	-	71,487	-	-	-	71,487	14,535	86,022
	-	-	-	-	-	-	(21,470)	(21,470)	(680)	(22,150)
28	-	-	-	-	366	-	366	366	-	366
	784,748	9,818,420	78,475	1,930,146	366	(89,282)	(308,081)	12,303,708	67,334	12,371,042

Notes	Company					Baht'000
	Company					
	Issued and paid-up share capital	Premium on share capital	Legal reserves	Unappropriated retained earnings	Other component of equity	
	784,748	9,818,420	78,475	931,307	-	11,612,950
	-	-	-	(3,235)	-	(3,235)
28	-	-	-	-	366	366
	784,748	9,818,420	78,475	928,072	366	11,610,081

The accompanying notes on page 74 to 124 are an integral part of these consolidated and company financial statements.



## Statements of Cash Flows

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2012 and 2011

	Notes	Consolidated		Company	
		2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
<b>Cash flows from operating activities</b>					
Profits (losses) before income taxes		204,338	(84,982)	(275)	1,632,823
Adjustments for:					
Depreciation	12	873,537	1,007,040	16,646	17,732
Amortisation of intangible assets	13	8,947	9,132	590	859
Finance costs	21	284,897	228,916	-	1,235
Share-based payment	28	366	-	366	-
Losses from supplies and spare parts obsolescence		721	-	-	-
Net losses on disposals and write-offs of property, plant, and equipment and intangible assets		2,340	8,805	-	9
Impairment losses of property, plant, and equipment and deposits		-	203,736	-	-
Impairment losses of investments in a subsidiary		-	-	-	24,729
Doubtful accounts expenses		94,103	15,815	-	-
Losses from write-off of outstanding withholding taxes		16,598	-	9,401	-
Realised (gains) losses on exchange rates		(46,713)	(51,257)	56,810	28,626
Unrealised (gains) losses on exchange rates		(9,666)	30,049	(17,283)	(60,325)
Employee benefit obligations		4,806	56,076	1,341	(946)
Dividend income	29.1	-	-	-	(1,400,540)
Share of losses of investments in associates	11.2	9,663	41,773	-	-
Exchange rates (gains) losses from translation of overseas subsidiaries		(35,991)	30,288	-	-
Changes in operating assets and liabilities (excluding the effects of acquisition and disposal of subsidiaries):					
- Restricted deposits at financial institutions		204,228	(330,594)	-	-
- Trade accounts receivable - others		68,961	(1,040,226)	-	-
- Amounts due from related parties		-	(1,640)	(136,401)	(98,509)
- Other receivables		(149,983)	(67,387)	(800)	1,133
- Advances to third party		(286,707)	-	-	-
- Supplies and spare parts		(28,952)	619	-	-
- Other current assets		(40,261)	63,759	580	(1,199)
- Deferred expenses		2,916	18,414	-	-
- Other non-current assets		16,380	19,467	295	(267)
- Trade accounts payable - others		157,537	84,078	-	-
- Trade accounts payable - related parties		622	8,285	-	-
- Other accounts payable		(40,302)	8,263	422	8,332
- Amounts due to related parties		12,362	(87)	25,238	(681,892)
- Accrued expenses		70,595	113,414	2,537	999
- Other current liabilities		(1,380)	6,102	(2,192)	1,829
Cash generated from operations		1,393,962	377,858	(42,725)	(525,372)
- Finance costs paid		(281,117)	(230,830)	-	(1,235)
- Income taxes paid		(81,881)	(73,337)	(2,960)	(2,808)
- Employee benefits paid	17	(56,331)	(67,417)	-	-
<b>Net cash inflows (outflows) from operating activities</b>		974,633	6,274	(45,685)	(529,415)

The accompanying notes on page 74 to 124 are an integral part of these consolidated and company financial statements.

## Statements of Cash Flows (CONT'D)

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2012 and 2011

	Notes	Consolidated		Company	
		2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
<b>Cash flows from investing activities</b>					
Short-term loans received from related parties		-	-	810,945	533,248
Short-term loans provided to related parties		-	-	(508,576)	(2,571,504)
Payments for short-term investments		-	(602,403)	-	(602,403)
Proceeds from short-term investments		-	1,208,728	-	1,208,728
Payments for investments in subsidiaries and associates	11	(57,084)	(1,903,814)	-	(1,903,814)
Proceeds from disposals of property, plant, and equipment and intangible assets		2,593	32,753	517	1,581
Payments for purchases of property, plant, and equipment		(466,692)	(255,468)	(4,626)	(12,493)
Payments for purchases of intangible assets		(7,167)	(8,736)	(581)	(2,243)
Dividends received	29.1	-	-	-	1,400,540
<b>Net cash inflows (outflows) from investing activities</b>		<b>(528,350)</b>	<b>(1,528,940)</b>	<b>297,679</b>	<b>(1,948,360)</b>
<b>Cash flows from financing activities</b>					
Repayments of finance lease liabilities		(2,305)	(3,252)	(1,170)	(975)
Proceeds from long-term loans from financial institutions	16	1,405,751	1,973,502	-	-
Repayments of long-term loans from financial institutions	16	(1,247,647)	(2,431,869)	-	(36,000)
Proceeds from share capital from minority interests		-	1,247	-	-
Dividends paid to shareholders		-	(455,154)	-	(455,154)
<b>Net cash inflows (outflows) from financing activities</b>		<b>155,799</b>	<b>(915,526)</b>	<b>(1,170)</b>	<b>(492,129)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>602,082</b>	<b>(2,438,192)</b>	<b>250,824</b>	<b>(2,969,904)</b>
Cash and cash equivalents at the beginning of the year	5	1,352,380	3,742,938	377,635	3,375,758
Effects of exchange rates		(37,489)	47,634	(8,537)	(28,219)
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b>1,916,973</b>	<b>1,352,380</b>	<b>619,922</b>	<b>377,635</b>

**Non-cash transactions**

During the years that ended on 30 September 2012 and 2011, the following significant non-cash transactions occurred:

Unpaid liabilities for purchases of vessels and equipment	4,797	7,294	-	-
Unpaid liabilities for share subscription in subsidiaries	76,030	-	-	-
Using finance lease agreements to purchase computer hardware	2,590	5,021	1,366	2,536

The accompanying notes on page 74 to 124 are an integral part of these consolidated and company financial statements.

## Notes to the Consolidated and Company Financial Statements

Mermaid Maritime Public Company Limited

For the years that ended on 30 September 2012 and 2011

### 1 General information

Mermaid Maritime Public Company Limited (the “Company”) is a public company limited which is incorporated in Thailand and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). The address of its registered office is as follows:

26/28-29 Orakarn Building, 9<sup>th</sup> floor  
Soi Chidlom, Ploenchit Road  
Kwaeng Lumpinee, Khet Pathumwan  
Bangkok 10330, Thailand

The Company and its subsidiaries (the “Group”) provide a wide range of services to the offshore oil & gas industries. The scope of services comprises sub-sea engineering and inspection by divers and remotely operated vehicle (“ROV”) systems, non-destructive testing, and ownership and operation of a fleet of offshore service vessels and tender drilling rigs.

The Company is a subsidiary of Thoresen Thai Agencies Public Company Limited, which is incorporated in Thailand.

The Board of Directors approved the issue of the audited consolidated and Company financial statements on 26 November 2012.

### 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated and Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated and Company financial statements have been prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards issued under the Accounting Profession Act B.E. 2547.

The consolidated and Company financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.3.

## 2 Summary of significant accounting policies (Cont'd)

### 2.1 Basis of preparation (Cont'd)

Comparative figures have been reclassified to conform with changes in presentation in the current year. To comply with the announcement of Department of Business Development Regulation dated 7 November 2011 in relation to the format of Financial Statements B.E. 2554, the Group has reclassified other receivables and other current assets for 2011 as follows:

	<b>Consolidated</b>	<b>Company</b>
	<b>2011</b>	<b>2011</b>
	<b>Baht'000</b>	<b>Baht'000</b>
<b>Other receivables</b>		
As previously reported:		
Amounts due from related parties	33	33
Other current assets		
- Prepaid expenses	35,878	1,067
- Advances to employees	4,908	-
- Advances for business expenses	24,308	-
- Deferred mobilisation cost	4,195	-
- Insurance claim receivables	18,317	-
- Others	16,668	1,892
Reclassified to:		
Other receivables	104,307	2,992

An English version of the consolidated and Company financial statements has been prepared from the statutory financial statements that are in Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

## 2 Summary of significant accounting policies (Cont'd)

### 2.2 New Thai accounting standards ("TAS"), new financial reporting standards, new interpretations, and amendments to accounting standards

- a) New Thai accounting standards, new financial reporting standards, new interpretations, and amendments to accounting standards are effective for the periods beginning on or after 1 January 2011 and adopted by the Group, except for IAS 16 "Property, Plant and Equipment" and IAS 19 "Employee Benefits" which the Group has adopted since the fiscal year 2007. TAS 16 (Revised 2009) and TAS 19 are equivalent to IAS 16 and IAS 19, respectively.

TAS 1 (Revised 2009)	Presentation of Financial Statements
TAS 2 (Revised 2009)	Inventories
TAS 7 (Revised 2009)	Statement of Cash Flows
TAS 8 (Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2009)	Events after the Reporting Period
TAS 11 (Revised 2009)	Construction Contracts
TAS 16 (Revised 2009)	Property, Plant and Equipment
TAS 17 (Revised 2009)	Leases
TAS 18 (Revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (Revised 2009)	Borrowing Costs
TAS 24 (Revised 2009)	Related-Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (Revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (Revised 2009)	Interests in Joint Ventures
TAS 33 (Revised 2009)	Earnings per Share
TAS 34 (Revised 2009)	Interim Financial Reporting
TAS 36 (Revised 2009)	Impairment of Assets
TAS 37 (Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2009)	Intangible Assets
TAS 40 (Revised 2009)	Investment Property
TFRS 2	Share-based Payment
TFRS 3(Revised 2009)	Business Combinations
TFRS 5(Revised 2009)	Non-current Assets Held-for-sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate
TSIC 31	Revenue - Barter Transactions Involving Advertising Services

## 2 Summary of significant accounting policies (Cont'd)

### 2.2 New Thai accounting standards ("TAS"), new financial reporting standards, new interpretations, and amendments to accounting standards

- a) New Thai accounting standards, new financial reporting standards, new interpretations, and amendments to accounting standards are effective for the periods beginning on or after 1 January 2011 and adopted by the Group, except for IAS 16 "Property, Plant and Equipment" and IAS 19 "Employee Benefits" which the Group has adopted since the fiscal year 2007. TAS 16 (Revised 2009) and TAS 19 are equivalent to IAS 16 and IAS 19, respectively. (Cont'd)
- TAS 1 (Revised 2009): The revised standard requires an entity to present a statement of comprehensive income. Entities can choose whether to present one statement (the statement of comprehensive income) or two statements (statement of income and statement of comprehensive income). The Group chooses to present a single statement of comprehensive income. Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning of the comparative period in addition to the current requirement to present a statement of financial position at the end of the current period and comparative period. However, for the financial statements whose period begins on or after 1 January 2011, and which period is the first to apply this standard, an entity can choose to present a statement of financial position without the statement of financial position as at the beginning of the comparative period. The Group has adopted TAS 1 (Revised 2009) with effect from 1 October 2011.
  - TAS 23 (Revised 2009): The revised standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. The Group has adopted the standard prospectively from 1 October 2011 but it is not expected to have any impact on the Group's financial statement, because the Group has applied the capitalised model.
  - TAS 24 (Revised 2009): The definition of 'related party' has been expanded to include parties with joint control over the entity, a joint venture in which the entity is a venture and postemployment benefit plans for the benefit of employees of an entity. The Group has adopted the revised standard with effect from 1 October 2011, which may have an impact only on the disclosure of related parties' information in the notes to the financial statements.
  - TAS 27 (Revised 2009): The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has adopted the standard prospectively for transactions with non-controlling interests with effect from 1 October 2011.

## 2 Summary of significant accounting policies (Cont'd)

### 2.2 New Thai accounting standards ("TAS"), new financial reporting standards, new interpretations, and amendments to accounting standards

a) New Thai accounting standards, new financial reporting standards, new interpretations, and amendments to accounting standards are effective for the periods beginning on or after 1 January 2011 and adopted by the Group, except for IAS 16 "Property, Plant and Equipment" and IAS 19 "Employee Benefits" which the Group has adopted since the fiscal year 2007. TAS 16 (Revised 2009) and TAS 19 are equivalent to IAS 16 and IAS 19, respectively. (Cont'd)

- TAS 28 (Revised 2009): On the loss of significant influence, the entity shall measure a remaining investment at fair value and recognise any gains or losses in profit or loss. The Group has adopted the revised standard with effect from 1 October 2011.
- TAS 38 (Revised 2009): The revised standard clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has a similar useful economic life. The Group has adopted the revised standard with effect from 1 October 2011. The standard will not result in a material impact on the Group or Company's financial statements.
- TFRS 2: This deals with accounting for transactions in which an entity receives goods or services as consideration for either:
  - Equity instruments of the entity (equity-settled) which is recognised as equity; or
  - Cash or other assets, the amount of which is based on the price or value of the entity's share (cash-settled) that is recognised as a liability.

The measurement of the transaction is based on the fair value of the goods or services received. The equity-settled transactions are not re-measured once the grant date fair value has been determined. The cash-settled transactions are required to be re-measured at the date of each statement of financial position and at the date of settlement, with changes in fair value recognised in profit or loss. In addition, the standard requires extensive disclosure. The Company has adopted this standard with effect from 1 October 2011. The application of the standard is accounted for grant dates on or after 1 October 2011.

- TFRS 3 (Revised 2009): The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group has adopted the revised standard prospectively to all business combinations with effect from 1 October 2011.

## 2 Summary of significant accounting policies (Cont'd)

### 2.2 New Thai accounting standards ("TAS"), new financial reporting standards, new interpretations, and amendments to accounting standards (Cont'd)

- b) New Thai accounting standards, amendments to accounting standards, and new interpretations are mandatory for the accounting periods beginning on or after 1 January 2013, but the Group has not early adopted them, excepted for IAS 12 "Income Taxes" which the Group has adopted since the fiscal year 2007. TAS 12 is equivalent to IAS 12.

TAS 12	Income taxes
TAS 20 (Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates
TFRS 8	Operating Segments
TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

- TAS 21 (Revised 2009): The revised standard requires an entity to determine its functional currency, which is the currency of the primary economic environment in which the entity operates. Foreign currency transactions are required to be translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary items denominated in foreign currencies are recognised in profit or loss. The results and financial positions of all Group entities that have a functional currency different from the presentation currency are translated in the presentation currency as follows: (a) assets and liabilities are translated at the closing rate at the date of the statement of financial position; (b) income and expenses are translated at the exchange rate at the date of the transactions; and (c) all resulting exchange differences are recognised in the statement of comprehensive income. The Group will apply this standard commencing 1 October 2013. The application of the standard will be accounted for retrospectively. The management is currently assessing the impact of applying this standard.
- TFRS 8: The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard from 1 October 2013. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change to be consistent with the internal reporting provided to the chief operating decision-maker.

## 2 Summary of significant accounting policies (Cont'd)

### 2.3 Critical accounting estimates and judgements (Cont'd)

Estimates 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

#### 2.3.1 Property, plant, and equipment and intangible assets

Management determines the carrying value of tender rigs and vessels based on estimates, assumptions, and judgments in respect of remaining useful lives and residual values of these assets. These estimates, assumptions, and judgments reflect both historical experience and expectations regarding future operations, utilisation, and performance.

#### 2.3.2 Deferred income taxes

Deferred income tax assets are recorded based on management's judgment and estimates on the extent to which there will be future taxable profits against which they can be offset. In preparing their forward projections for taxable income, management considers both historical performance and expectations regarding future operations, utilisation, and performance, as well as other industry specific information.

#### 2.3.3 Carrying value of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.4.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates by management.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies

#### 2.4.1 Group Accounting - Investments in subsidiaries and associates

##### (a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains or loss on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies (Cont'd)

#### 2.4.1 Group Accounting - Investments in subsidiaries and associates (Cont'd)

##### (b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

##### (c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2.4.9 for the impairment of assets including goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

In the Company's separate financial statements, investments in associates are reported by using the cost method of accounting.

A list of the Group's principal associates and the effects of acquisitions and disposals of associates are shown in Note 11.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies (Cont'd)

#### 2.4.2 Foreign currencies translation

Items included in the financial statements of each entity in the Group are measured using the reporting currency of each entity in which the entity is incorporated. The consolidated and Company financial statements are presented in Thai Baht.

Transactions denominated in foreign currencies are translated into the entity's reporting currency at the rates of exchange ruling on the transaction dates. Realised gains and losses on foreign exchange transactions are recognised in profit or loss as incurred. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the statement of financial position date. Unrealised gains and losses on foreign exchange are recognised in profit or loss as incurred.

The statements of comprehensive income and cash flows of foreign entities are translated into the Group's reporting currency at the weighted average exchange rates for the year and the statement of financial position is translated at the exchange rates ruling on the end of reporting period. Currency translation differences arising from the retranslation of the net investment in foreign entities are taken to shareholders' equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

#### 2.4.3 Cash and cash equivalents

In the consolidated and Company statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and Company statements of financial position, bank overdrafts are shown as borrowings in current liabilities.

#### 2.4.4 Trade accounts receivable

Trade accounts receivable are carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year-end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collected. Bad debts are written-off during the year in which they are identified and recognised in profit or loss within administrative expenses.

#### 2.4.5 Supplies and spare parts

Vessel supplies and spare parts mainly comprise bunker, vessel supplies, and spare parts. Bunker supplies are stated at cost, determined on a first-in, first-out basis. Vessel supplies and spare parts are stated at cost, determined on a weighted average basis. Rig supplies and spare parts are stated at historical cost, determined on a specific identification basis. The rig supplies and spare parts purchased to replace those used during the year are reported as vessel costs of service in the statement of income.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies (Cont'd)

#### 2.4.6 Property, plant, and equipment

Property, plant, and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to the consolidated and Company profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings and building improvement	10 and 20 years
New build support vessels	5 to 30 years
Second-hand support vessels	5 to 22 years
Second-hand tender rigs	1 to 20 years
Motor launches	10 years
Tools and equipment	3 to 10 years
Office equipment	5 years
Motor vehicles	5 years

The estimated useful lives of support vessels and tender rigs are based on their remaining useful lives at the acquisition date. Depreciation is calculated based on a component approach on the cost of the vessels and tender rigs less an estimated residual value.

Expenditures incurred during inspections, major repairs, or dry-docking are recognised in the carrying amount of property, plant, and equipment as a replacement if the recognition criteria are satisfied. Dry-docking costs are considered a separate component of the vessels' cost that have a different pattern of economic benefits and are therefore depreciated separately. Dry-docking expenses are amortised over the period until the next scheduled dry-docking up to a maximum of 5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognised in the consolidated and Company statements of comprehensive income.

The borrowing costs to finance the construction of property, plant, and equipment are capitalised as part of cost of the asset during the period of time required to complete and prepare it for its intended use.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies (Cont'd)

#### 2.4.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is separately reported in the consolidated statement of financial position.

Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to forecast future cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

#### 2.4.8 Intangible assets

##### *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is calculated using the straight-line method to allocate the cost of computer software over their estimated useful lives being 3 and 5 years.

#### 2.4.9 Impairment of assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies (Cont'd)

#### 2.4.10 Accounting for long-term leases

##### Where the Group is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant, and equipment. Leases of property, plant or equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant or equipment acquired under finance leases is depreciated over the shorter period of the useful life of the asset and the lease term.

##### Where the Group is the lessor

Assets leased out under operating leases are included in property, plant, and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with other similar property, plant, and equipment owned by the Group. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

#### 2.4.11 Provisions

Provisions, which exclude the provisions relating to employee benefits, are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies (Cont'd)

#### 2.4.12 Share capital

Ordinary shares are classified as equity.

Incremental external costs directly attributable to the issue of new shares, other than in connection with 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.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

#### 2.4.13 Revenue recognition

Revenue comprises the invoiced value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates, and discounts and after eliminating sales and services within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction, and the specifics of each arrangement.

##### *(a) Rendering of services*

The Group recognises revenue as services are performed based upon (a) contracted day rates and the number of operating days during the period or (b) agreed service charge. When the arrangement contains a lease obligation, revenue is evenly recognised over the contract period.

Mobilisation activities related to drilling rig activity to mobilise a rig from one geographic area to another are linked to the underlying contracts. Certain contracts include mobilisation fees paid at the start of the contracts. Where the mobilisation fee covers a general or specific upgrade of a rig or equipment, the fee is recognised as revenue over the contract period. In cases where the fee covers specific operating expenses at the start up of the contract, the fee is recognised in the same period as the expenses.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies (Cont'd)

#### 2.4.13 Revenue recognition

##### *(b) Interest income*

Interest income is recognised on a time-proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will be accrued to the Group.

##### *(c) Dividend income*

Dividend income is recognised when the right to receive payment is established.

##### *(d) Rental income*

Rental income is recognised as revenue on an accrual basis at the amount as specified under each lease agreement.

#### 2.4.14 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated and Company financial statements in the period in which the interim dividends are approved by the Board of Directors and the annual dividends are approved by the Company's shareholders.

#### 2.4.15 Financial instruments

The Group is party to derivative financial instruments, which mainly comprise cross currency and interest rate swap agreements. Such instruments are not recognised in the financial statements on inception.

Cross currency and interest rate swap agreements protect the Group from movements in exchange rates and interest rates. Any differential to be paid or received on a currency and interest rate swap agreement is recognised as a component of interest revenue or expense over the period of the agreement. Gains and losses on early termination of currency and interest rate swaps or on repayment of the borrowing are taken to the statement of income.

Disclosures about derivative financial instruments to which the Group is a party are provided in Note 24.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies (Cont'd)

#### 2.4.16 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated and Company financial statements. However, the deferred income tax is not accounted, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies (Cont'd)

#### 2.4.17 Employee benefits

##### *(a) Provident fund*

The Group operates a provident fund, being a defined contribution plan, the asset for which is held in a separate trustee-administered fund. The provident fund is funded by payments from employees and by the Group.

The Group's contributions to the provident fund are charged to the consolidated and Company statements of income in the year to which they relate.

##### *(b) Retirement benefits*

The retirement benefit is a defined benefit plan that an employee will receive on retirement according to Thai Labour Law depending on age and years of service.

The liability of retirement benefit is recognised in the consolidated and Company statements of financial positions using the present value of the obligation, at the date of statements of financial position, together with adjustments for unrecognised actuarial gains or losses and past service costs. An independent actuary using the projected unit credit method calculates the retirement benefit annually. The present value of the benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of benefit obligations are charged or credited to the statement of income over the employees' expected average remaining working lives.

##### *(c) Retention incentives*

The drilling subsidiaries provide retention incentives to certain employees. The entitlement to these incentives is conditional on the employees remaining in service up to the completion of the minimum entitlement service periods. The expected costs of these incentives are accrued over the period of the entitlement service periods without discount to their present value, as there is no significant impact from a discounted value calculation approach.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies (Cont'd)

#### 2.4.18 Share-based payment (Cont'd)

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity.

#### 2.4.19 Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment information is presented by business segment of the Group's operations.

## 2 Summary of significant accounting policies (Cont'd)

### 2.4 Accounting policies (Cont'd)

#### 2.4.20 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries, and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals, also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

## 3 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## 4 Business segment information

The segment results are as follows:

	For the year that ended on 30 September 2012				Baht'000
	MOS group	Drilling group	Consolidated Subtech group	Seascope group	
Total service income	3,195,188	1,089,309	1,645,339	1,227,413	7,157,249
Inter-segment service income	(181,312)	-	(980,413)	(281,382)	(1,443,107)
Service income	3,013,876	1,089,309	664,926	946,031	5,714,142
Operating profits (losses)	142,707	277,525	112,996	52,586	498,898
Finance costs					(284,897)
Income taxes					(118,316)
Share of losses from associates					(9,663)
Net profits for the year					86,022
	As at 30 September 2012				Baht'000
	MOS group	Drilling group	Consolidated Subtech group	Seascope group	Holding Group
Property, plant, and equipment and intangible assets, net	8,831,936	1,328,002	323,349	95,800	152,873
Total assets					17,357,486

## 4 Business segment information (Cont'd)

The segment results are as follows: (Cont'd)

	Consolidated					Baht'000
	For the year that ended on 30 September 2011					
	MOS group	Drilling group	Subtech group	Seascope group	Holding	Group
Total service income	3,908,483	1,038,508	964,161	928,124	-	6,839,276
Inter-segment service income	(425,672)	(28,673)	(572,070)	(270,038)	-	(1,296,453)
Service income	3,482,811	1,009,835	392,091	658,086	-	5,542,823
Operating profits (losses)	(6,639)	(120,211)	57,521	75,896	179,140	185,707
Finance costs						(228,916)
Income taxes						(76,371)
Share of losses from associates						(41,773)
Net losses for the year						(161,353)
	Consolidated					Baht'000
	As at 30 September 2011					
	MOS group	Drilling group	Subtech group	Seascope group	Holding	Group
Property, plant, and equipment and intangible assets, net	9,376,830	1,431,528	70,758	88,548	170,936	11,138,600
Total assets						17,104,103

## 5 Cash and cash equivalents

Cash and cash equivalents comprise:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Cash on hand	70,307	4,250	54	89
Cash at banks	1,846,666	1,348,130	619,868	377,546
Total cash and cash equivalents	1,916,973	1,352,380	619,922	377,635

## 6 Restricted deposits at financial institutions

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Restricted deposits at financial institutions				
- Within 1 year	-	206,484	-	-
- Over 1 year	122,777	124,110	-	-
Total restricted deposits at financial institutions	122,777	330,594	-	-

The restricted deposit at a financial institution, which matures on September 2012, is pledged against the interest swap contract provided by that financial institution.

The restricted deposit at a financial institution is pledged against long-term loans with a local financial institution. The restricted deposit must be maintained at a minimum amount of the next two principal and interest payments after the two-year grace period expires in September 2013.

## 7 Trade accounts receivable - others, net

Trade accounts receivable - others, comprise:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Trade accounts receivable - others	1,467,370	1,434,434	-	-
Accrued income	143,567	265,373	-	-
	1,610,937	1,699,807	-	-
Less Allowance for doubtful accounts	(89,689)	(37,909)	-	-
Trade accounts receivable - others, net	1,521,248	1,661,898	-	-

## 7 Trade accounts receivable - others, net (Cont'd)

The aging of the trade accounts receivable balance is as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Trade accounts receivable under credit terms	1,141,733	1,102,542	-	-
Aging of trade accounts receivable past due:				
Less than 3 months	445,003	410,035	-	-
Overdue 3 to 6 months	12,592	5,248	-	-
Overdue 6 to 12 months	8,216	170,065	-	-
Overdue 12 months	3,393	11,917	-	-
	1,610,937	1,699,807	-	-
<u>Less</u> Allowance for doubtful accounts	(89,689)	(37,909)	-	-
Trade accounts receivable - other, net	1,521,248	1,661,898	-	-

## 8 Other receivables

Other receivables comprise:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Other non-trade accounts receivable	1,028	1,989	1,028	1,876
Prepaid expenses	34,391	35,878	996	1,067
Advances to employees	7,448	4,908	-	-
Advances for business expenses	82,956	24,308	-	-
Deferred mobilisation cost	49,656	4,195	-	-
Accrued interest income	1,346	-	958	-
Insurance claim receivables	64,274	18,317	-	-
Other receivables	15,522	14,712	334	49
Total other receivables	256,621	104,307	3,316	2,992

## 9 Advances to third party

As at 30 September 2012, an advance payment of USD 9.3 million (equivalent to Baht 286.7 million) was made to General Technology & Systems Co. Ltd. ("Gentas"), which owns 30% of Subtech Saudi Arabia Limited ("Subtech Saudi Arabia"), a subsidiary. The USD 9.3 million payment to Gentas comprises: (a) USD 0.3 million as consideration for the acquisition of Gentas' 30% equity interest in Subtech Saudi Arabia, and (b) USD 9.0 million as: (i) compensation for loss of expected profit to Gentas, if not for the sale of its 30% equity interest in Subtech Saudi Arabia, pertaining to a recently awarded five-year inspection, repair, and maintenance contract with Saudi Aramco ("IRM Contract") worth more than USD 530 million of revenues and (ii) as an advance payment for Gentas assistance to secure the IRM Contract.

## 10 Other current assets

Other current assets comprise:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Value added taxes refundable	41,057	7,908	141	1,156
Withholding taxes	-	15,582	-	9,401
Suspense input taxes	10,817	9,037	663	227
Total other current assets	51,874	32,527	804	10,784

## 11 Investments in subsidiaries and associates

Investments in subsidiaries and associates comprise investments in the following companies:

Name	Classification	Country of incorporation	Percentage of holding As at 30 September	
			2012	2011
Mermaid Offshore Services Ltd., which has ten subsidiaries as follows:	Subsidiary	Thailand	100.0	100.0
Nemo Subsea AS *	Subsidiary	Norway		
Nemo Subsea IS *	Subsidiary	Norway		
Seascope Surveys (Thailand) Ltd.	Subsidiary	Thailand		
Seascope Surveys Pte. Ltd., which has one subsidiary as follows:	Subsidiary	Singapore		
PT Seascope Surveys Indonesia	Subsidiary	Indonesia		
Subtech Ltd., which has one subsidiary and one associate as follows:	Subsidiary	Seychelles		
Subtech Saudi Arabia Limited	Subsidiary	Saudi Arabia		
Subtech Qatar Diving and Marine Services LLC	Associate	Qatar		
Mermaid Offshore Services Pty. Ltd. **	Subsidiary	Australia		
Mermaid Offshore Services Pte. Ltd.	Subsidiary	Singapore		
Mermaid Drilling Ltd., which has five subsidiaries as follows:	Subsidiary	Thailand	95.0	95.0
MTR-1 Ltd.	Subsidiary	Thailand		
MTR-2 Ltd.	Subsidiary	Thailand		
Mermaid Drilling (Malaysia) Sdn. Bhd.	Subsidiary	Malaysia		
MTR-1 (Singapore) Pte. Ltd.	Subsidiary	Singapore		
MTR-2 (Singapore) Pte. Ltd.	Subsidiary	Singapore		
Mermaid Training and Technical Services Ltd. ***	Subsidiary	Thailand	100.0	100.0

## 11 Investments in subsidiaries and associates (Cont'd)

Investments in subsidiaries and associates comprise investments in the following companies:  
(Cont'd)

Name	Classification	Country of incorporation	Percentage of holding As at 30 September	
			2012	2011
Mermaid Drilling (Singapore) Pte. Ltd., which has one subsidiary as follows: MTR-3 (Singapore) Pte. Ltd.	Subsidiary	Singapore	100.0	100.0
Asia Offshore Drilling Limited, which has four subsidiaries as follows: Asia Offshore Rig 1 Limited	Associate	Bermuda	33.75	33.75
Asia Offshore Rig 2 Limited	Associate	Bermuda		
Asia Offshore Rig 3 Limited	Associate	Bermuda		
Asia Offshore Drilling Pte. Ltd. ****	Associate	Singapore		

\* Nemo Subsea AS and Nemo Subsea IS are in the process of being voluntarily dissolved.

\*\* Mermaid Offshore Services Pty. Ltd. was subsequently deregistered on 31 October 2012.

\*\*\* Mermaid Training and Technical Services Ltd. was registered for dissolution on 28 September 2012 and the liquidation is in progress.

\*\*\*\* Asia Offshore Drilling Pte. Ltd. was deregistered on 10 February 2012.

### 11.1 Investments in subsidiaries

The movement of investments in subsidiaries during the year is as follows:

	Company	
	2012 Baht'000	2011 Baht'000
Opening balance	5,237,264	5,237,264
Additional investment in subsidiary	-	-
Disposal of investment in subsidiary	-	-
Ending balance	5,237,264	5,237,264
<u>Less</u> Allowance for impairment loss of investments in a subsidiary	(266,265)	(266,265)
Closing net book amount	4,970,999	4,970,999

## 11 Investments in subsidiaries and associates (Cont'd)

Investments in subsidiaries and associates comprise investments in the following companies:  
(Cont'd)

### 11.1 Investments in subsidiaries (Cont'd)

#### Seascope Surveys Pte. Ltd. and Seascope Surveys (Thailand) Ltd. (Cont'd)

On 10 July 2012, Mermaid Offshore Services Ltd. ("MOS"), a subsidiary, entered into a share purchase agreement with the shareholders of Seascope Surveys Pte. Ltd. ("SSPL") (the "SSPL Acquisition") and Seascope Surveys (Thailand) Ltd. ("SSTL") (the "SSTL Acquisition") for the purchase of the shares as follows:

- Purchase of 20 ordinary shares representing 20% of the issued and paid up capital of SSPL. The total purchase value was Baht 121.3 million (or USD 3.8 million);
- Purchase of 680,000 ordinary shares representing 20% of the issued and paid up capital of SSTL. The total purchase value was Baht 13.5 million (or USD 0.4 million);

Following completion of the SSPL Acquisition and the SSTL Acquisition (collectively, the "Share Acquisitions"), SSPL and SSTL have each become a wholly owned subsidiary of MOS.

The first payment of USD 1,806,000 was paid on 20 July 2012. The second and final payments will be paid within 30 days after release of the audited financial results of Seascope Surveys Group for the 2013 and 2014 financial years based upon a certain percentage of earnings before interest expenses, income taxes, depreciation, and amortisation. However, it has been agreed that the initial guaranteed minimum consideration shall not be below USD 2,500,000.

The effect of the additional proportion of investment in subsidiaries is as follows:

	<b>As at 10 July 2012 Baht'000</b>
Consideration transferred	57,084
Contingent consideration	76,030
Unrealised gains on exchange rates	1,697
Non-controlling interest acquired : net book value	(45,529)
Excess of consideration over the acquired net book value	<u>89,282</u>

Contingent consideration of Baht 76.0 million comprises potential payments due in the financial years 2013 and 2014 amounting to Baht 33.8 million and Baht 42.2 million, respectively. The excess of consideration over the acquired net book value is recognised as a item under other components of equity.

## 11 Investments in subsidiaries and associates (Cont'd)

### 11.2 Investments in associates

The movement of investments in associates during the years is as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Opening balance	1,862,041	-	1,903,814	-
Additional investments in associates	-	1,903,814	-	1,903,814
Share of losses of investments in associates	(9,663)	(41,773)	-	-
Ending balance	1,852,378	1,862,041	1,903,814	1,903,814

Details of associates are as follows:

Name	Country of incorporation	Assets Baht'000	Liabilities Baht'000	Revenues Baht'000	Profit (loss) Baht'000	% Interest held	Profit (loss) sharing Baht'000
Group of AOD companies <sup>(A)</sup>	Bermuda	5,332,274	178,733	-	(28,632)	33.75	(9,663)

<sup>(A)</sup> Group of AOD companies comprises three subsidiaries, which are Asia Offshore Rig 1 Limited, Asia Offshore Rig 2 Limited, and Asia Offshore Rig 3 Limited.

## 12 Property, plant, and equipment, net

12.1 Property, plant, and equipment, net, in the statements of financial positions comprise:

	Consolidated										Baht'000	
	Land	Buildings	Building improvement	Tools and equipment	Office equipment	Motor vehicles	Offshore support vessels, and tender rigs	Dry-docking	Motor launches	Construction in process		Total
<b>At 30 September 2011</b>												
Cost	35,136	189,114	27,254	2,298,920	75,580	26,892	11,760,630	532,378	2,208	22,612	14,970,724	
Less Accumulated depreciation	-	(70,945)	(20,043)	(766,676)	(54,002)	(15,245)	(2,393,622)	(387,851)	(992)	-	(3,709,376)	
Provision for impairment	-	-	-	(32,005)	-	-	(105,294)	(1,655)	-	-	(138,954)	
Net book amount	35,136	118,169	7,211	1,500,239	21,578	11,647	9,261,714	142,872	1,216	22,612	11,122,394	
<b>For the year that ended on 30 September 2012</b>												
Opening net book amount	35,136	118,169	7,211	1,500,239	21,578	11,647	9,261,714	142,872	1,216	22,612	11,122,394	
Additions	-	-	-	47,103	4,327	2,354	-	133,031	-	277,380	464,195	
Transferred in (out)	-	-	-	31,824	-	-	-	-	-	(31,824)	-	
Disposals	-	-	-	(2,870)	-	-	-	-	-	-	(2,870)	
Write-off	-	-	-	(3,129)	(79)	-	(52)	-	-	-	(3,260)	
Depreciation charge	-	(11,686)	(1,718)	(238,484)	(8,424)	(4,212)	(494,709)	(113,861)	(443)	-	(873,537)	
Translation adjustments	-	-	(170)	(396)	(140)	(98)	12,579	260	(7)	(21)	12,007	
Closing net book amount	35,136	106,483	5,323	1,334,287	17,262	9,691	8,779,532	162,302	766	268,147	10,718,929	
<b>At 30 September 2012</b>												
Cost	35,136	189,114	26,877	2,356,936	73,800	28,164	11,772,184	665,394	2,184	268,147	15,417,936	
Less Accumulated depreciation	-	(82,631)	(21,554)	(990,992)	(56,538)	(18,473)	(2,888,502)	(501,456)	(1,418)	-	(4,561,564)	
Provision for impairment	-	-	-	(31,657)	-	-	(104,150)	(1,636)	-	-	(137,443)	
Net book amount	35,136	106,483	5,323	1,334,287	17,262	9,691	8,779,532	162,302	766	268,147	10,718,929	

An impairment charge of Baht 134.8 million was made during the year 2011 as a result of management's determination that the carrying amount of one tender rig may not be recoverable. The recoverable amounts were determined at the level of drilling rig package and tender barge. The recoverable amounts represent the net selling prices determined with reference to market prices quoted by the independent appraisers.

**12 Property, plant, and equipment, net (Cont'd)**

12.1 Property, plant, and equipment, net, in the statements of financial positions comprise: (Cont'd)

	Company						Baht'000
	Land	Buildings	Building improvement	Tools and equipment	Office equipment	Motor vehicles	
<b>At 30 September 2011</b>							
Cost	35,136	189,115	18,683	534	47,309	4,035	294,812
Less Accumulated depreciation	-	(70,946)	(14,777)	(343)	(35,126)	(2,976)	(124,168)
Net book amount	35,136	118,169	3,906	191	12,183	1,059	170,644
<b>For the year that ended on 30 September 2012</b>							
Opening net book amount	35,136	118,169	3,906	191	12,183	1,059	170,644
Additions	-	-	-	-	2,090	-	2,090
Depreciation charge	-	(11,687)	(491)	(52)	(4,080)	(336)	(16,646)
Closing net book amount	35,136	106,482	3,415	139	10,193	723	156,088
<b>At 30 September 2012</b>							
Cost	35,136	189,115	18,683	534	49,399	4,035	296,902
Less Accumulated depreciation	-	(82,633)	(15,268)	(395)	(39,206)	(3,312)	(140,814)
Net book amount	35,136	106,482	3,415	139	10,193	723	156,088

## 12 Property, plant, and equipment, net (Cont'd)

12.1 Property, plant, and equipment, net, in the statements of financial positions comprise: (Cont'd)

As at 30 September 2012, there are land and buildings, two support vessels, and a tender rig that are mortgaged with various banks as collateral for their overdrafts, loans, and facilities. These assets are mortgaged at a total value of Baht 1,359.5 million and USD 110 million (30 September 2011: Baht 1,583 million and USD 117.6 million in respect of land and building, three remotely operated vehicles, two support vessels, and a tender rig).

12.2 The depreciation charges for the years that ended on 30 September are as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Depreciation charged to				
- Cost of services	847,444	979,203	-	-
- Administrative expenses	26,093	27,837	16,646	17,732
	873,537	1,007,040	16,646	17,732

During the year that ended on 30 September 2012, the Group reviewed the estimated useful lives of vessels and revised the estimated useful lives of certain vessel components from 5-20 years to 5-30 years to be in line with the current use of assets. The effect from the change was reflected prospectively commencing this financial year. The depreciation based on previous and new accounting estimates can be summarised as follows:

	Consolidated	
	Previous accounting estimate Baht'000	New accounting estimate Baht'000
Depreciation charged for the year that ended on 30 September 2012	981,391	873,537

## 13 Intangible assets, net

	Consolidated Baht'000	Company Baht'000
<b>Computer software</b>		
<b>At 30 September 2011</b>		
Cost	69,194	26,266
<u>Less</u> Accumulated amortisation	(52,988)	(25,010)
Net book amount	16,206	1,256
<b>For the year that ended on 30 September 2012</b>		
Opening net book amount	16,206	1,256
Additions	6,933	581
Disposals	(1,148)	-
Amortisation charge	(8,947)	(590)
Translation adjustments	(13)	-
Closing net book amount	13,031	1,247
<b>At 30 September 2012</b>		
Cost	74,123	26,847
<u>Less</u> Accumulated amortisation	(61,092)	(25,600)
Net book amount	13,031	1,247

## 14 Deferred tax assets, net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority. Details of deferred tax assets and liabilities are as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Deferred tax assets	135,002	142,026	-	-
Deferred tax liabilities	(49,308)	(42,589)	-	-
Deferred tax assets, net	85,694	99,437	-	-

## 14 Deferred tax assets, net (Cont'd)

The net movement on the deferred income tax account is as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Opening net book amount	99,437	113,240	-	-
Statement of comprehensive income (charged)/credited (Note 22)	(15,750)	(13,803)	-	-
Adjustment in respect of prior year	1,913	-	-	-
Translation difference	94	-	-	-
Closing net book amount	85,694	99,437	-	-

The movement in deferred income tax assets and liabilities during the year is as follows:

	Employee benefit obligations Baht'000	Tax loss carry- forward Baht'000	Depreciation Baht'000	Allowance for doubtful Baht'000	Total Baht'000
At 30 September 2010	17,768	103,921	7,056	-	128,745
(Charged)/credited to 2011 consolidated statement of comprehensive income	88	-	2,361	10,832	13,281
At 30 September 2011	17,856	103,921	9,417	10,832	142,026
(Charged)/credited to 2012 consolidated statement of comprehensive income	(13,786)	22,296	(6,376)	(10,832)	(8,698)
Adjustment in respect of prior year	1,913	-	-	-	1,913
Translation difference	(239)	-	-	-	(239)
At 30 September 2012	5,744	126,217	3,041	-	135,002

## 14 Deferred tax assets, net (Cont'd)

<b>Deferred tax liabilities</b>	<b>Depreciation Baht'000</b>	<b>Total Baht'000</b>
At 30 September 2010	(15,505)	(15,505)
Charged/(credited) to 2011 consolidated statement of comprehensive income	(27,084)	(27,084)
At 30 September 2011	(42,589)	(42,589)
Charged/(credited) to 2012 consolidated statement of comprehensive income	(7,052)	(7,052)
Translation difference	333	333
At 30 September 2012	<u>(49,308)</u>	<u>(49,308)</u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through future taxable profits is probable.

The Company and certain subsidiaries did not recognise deferred income tax assets of Baht 171.4 million (2011: Baht 296.0 million) in respect of tax loss carry-forwards amounting to Baht 856.8 million (2011: Baht 986.5 million), as management's view is that insufficient taxable income will be available for offset in the foreseeable future. These tax losses will expire over the next few years.

## 15 Other non-current assets

	<b>Consolidated</b>		<b>Company</b>	
	<b>2012 Baht'000</b>	<b>2011 Baht'000</b>	<b>2012 Baht'000</b>	<b>2011 Baht'000</b>
Other deposits	6,359	22,739	569	864
Total other non-current assets	<u>6,359</u>	<u>22,739</u>	<u>569</u>	<u>864</u>

## 16 Long-term loans from financial institutions

Long-term loans from financial institutions comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2012 Baht'000</b>	<b>2011 Baht'000</b>	<b>2012 Baht'000</b>	<b>2011 Baht'000</b>
Current portion of long-term loans	209,209	556,747	-	-
Long-term portion of loans	3,866,496	3,409,963	-	-
Total loans from financial institutions	<u>4,075,705</u>	<u>3,966,710</u>	<u>-</u>	<u>-</u>

## 16 Long-term loans from financial institutions (Cont'd)

As at 30 September 2012 and 2011, maturity of long-term loans from financial institutions is as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Less than 1 year	209,209	556,747	-	-
1 - 5 years	1,261,447	1,543,165	-	-
Over 5 years	2,605,049	1,866,798	-	-
	4,075,705	3,966,710	-	-

The movement of long-term loans from financial institutions is summarised as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Beginning balance	3,966,710	4,320,415	-	36,000
Additions during year	1,405,751	1,973,502	-	-
Repayments during year	(1,247,647)	(2,431,869)	-	(36,000)
Realised gains on exchange rates	(5,491)	(16,390)	-	-
Unrealised (gains) losses on exchange rates	(41,781)	87,110	-	-
Translation adjustments	(1,837)	33,942	-	-
Ending balance	4,075,705	3,966,710	-	-

The carrying amounts of long-term loans from financial institutions are denominated in the following currencies:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Currencies:				
US Dollars	4,075,705	3,312,784	-	-
Thai Baht	-	653,926	-	-
	4,075,705	3,966,710	-	-

## 16 Long-term loans from financial institutions (Cont'd)

Long-term loans from financial institutions comprise:

Loans for the purchase of support vessels and equipment are granted by commercial banks and are denominated in Thai Baht and US Dollars, having a total outstanding balance of USD 126.1 million as at 30 September 2012 (30 September 2011: Baht 653.9 million and USD 97.6 million) with repayment terms within 8 to 10 years. As at 30 September 2012, interest rates on the Thai Baht loans and US Dollar loans are as follows:

- No loan balance in Baht (30 September 2011: Baht 653.9 million): three-month fixed deposit rates plus a certain margin;
- The loan balance of USD 126.1 million (30 September 2011: USD 97.6 million): USD-LIBOR plus a certain margin.

These loans are currently secured by mortgages of support vessels as mentioned in Note 12.1 and are guaranteed by the Company.

Loan for the purchase of a tender rig is granted by a local commercial bank and is denominated in US Dollars with a total outstanding balance of USD 5.49 million as at 30 September 2012 (30 September 2011: USD 8.25 million) with repayment terms within 9 years. This loan bears interest at the rate of USD-LIBOR plus a certain margin, is secured by mortgage of a tender rig as mentioned in Note 12.1, and guaranteed by the Company and a subsidiary.

According to a condition of the loan agreements for all asset acquisitions, the Company and its subsidiaries are not allowed to create any encumbrance on the assets which are used as collateral, except for encumbrances created with the prior consent of the banks and permitted liens. The Company and its subsidiaries must comply with other conditions and restrictions stated in the term loan agreements.

### Borrowing facilities

The Group and the Company have the following undrawn committed long-term borrowing facilities:

	30 September 2012	
	Consolidated	Company
	USD Million	USD Million
<b>Floating interest rate</b>		
- expiring within one year	-	-
	30 September 2011	
	Consolidated	Company
	USD Million	USD Million
<b>Floating interest rate</b>		
- expiring within one year	45	-

## 17 Employee benefit obligations

Employee benefit obligations comprise:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Current portion of employee benefit obligations	-	61,031	-	-
Long-term portion of employee benefit obligations	30,669	22,703	4,249	2,908
Total employee benefit obligations	30,669	83,734	4,249	2,908

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
<b>Statement of financial position obligations for:</b>				
Retirement benefits	30,669	22,703	4,249	2,908
Retention incentives	-	61,031	-	-
	30,669	83,734	4,249	2,908

*(a) Retirement benefits*

The amounts recognised in the statement of financial position are determined as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Present value of obligations	30,669	22,703	4,249	2,908
Unrecognised actuarial gains	-	-	-	-
Liability in the statements of financial positions	30,669	22,703	4,249	2,908

The movement in the retirement benefit obligations during the years is as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Beginning of the year	22,703	17,748	2,908	3,869
Current service costs	18,818	7,533	1,401	1,348
Interest costs	446	319	104	58
Actuarial gains	-	(2,076)	(164)	(2,367)
Unrealised (gains) losses on exchange rate	(886)	242	-	-
Benefits paid	(10,412)	(1,063)	-	-
End of the year	30,669	22,703	4,249	2,908

## 17 Employee benefit obligations (Cont'd)

## (a) Retirement benefits (Cont'd)

The amounts recognised in the statement of comprehensive income are as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Current service costs	18,818	7,533	1,401	1,348
Interest costs	446	319	104	58
Amortisation of actuarial gains	-	(2,076)	(164)	(2,367)
Unrealised (gains) losses on exchange rate	(886)	242	-	-
<b>Total, included in staff costs</b>	<b>18,378</b>	<b>6,018</b>	<b>1,341</b>	<b>(961)</b>

These amounts are included in cost of services and administrative expenses.

The principal actuarial assumptions used are as follows:

	Consolidated		Company	
	2012	2011	2012	2011
Discount rate	3.90%	3.90%	3.90%	3.90%
Future salary increase rate	6.00%	6.00%	6.00%	6.00%
Mortality rate	0.08% - 1.03%	0.08% - 1.03%	0.08% - 1.03%	0.08% - 1.03%
Resignation rate	0.00% - 20.00%	0.00% - 20.00%	0.00% - 20.00%	0.00% - 20.00%

## 17 Employee benefit obligations (Cont'd)

*(b) Retention incentives*

The amounts recognised in the statement of financial position are determined as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Obligations	-	61,031	-	-

The movement in the retention incentive obligations during the year is as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Beginning of the year	61,031	76,083	-	-
Current service costs (reverse)	(14,458)	49,753	-	-
Paid during the year	(45,919)	(66,354)	-	-
Realised gains on exchange rates	(654)	(251)	-	-
Unrealised losses on exchange rates	-	1,800	-	-
End of the year	-	61,031	-	-

The amounts recognised in the statements of comprehensive income are as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Current service costs (reverse)	(14,458)	49,753	-	-

These amounts are included in cost of services.

## 18 Share capital and premium on share capital

Share capital, issued and paid-up, comprises:

	Par value Baht	Number of registered ordinary shares Shares'000	Issued and paid-up ordinary shares Shares'000	Share premium Baht'000	Total Baht'000
As at 30 September 2010	1	790,607	784,748	9,818,420	10,603,168
Issued shares	1	4,000	-	-	-
Decrease in number of shares registered	1	(3,393)	-	-	-
As at 30 September 2011	1	791,214	784,748	9,818,420	10,603,168
Issued shares	1	-	-	-	-
Decrease in number of shares registered	1	-	-	-	-
As at 30 September 2012	1	791,214	784,748	9,818,420	10,603,168

As at 30 September 2012 and 2011, all issued shares are fully paid.

## 19 Legal reserves

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
At 1 October	78,475	39,717	78,475	39,717
Allocation during the year	-	38,758	-	38,758
At 30 September	78,475	78,475	78,475	78,475

Under the Public Limited Company Act, B.E. 2535, the Company is required to set aside as legal reserve at least 5% of its annual net profit after accumulated deficit brought forward (if any) until the reserve is not less than 10% of the registered capital. The legal reserve is non-distributable.

## 20 Expenses by nature

The following expenditures items, classified by nature, have been charged in arriving at operating profits (losses).

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Crew, staff, and subcontractor costs	2,383,039	2,534,713	93,297	56,817
Vessel expenses and repair and maintenance expenses	1,022,703	974,535	-	-
Charter hire and equipment rental	295,690	263,320	-	-
Recharge expenses related to services provided	230,029	249,964	-	-
Mobilisation/demobilisation expense	159,137	136,563	-	-
Depreciation	873,537	1,007,040	16,646	17,732
Amortisation of intangible assets	8,947	9,132	590	859
Office and office equipment rental	10,502	10,763	3,300	3,504
Yard supervision fees	1,307	52,904	1,307	52,904
Management and support fees	11,792	16,165	11,792	16,165
Consulting fees	14,300	32,617	2,870	16,092
Others	287,938	219,880	44,301	32,871
Total cost of services and administrative expenses	5,298,921	5,507,596	174,103	196,944

## 21 Finance costs

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Bank borrowings	127,845	86,114	-	1,235
Losses from interest rate swap contracts	153,536	111,996	-	-
Amortisation of front-end fees	3,357	30,614	-	-
Finance lease	159	192	-	-
Total finance costs	284,897	228,916	-	1,235

## 22 Income tax expenses

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Current taxes	102,566	62,568	2,960	-
Deferred taxes (Note 14)	15,750	13,803	-	-
Total income tax expenses	118,316	76,371	2,960	-

The tax on the Group's profit before taxes differs from the theoretical amount that would arise using the weighted average effective tax rate to profits of the consolidated entities as follows:

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Profits (losses) before income taxes - accounting	204,338	(84,982)	(275)	1,632,823
Tax at the domestic rate of 30%	61,301	(25,495)	(83)	489,847
Adjustments:				
Income not subject to tax and additional taxable expenses	(152,458)	(158,425)	-	(420,162)
Expenses not deductible for tax purposes	92,567	80,167	5,624	7,834
Utilisation of previously unrecognised tax losses	(10,122)	(80,773)	(5,541)	(77,519)
Tax losses for which no deferred income tax assets were recognised	33,147	135,265	-	-
Tax losses which could not be utilised	-	49,551	-	-
Withholding tax not recoverable, written off	12,949	-	2,960	-
Tax charges from domestic operations	37,384	290	2,960	-
Tax charges from overseas operations	65,182	62,278	-	-
Total tax charges	102,566	62,568	2,960	-
Tax charges	102,566	62,568	2,960	-
The effect from change of deferred tax assets	(11,284)	13,803	-	-
Re-measurement of deferred tax - change in tax rate*	27,034	-	-	-
	118,316	76,371	2,960	-
The average effective tax rate	57.90%	89.87%	1,076.02%	-

\* The domestic corporate income tax rate will be reduced to 23% for the accounting period beginning on or after 1 January 2012 and to 20% for accounting periods beginning on or after 1 January 2013 onwards.

The average effective tax rate is calculated including taxes due from overseas operations.

## 23 Earnings (losses) per share

Basic earnings (losses) per share are calculated by dividing the net profits (losses) attributable to the ordinary shareholders of the Company by the weighted average number of paid-up ordinary shares outstanding during the year.

For the purpose of calculating diluted earnings (losses) per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has an Employee Share Option Plan in issue.

A calculation is done to determine the potential number of shares that could have been acquired at market price (determined as the average share price of the Company's shares during the year) based on the outstanding Employee Share Option Plan to determine the number of potential ordinary shares that would have been additionally issued. The potential shares are added to the ordinary shares outstanding but no adjustment is made to net profit.

For the calculation of the diluted earnings (losses) per share, the weighted average number of shares, assuming conversion of all dilutive potential ordinary shares as at 30 September 2012, is 784,988,020 shares (as at 30 September 2011: 785,004,852 shares).

	Consolidated		Company	
	2012	2011	2012	2011
Weighted average number of ordinary shares (Shares'000)	784,748	784,748	784,748	784,748
<b>Effect of dilutive potential ordinary shares</b>				
Employee Shares Option Plan (Shares'000)	240	257	240	257
Weighted average number of ordinary shares for diluted earnings (losses) (Shares'000)	784,988	785,005	784,988	785,005
Net profits (losses) for the year attributable to ordinary shareholders (Baht'000)	71,487	(167,347)	(3,235)	1,632,823
Basic and diluted earnings (losses) per share (Baht)	0.09	(0.21)	(0.00)	2.08

## 24 Financial instruments

The principal financial risks faced by the Group are exchange rate risk, interest rate risk, and credit risk. Exchange rate risk arises from loans and operation denominated in foreign currencies. Interest rate risk arises from borrowing loans at floating interest rates to finance its investments and operations. Credit risk arises when services are made on deferred credit terms.

### (a) Exchange rate and interest rate risks

The exchange rate risk is the principal risk faced by the Group as certain purchases and services are entered in foreign currencies and also interest rate risk, which is the risk that future movements in market interest rates will affect the results of the Group's operations and its cash flows. The Group manages these risks as follows:

## 24 Financial instruments (Cont'd)

**Cross currency and interest rate swap contracts**

On 29 December 2008, Mermaid Offshore Services Ltd. entered into a cross currency and interest rate swap contract with a local commercial bank for a long-term loan in Thai Baht currency of Baht 328.7 million. The loan had a notional amount of USD 10 million with a maturity date of 31 August 2012. On 26 September 2011, the loan was fully paid and this cross currency and interest rate swap contract was terminated. The gain from this termination has been recognised in the statement of comprehensive income of 2011 amounting to Baht 9.9 million.

On 6 February 2009, Mermaid Offshore Services Ltd. entered into another cross currency and interest rate swap contract with a local commercial bank for a long-term loan facility in Thai Baht currency of Baht 786.2 million. The loan has a notional amount of USD 22.5 million and a maturity date of December 2016. On 26 September 2011, the cross currency and interest rate swap contract was early terminated. The gain from this termination has been recognised in the statement of comprehensive income of 2011 amounting to Baht 72.1 million. Mermaid Offshore Services Ltd. subsequently entered into a new cross currency and interest rate swap contract, which was modified for business day convention. On 10 February 2012, the remaining loan was fully paid and this cross currency and interest rate swap contract was terminated. The gain from this termination has been recognised in the statement of comprehensive income of 2012 amounting to Baht 6.4 million.

On 29 December 2009, Nemo Subsea AS, a subsidiary of Mermaid Offshore Services Ltd. entered into the interest rate swap contract with a commercial bank for a long-term loan facility in US Dollar currency of USD 45.9 million with a maturity date of September 2012 and September 2017. On 28 September 2012, the interest rate swap contract with the maturity date of September 2017 was terminated. The loss from this termination has been recognised in the statement of comprehensive income of 2012 amounting to Baht 99.9 million.

**Net fair values**

The net fair values of the cross currency and interest rate swap contracts at the statements of financial positions date are as follows:

	Consolidated		Company	
	30 September 2012 Baht'000	30 September 2011 Baht'000	30 September 2012 Baht'000	30 September 2011 Baht'000
Favourable cross currency and interest rate swap contracts	-	12,972	-	-

	Consolidated		Company	
	30 September 2012 USD'000	30 September 2011 USD'000	30 September 2012 USD'000	30 September 2011 USD'000
Unfavourable interest rate swap contracts	-	4,212	-	-

The mark to market evaluation of cross currency and interest rate swap contracts has been calculated using rates quoted by the counterparty to the contract as if the contracts were terminated at the statements of financial positions date.

**24 Financial instruments (Cont'd)***(b) Credit risk*

Management is of the opinion that credit risk is not significant. The Group has not entered into any derivative contracts relating to credit risk.

*(c) Fair value*

As at 30 September 2012 and 2011, financial assets carried on the consolidated statement of financial position include cash and cash equivalents, short-term investments, trade accounts receivable, and amounts due from related parties. Financial liabilities carried on the consolidated statements of financial positions include loans from financial institutions, trade accounts payable, amounts due to related parties, other current liabilities, and finance lease liabilities.

The carrying amounts of the financial assets and financial liabilities equal approximately their fair value. In addition, management is of the opinion that there are no significant fair value risks.

**25 Promotional privileges**

As at 30 September 2012, the Company and four subsidiaries received promotional privileges from the Board of Investment ("BOI") under a number of different categories, including services of submerged structure inspection, service of underwater equipment, service of inspection of marine pollution, drilling services, trade and investment service office. The main privileges include exemption from payment of import duty on machinery and exemption from corporate income tax for the promoted activities for a period of 8 years from the date when income is first derived, or when approval is given by the BOI.

To be entitled to the privileges, the subsidiaries must comply with the conditions and restrictions provided in the promotional certificates.

## 26 Guarantees

As at 30 September 2012 and 2011, the Group and the Company have outstanding guarantees as follows:

	Consolidated					
	30 September 2012			30 September 2011		
	Baht'000	USD'000	AED'000	Baht'000	USD'000	AED'000
Letters of guarantee issued by banks in the normal course of business	27,590	1,920	50	15,600	689	-
Guarantee for long-term loans of subsidiaries to financial institutions	-	131,617	-	653,926	104,425	-

	Company			
	30 September 2012		30 September 2011	
	Baht'000	USD'000	Baht'000	USD'000
Letters of guarantee issued by banks in the normal course of business	400	-	400	-
Guarantee for long-term loans of subsidiaries to financial institutions	-	131,617	653,926	104,425

## 27 Commitments

### (a) Capital commitments

	Consolidated		Company	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	Baht'000	Baht'000	Baht'000	Baht'000
Rig dry docking contracts - US Dollar	27,960	-	-	-

### (b) Operating lease commitments - company as lessee

The future aggregate minimum lease payments under operating lease of support vessel are as follows:

	Consolidated		Company	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	Baht'000	Baht'000	Baht'000	Baht'000
No later than 1 year	196,919	-	-	-
Over than 1 year but less than 2 years	81,465	-	-	-
	278,384	-	-	-

### (c) Other commitments

As at 30 September 2012, the Group has other commitments approximately Baht 63.2 million (2011: Baht 63.9 million).

## 28 Share-based payment

The Company had four share option schemes in operation during the financial year, all of which are equity-settled schemes:

- i) Employee share option plan 2008 (“ESOP 2008”) was approved by the Company’s shareholders on 11 July 2007. This scheme permits the grant of options in respect of ordinary shares to the Group’s executive directors. Options are normally exercisable every six months commencing from the third anniversary from the date of grant of the option and will expire on the fifth anniversary from the date of grant of the options, upon which the options shall expire automatically. No further options will be granted under this scheme.
- ii) Employee share option plan 2009 (“ESOP 2009”) was approved by the Company’s shareholders on 29 January 2009. This scheme permits the grant of options in respect of ordinary shares to the Group’s executive directors. Options are normally exercisable every six months commencing from the third anniversary from the date of grant of the option and will expire on the fifth anniversary from the date of grant of the options, upon which the options shall expire automatically. No further options will be granted under this scheme.
- iii) Employee share option plan 2010 (“ESOP 2010”) was approved by the Company’s shareholders on 28 January 2010. This scheme permits the grant of options in respect of ordinary shares to the Group’s executive directors and non-executive directors. Options are normally exercisable every six months commencing from the third anniversary from the date of grant of the option and will expire on the fifth anniversary from the date of grant of the options, upon which the options shall expire automatically. No further options will be granted under this scheme.
- iv) Employee share option plan 2011 (“ESOP 2011”) was approved by the Company’s shareholders on 25 January 2011. This scheme permits the grant of options in respect of ordinary shares to the Group’s executive directors and non-executive directors. Options are normally exercisable every six months commencing from the third anniversary from the date of grant of the option and will expire on the fifth anniversary from the date of grant of the options, upon which the options shall expire automatically. No further options will be granted under this scheme.

Share options are granted to the selected executive directors and non-executive directors. The exercise price of the granted options is equal to the average of the “Market Price”, being the price equal to the weighted average price for the shares on SGX-ST fifteen consecutive trading days immediately preceding the date of grant. Options are conditional on the employee completing three years’ service (the vesting period). The options are exercisable starting three years from the grant date. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

## 28 Share-based payment (Cont'd)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Consolidated		Company	
	Average exercise price SGD per share	Option Shares'000	Average exercise price SGD per share	Option Shares'000
At 1 October 2010	0.54	1,860	0.54	1,860
Granted	0.45	700	0.45	700
Forfeited	0.52	(229)	0.52	(229)
Exercised	-	-	-	-
Expired	-	-	-	-
At 30 September 2011	0.52	2,331	0.52	2,331
Granted	0.24	1,310	0.24	1,310
Forfeited	0.41	(1,109)	0.41	(1,109)
Exercised	-	-	-	-
Expired	-	-	-	-
At 30 September 2012	0.42	2,532	0.42	2,532

Out of the 2,531,800 outstanding options (2011: 2,331,100 options), 672,800 options (2011: nil) were exercisable. None of share options were exercised throughout the financial year. The average share price during the financial year ended 30 September 2012 was SGD 0.31 per share (2011: SGD 0.42 per share).

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Exercise price SGD per share	Consolidated		Exercise price SGD per share	Company	
		30 September 2012 Shares'000	30 September 2011 Shares'000		30 September 2012 Shares'000	30 September 2011 Shares'000
Expired date:						
20 November 2013	0.30	673	925	0.30	673	925
16 November 2014	0.81	599	826	0.81	599	826
1 December 2015	0.45	370	580	0.45	370	580
15 December 2016	0.24	890	-	0.24	890	-
		2,532	2,331		2,532	2,331

## 28 Share-based payment (Cont'd)

The weighted average fair value of options granted during the period using the Binomial Lattice valuation model was SGD 0.09 per option. The significant inputs into the model were a weighted average share price of SGD 0.23 at the grant date, exercise price shown above, volatility of 45%, dividend yield of 0%, an expected option life of 3.85 years, and an annual risk-free interest rate of 3.015% - 3.081%.

On 15 December 2011, 1,310,000 share options were granted to the Group's executive directors and non-executive directors with an exercise price set at the market price on that date of SGD 0.24 per share (share price: SGD 0.23 per share) (expiry date: 15 December 2016). With the effective of TFRS 2 "Share-based Payment" as reference in Note 2.2 and 2.4.18, grant to on or after 1 October 2011 will be accounted for. Given that this option has a vesting period of 3 years, the accounting expense with respect to the plan may be amortised using the straight-line method across 3 years. The projected accounting expense calculated by an actuary which is recognised as a component of equity in the statement of changes in shareholders' equity for the year ended 30 September 2012 amounts Baht 0.37 million.

## 29 Related party transactions

As at 30 September 2012, the Group is controlled by Thoresen Thai Agencies Public Company Limited, which owns 57.14% of the Company's shares (30 September 2011: 57.14%).

Significant related party transactions are as follows:

### 29.1 Transactions with related parties

Significant related party transactions between the Company and its subsidiaries, associates, and other related parties, which mean the group companies of Thoresen Thai Agencies Public Company Limited, are as follows:

	For the year that ended on 30 September			
	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
<b>Revenues</b>				
<u>Management fee income</u>				
Subsidiaries	-	-	70,380	90,773
Associates	-	147,601	-	147,601
	-	147,601	70,380	238,374
<u>Dividend income</u>				
Subsidiary	-	-	-	1,400,540

The Board of Directors Meeting of Mermaid Offshore Services Ltd., a subsidiary, held on 27 December 2010 approved to pay interim dividends in respect of the accumulated retained earnings from BOI activities of Baht 4.78 per share amounting to Baht 1,400.5 million. The dividend was paid to the shareholders on 27 September 2011.

## 29 Related party transactions (Cont'd)

## 29.1 Transactions with related parties (Cont'd)

	For the year that ended on 30 September			
	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
<u>Interest income</u>				
Subsidiaries	-	-	126,644	88,982
<u>Rental income</u>				
Subsidiaries	-	-	6,712	6,748
<u>Other income - Compensation for agreement termination</u>				
Associate	-	76,986	-	76,986

AOD, an associate, compensated the Company for termination of the technical and commercial management agreements.

	For the year that ended on 30 September			
	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
<b>Expenses</b>				
<u>Other administrative expenses</u>				
Other related party - same common control	18,426	12,728	11,976	12,715

The Group's policies in respect of significant related party transactions are set out below:

- The interest income rates charged are not less than the fixed deposit rate.
- Management fee income is charged based on actual cost plus margin.
- Rental income is transacted at contract prices.
- Cost of services is transacted at prices normally charged to a third party.
- Other administrative expenses are paid to a related party for IT and Management Agreements and transacted at contract prices.

## 29 Related party transactions (Cont'd)

## 29.2 Accounts receivable and payable - related parties

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
<u>Amounts due from related parties</u>				
Subsidiaries	-	-	514,200	412,021
<u>Trade accounts payable</u>				
Other related parties - same common control (included in Trade accounts payable)	638	16	-	-
<u>Amounts due to related parties</u>				
Subsidiaries	-	-	1,129,588	1,128,996
Other related parties - same common control	24,892	12,530	24,892	12,530
	24,892	12,530	1,154,480	1,141,526

## 29.3 Short-term loans to related parties

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Subsidiaries				
- Baht	-	-	670,000	676,540
- US Dollar	-	-	3,951,503	4,256,569
	-	-	4,621,503	4,933,109

All short-term loans to related parties are unsecured and have repayment terms at call.

## 29 Related party transactions (Cont'd)

### 29.4 Directors' and management's remuneration

Directors' and management's remuneration comprises salaries, share-based payments, retirement benefits, and other benefits.

	Consolidated		Company	
	2012 Baht'000	2011 Baht'000	2012 Baht'000	2011 Baht'000
Salaries and other short-term employee benefits	45,248	30,000	19,069	24,642
Share-based payments	25	-	12	-
Retirement benefits	35	158	35	158
	<u>45,308</u>	<u>30,158</u>	<u>19,116</u>	<u>24,800</u>

## 30 Subsequent events

### 30.1 New associated company set up in Saudi Arabia

On 1 October 2012, the Company subscribed 800 shares, equivalent to 40.0% of the total shares in Zamil Mermaid Offshore Services Co. (LLC), a new associated company, for total consideration of Baht 6.61 million (or Saudi Riyal 0.8 million). On 25 October 2012, Zamil Mermaid Offshore Services Co. (LLC) signed a significant long-term (five years plus a two-year option) offshore inspection, repair, and maintenance services contract, whereby the Group will provide one dive support vessel and various diving services and the Company's partner will provide other four offshore support vessels and logistics.

### 30.2 Asia Offshore Drilling launch of mandatory offer

As of 6 November 2012, Seadrill Limited ("Seadrill") acquired 65.94% of Asia Offshore Drilling Ltd. ("AOD"), which is listed on the Oslo Stock Exchange. Under Oslo Stock Exchange rules, Seadrill is required to launch an unconditional mandatory offer for all issued and outstanding shares of AOD at a price of NOK 28.71 per share (the "Mandatory Offer"). The Mandatory Offer period started on 12 November 2012 and runs until 16:30 hours (CET) of 10 December 2012, and may be extended up to another two weeks. The Company is considering this offer.

### 30.3 Dividend payment proposing

At the Board of Directors Meeting held on 26 November 2012, the Board approved to recommend an annual dividend payment equal to 25% of the net profits for the year that ended 30 September 2012. Total dividends will be approximately of Baht 21.5 million, or Baht 0.0274 per share. This dividend shall be proposed to the Annual General Meeting of Shareholders in January 2013 for their consideration and approval.

# Company Profile

Name of Company	Mermaid Maritime Public Company Limited
Place of Incorporation	Kingdom of Thailand
Registration No.	0107550000017
In Business Since	1983
Date of Conversion to Public Company	15 January 2007
Date of Listing	16 October 2007
Place of Listing	Singapore Stock Exchange
Company Secretary	Dr. Vincent Siaw
Corporate Head Office	26/28-29 Orakarn Building, 9 <sup>th</sup> Floor, Soi Chidlom, Ploenchit Road, Kwaeng Lumpinee, Khet Pathumwan, Bangkok 10330 Thailand
Telephone	+66 2255 3115 (local dial 0 2255 3115) +66 2255 3116 (local dial 0 2255 3116)
Facsimile	+66 2255 1079 (local dial 0 2255 1079)
Type of Business	Offshore Drilling Services Subsea Engineering Services
Registered Capital	Baht 791,213,843
Paid-up Capital	Baht 784,747,743
No. of Issued Shares	784,747,743 ordinary shares
Par Value/Share	Baht 1
Corporate Website:	<a href="http://www.mermaid-maritime.com">http://www.mermaid-maritime.com</a>
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