

ANNUAL REPORT


2013



MERMAID MARITIME
PUBLIC COMPANY LIMITED



CELEBRATING 30 YEARS
OF DEDICATED SERVICE



“... delivering a world class service
to the region within the region ...”

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Company Snapshot



Mermaid Maritime Plc.



30

years since Mermaid Maritime's establishment



5

regions which Mermaid operates



500

skilled workers, crews, technicians, service providers & management



BUSINESS

BUSINESS



10

subsea vessels



2

tender rigs



5+12

saturation and air diving systems



3

high-spec jack-ups *



17

remotely operated vehicles



*33.76% ownership through Asia Offshore Drilling Limited

Subsea inspection, repair and maintenance

Subsea infrastructure installation support

Subsea remotely operated vehicle support

Subsea emergency callout & salvage

Subsea cable laying

Accommodation rig services

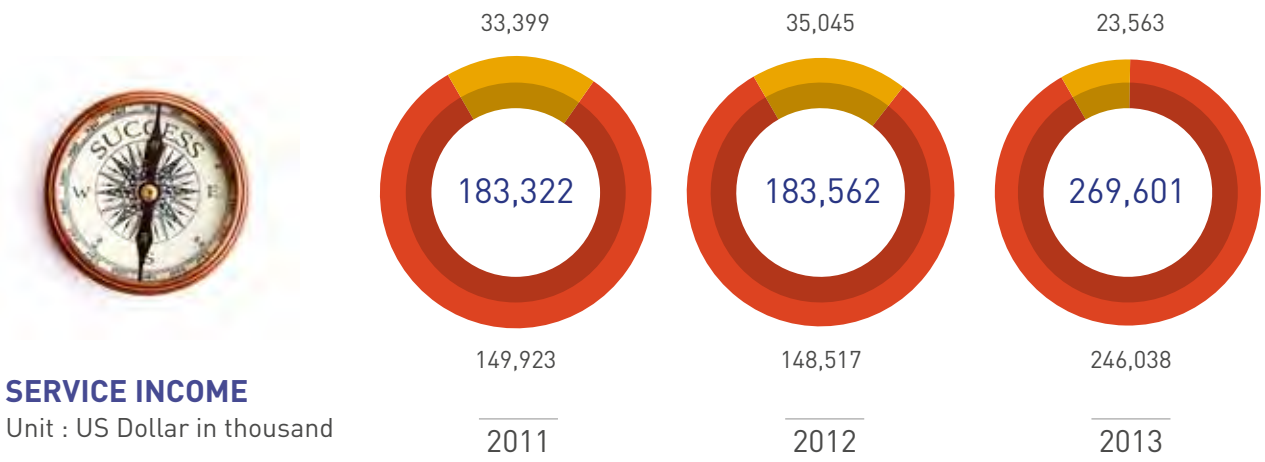
Offshore drilling and work over services

Financial Highlights

(Consolidated numbers)
Year Ended 30 September

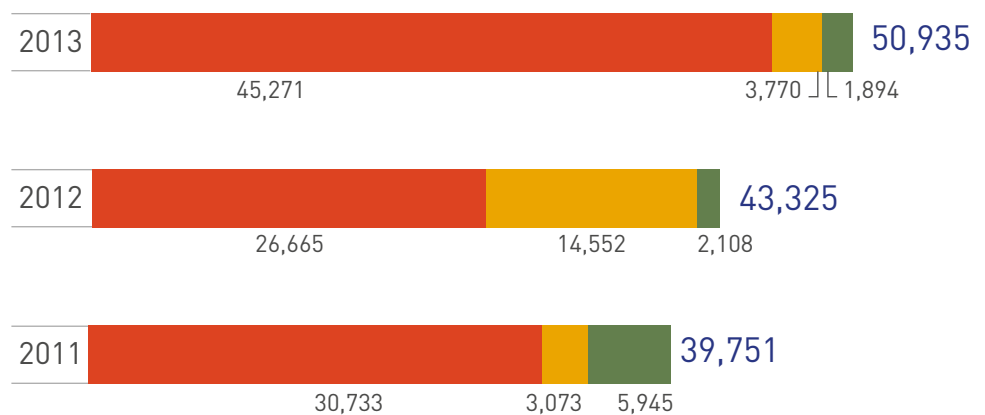
	2011	2012	2013
(US Dollar in thousand, except share, per share data and ratios)			
Service income	183,322	183,562	269,601
Earnings before finance costs, income taxes, depreciation and amortization	39,751	43,325	50,935
Net profits (losses)	(5,337)	4,013	15,429
Book value per share	13.78	13.78	11.38
Return on shareholders' equity (%)	(1.42)	1.07	3.46
Net profits (losses) margin (%)	(2.91)	2.19	5.72
Total debt to total capitalisation (Times)	0.25	0.26	0.21

- Holding
- Drilling services
- Subsea services



SERVICE INCOME

Unit : US Dollar in thousand



EBITDA

Unit : US Dollar in thousand

I BELIEVE IN MERMAID MARITIME

“NEW PLATFORM FOR GROWTH”

*Prayudh Mahagitsiri,
Honorary Adviser*



Message from The Chairman



Dear Shareholders,

It is my great pleasure to present to you our Annual Report 2013. This has been an exciting year in Mermaid's turnaround story with significant developments that have placed us on the foundations for stability and growth.

This year marks the celebration of Mermaid turning 30 years. Our story began in 1983 when a team of Danish mariners started Mermaid's business focusing on safety services. Today, we are a leading international specialist subsea and offshore drilling services company incorporated in Thailand and listed on the Singapore Stock Exchange

with operations bases in various locations in South East Asia and the Middle East. Our business model is centered on owning and operating a diversified portfolio of subsea vessels and drilling rigs providing a complete suite of turnkey services. Our quality customer base and significant contract backlog provides earnings visibility and our operational performance and proven track record has given us premium status amongst our peers.

During the financial year that ended 30 September 2013 ("2013"), our executive team has focused on pursuing corporate strategies focused

on growth, operational excellence and most importantly in delivering bottom line results throughout the organization. As a result, we have delivered a turnaround revenue and profit, firmly based on solid fundamentals that we have built up and a focus on the bottom line.

I am therefore pleased to report that Mermaid delivered net profits of US Dollar 15.4 million in 2013, representing a 284.5 percent increase compared to net profits of US Dollar 4.0 million in the previous financial year ("2012").

As a group, Mermaid served a large number of national and international oil and gas companies during the year, with an increasing number of contracts being awarded in the Middle East. Total service income in 2013 was US Dollar 269.6 million, an increase of US Dollar 86.0 million, or 46.9 percent, from the previous financial year, driven significantly by the subsea services division. Mermaid's gross profits increased 22.6 percent to US Dollar 50.7 million due to increased project services and better vessel and project cost management.

Management reviews performance using different metrics. On two key metrics, Mermaid improved significantly in 2013. Earnings before interest, taxes, depreciation, and amortisation ("EBITDA") rose 23.8 percent to US Dollar 53.6 million representing a 19.9 percent margin and earnings before interest and taxes ("EBIT") rose 63.8 percent to US Dollar 27.5 million representing a 10.2 percent margin.

The loan balance remained steady increasing to US Dollar 136.7 million in 2013 from US Dollar 130.7 million in 2012 and our debt to equity ratio is 0.26 which provides a healthy financial position and increased balance sheet flexibility.

Subsea Services

On the subsea services front, we are excited to have been awarded a landmark 5+2 year offshore inspection, repair and maintenance contract in Saudi Arabia – reputedly one of the largest subsea services contracts in the world. We also secured a suite of other subsea services contracts in Qatar, Indonesia, China and Thailand. To this end, we can say that we have delivered on our corporate strategy to focus on geographical expansion to growth

regions. We have also now re-entered the North Sea – the world's toughest and potentially most rewarding area in the oil and gas world. On the back of our geographical expansion also comes additional service capability. We have deployed our remotely operated vehicle ("ROV") fleet to regions that will maximize their utilization and also entered subsea cable lay services. We are pleased to have already secured a number of subsea cable lay services contracts in the Middle East which demonstrates customer confidence in our new service capabilities.

We have a dynamic fleet of subsea vessels comprising dive support vessels ("DSVs"), ROV support vessels ("RSVs"), construction barges and offshore utility vessels. The star of our fleet the DSV 'Mermaid Endurer' has earned her reputation offshore China and will now return to the North Sea to open up further opportunities for Mermaid. The DSV 'Mermaid Asiana' is expected to be in the Middle East for the long term

and the DSV 'Mermaid Commander' will be continuing to serve the Gulf of Thailand for its ninth consecutive year. Due to increase in demand for our services, we have also chartered-in additional vessels to the fleet. All our vessels are complemented by specialized equipment, ROVs, divers and project teams to provide a full "turnkey" service. As demand for our specialized subsea services remain strong, we will continue to explore opportunities to further add to our fleet and other specialized assets, where possible.

The subsea division generated revenues of US Dollar 246.0 million in 2013 compared to US Dollar 148.5 million in 2012. Operating profits increased to US Dollar 24.3 million in 2013 compared to US Dollar 6.2 million in 2012. Fleet utilization increased to 70.5 percent in 2013 compared to 68.6 percent in 2012 and operating margins also increased to 9.9 percent in 2013 compared to 4.2 percent in 2012.



Drilling Services

On the drilling services front, our accommodation barge 'MTR-1' successfully completed services in Indonesia and has been demobilized to Singapore. This barge has served the oil and gas industry well in South East Asia over the years and is now being marketed for additional work opportunities until her potential disposal in the near term. Our tender rig 'MTR-2' completed its 5-year special periodic survey and has returned to work on a two year drilling

periodic survey for 5.0 months in 2013 and only resuming drilling contract in May 2013. As a result, operating losses of US Dollar 2.4 million were incurred in 2013 compared to an operating profit of US Dollar 9.3 million in 2012. Utilization for 'MTR-1' and 'MTR-2' was 73.9 percent and 43.3 percent in 2013, respectively, compared to 38.4 percent and 90.9 percent in 2012, respectively.

As at 1 October 2013, our combined subsea and drilling order book, excluding earnings from associates such as AOD, stood at approximately US Dollar 650 million as we were able to win larger contracts from our customers. This is an endorsement of their trust in us and our services. The major contracts secured also represent a stream of stable revenue, profit and cash flow over the next few years, and is a clear and positive step towards the turnaround of Mermaid.



services contract in Indonesia. We are proud that she has received a safety milestone award from Chevron for four years of no loss time incidents—a remarkable achievement and a reflection of our safety first culture.

The offshore drilling division generated revenues of US Dollar 23.6 million in 2013 compared to US Dollar 35.0 million in 2012 primarily a result of 'MTR-1' completing its accommodation barge services contract in July 2013 and 'MTR-2' undergoing its special

This year also saw the successful delivery of three new build premium jack-up drilling rigs to AOD from Keppel FELS' shipyard in Singapore. All three rigs had secured 3+1 year drilling contracts in the Middle East and were mobilized to location and now on contract. I am pleased that we have also delivered on our corporate strategy to be part of the successful execution of this investment, which Mermaid continues to hold a strategic 33.76 percent stake in joint venture with Seadrill Ltd.

On the corporate front, to strengthen our balance sheet to fund our continued expansion, we undertook a rights issue and private placement which successfully raised SGD 175.8 million in gross proceeds to ensure that we have appropriate capital structure to finance our growth. The success in raising our target proceeds demonstrates the confidence that the capital markets have on the future prospects of Mermaid.



Mermaid also participated in final equity raising in AOD of US Dollar 33.8 million to support its delivery and launch to operations. We have implemented early adoption of functional currency reporting which allows our financial statements to now be presented in United States Dollars, thus improving readability to our international community of shareholders.

Board of Directors

Following the change in composition of the Board in 2012, we implemented a new Executive Committee (“Excom”) at the Board level in order to add checks and balances to our decision making processes in line with global best corporate governance practices. These changes have resulted in greater communication and oversight of management, stringent controls over decision making, and a renewed focus on creating shareholder value. The effects of the changes have already begun to materialize and one important fact that should not be overlooked is that we have maintained senior management stability in Mermaid. This fact underscores the willingness of our shareholders, the Board, and management to work together towards our stated objective of growing Mermaid and creating maximum value for shareholders as a result.

In 2013, to compliment the Board’s strength, we added Dr. Jean Paul Thevenin and Dr. Jan Skorupa onto the Board. We also saw the resignations of M.L. Chandchutha Chandratat and Mr. Surasak Khaoroptham and would like to thank both of them for their contributions as directors over the past few years.

Our Competitive Edge

Customer service remains our crucial differentiator. There are many reasons why our customers choose us. We have an excellent health, safety and environment track record which we are proud of. We also offer first tier service quality in a competitive price mix. We have capability and resources to handle large and small projects as required, and to this end provide a ‘one-stop-shop’ service point. We are supported by large pool of in-house experienced and dedicated personnel, strategic local partnerships

in various geographies, local talent development programs and local content compliance initiatives, and we are fully compliant with international standards on our vessels, rigs and equipment. We have worked hard to earn a track record of successful projects with reputable clients, to develop regionally based operations with long-term customer relationships, and have systems in place to allow dedicated customer support and quick response to emergency call outs and variation orders at all times and in all situations. As a result, we are pleased to receive continued repeat business from our customers.

Market Outlook

The “E&P Survey 2013” conducted by Pareto Securities cites continued positive oil market outlook that will tighten through 2018 with demand and supply dynamics creating the basis for stable oil prices. With oil prices stable at current levels, it makes economical sense for oil majors to continue to spend on exploration and production (“E&P”) activities.

Based on observation by Strategic Offshore Research Inc.’s 2013 edition of “The Global Subsea Market to 2016”, the continuation of E&P spending will contribute to sustained demand for subsea services for all classes of subsea vessels. The same outlook applies to drilling where Pareto Securities cited in the first mentioned report good visibility for newer drilling assets.

Hence as the cyclical upturn in the offshore services industry is expected to continue, we expect utilisation and day rates to be stable over the next twelve months with revenues and profits in the next current financial year to remain healthy.



Mermaid has been fortunate to be positioned to catch this rising tide. These developments are setting the stage for greater demand for offshore services, including subsea and drilling services. With our track record of stringent execution, technical expertise and a large fleet size of modern and comprehensive range of vessels, these are opportunities that Mermaid is well-positioned to capture.

The 2014 outlook for Mermaid will not only ride on the strong gains we have made in 2013, but will build further on them. AOD will alleviate the reliance upon 'MTR-1' and 'MTR-2' as the sole profit providers of the offshore drilling division. With the expected contributions from AOD's new build jack-up rigs and the execution of subsea contracts secured, both of Mermaid's subsea and drilling divisions are now expected to drive performance for Mermaid in 2014.

Word of Thanks

Reflecting back on the milestone developments in 2013, our achievements would not have been possible without the support of our various stakeholders. To our Board, I would like to thank you for your invaluable contribution and commitment. To our management and staff, the results we have achieved bears testimony to your hard work and dedication. Ultimately, it is our people who make the real difference in setting us apart from the competition. To our business partners and customers, we thank you for your faith and trust in us. We truly value our win-win relationship which we hope will endure in the long term.

I would like to conclude by expressing my heartfelt appreciation to our shareholders for your continued support all these years and for your continued confidence in us and particularly given the additional investments we plan to make to strengthen our asset and revenue base.

I am also pleased that many of our shareholders attended our Singapore Shareholders Forum held on 28 November 2013. We also announced a final dividend of US Dollar 0.0086 per share which, subject to approval at our upcoming Annual General Meeting in January 2014, is expected to be paid in February 2014.

As we focus towards a new chapter of our growth, the Board and management will remain committed to comply with corporate governance best practices across our businesses and delivery of bottom line results to shareholders.

The Board of Directors

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.

Mr. Prasert Bunsumpun *Non-Executive Chairman (Age 61)*

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., PTT Global Chemical Plc., and as a director of PTT Plc. Previously he served as Chairman of IRPC 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.



Mr. Chalermchai Mahagitsiri *Executive Vice Chairman (Age 35)*

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.



Mr. Chia Wan Huat Joseph *Executive Director (Age 54)*

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.



Mr. Ng Cher Yan
Independent Director (Age 54)



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).

Mr. Toh Wen Keong Joachim
Independent Director (Age 49)



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).

Dr. Jean Paul Thevenin
Non-Executive Director (Age 73)



Dr. Jean Paul Thevenin has a Ph.D. in Metallurgy from Orsay University in France and has produced many publications in the field of steel and the steel industry, where he developed his longstanding career. He was the former Managing Director and Chief Executive Officer of Thainox Stainless Public Company Limited, a stainless steel manufacturer in Thailand, which he was in charge of building and managing since 1991. He had also served for many years as President of the Franco – Thai Chamber of Commerce in Thailand and is a recipient of the National Order of Merit, a French decoration awarded in recognition of his distinguished civil achievements, as well as an honorary Ph.D. from King Mongkut Institute of Technology in Thailand.

Dr. Jan Skorupa
Independent Director (Age 66)



Dr. Jan Skorupa is currently a Managing Director and a major shareholder of Clesol Co., Ltd. (Clean Environment Solutions), a company involved with process and equipment of MAGUIN Group from France for bio-ethanol plants and conversion of biomass into energy. He is a former Managing Director of Fives Asia Office in Bangkok, an important French Engineering Group focusing on process and equipment for cement, steel, glass, sugar and energy industries. Prior to that, he had served as a Director of Milling and Combustion Department of ALSTOM Group in France where he was responsible for marketing and sales of milling and combustion equipment for power generation and mining industries. He obtained a Master Degree in Mining Engineering from Polytechnical University of Silesia in Poland and a Doctorate Degree (Ph.D.) at University of Cape Town in South Africa in 1989.

Executive Committee

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.



Mr. Prasert Bunsumpun
Non-Executive Chairman

Please see Board of Directors for a profile summary.



Mr. Chalermchai Mahagitsiri
Executive Vice Chairman

Please see Board of Directors for a profile summary.



Mr. Chia Wan Huat Joseph
Executive Director

Please see Board of Directors for a profile summary.



Dr. Jean Paul Thevenin
Non-Executive Director

Please see Board of Directors for a profile summary.

Key Executives

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.



Mr. Chalermchai Mahagitsiri

Interim Chief Executive Officer & Executive Vice Chairman

Please see Board of Directors for a profile summary.

Mr. Chia Wan Huat Joseph, *Executive Director*

Please see Board of Directors for a profile summary.



Mr. Paul Whiley

Executive Director, Mermaid Offshore Services

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.



Mr. Michael Van Ambrose*Managing Director, Mermaid Offshore Services*

Mr. Michael Van Ambrose joined Mermaid as Managing Director of Mermaid Offshore Services Ltd. in September 2012 and brought with him 42 years of experience in the industry. Mr. Ambrose began his career as a part of special operations group, U.S. Navy Seal Team 1 in 1965, and had been growing his career path in diving and saturation diving with numerous companies in various countries. After 30 years at sea working his way from Saturation diver to OCM he took his first shore based Management job with OPD in 1991. He World Wide Diving Manager with J. Ray McDermott, Underwater Services during 1995-1997, after the OPI acquisition and moved to Cal Dive International/HES as Project Manager in special projects group in 1997. Mr. Ambrose took up the Senior Vice President role and developed the Deepwater Projects Group with Helix Energy Solutions from 1999 to 2005. Later in year 2005, he rejoined Cal Dive International/Helix Energy Solutions and served as Senior Vice President, International Business Development, and Eastern Hemisphere Operations till 2010. He owned a consulting company in contract maritime consultancy during 2010 – 2012 prior to joining Mermaid.

**Mr. Peter Reichlmeier***Managing Director, PT Seascope Indonesia*

Mr. Peter Reichlmeier is current Managing Director of the Seascope Surveys group. An Engineering Surveyor by trade and moved into the offshore oil and Gas industry some 24 years ago. After 12 years working project based and mostly offshore as a survey party chief on subsea construction and survey projects moved onshore into Project Manager and the Operations Manager, this all with the Comex, Stolt Comex Seaway, Stolt Offshore. He has an original start up shareholder and owner of Seascope Surveys, which was started in 2005. He was continued to manage Seascope Surveys since Mermaid acquisition in 2008.

**Mr. Stephen Gregor Lenz***Executive Director, Mermaid Drilling*

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 Fleet

M.V. Mermaid Endurer
(Built 2010)



M.V. Mermaid Asiana
(Built 2010)

M.V. Mermaid Sapphire
(Built 2009)



Mermaid's Subsea Vessels

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 is flying the Panama flag.

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 is flying the Panama flag.

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 is flying the Panama flag.



M.V. Mermaid Commander
(Built 1987)

M.V. Mermaid Siam
(Convert 2002)



M.V. Mermaid Challenger
(Built 2008)



Mermaid's Subsea Vessels

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 is flying the Panama flag.

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 is flying the St. Vincent and the Grenadines flag.

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 is flying the Panama flag.

S.S. Barakuda
(Built 1982)



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

M.V. Resolution
(Built 2013)
(Chartered-In)



Mermaid's Subsea Vessels

The S.S. “**Barakuda**” (formerly M.V. “Mermaid Supporter”) 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 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 is flying the Indonesia flag.

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 Seeye Tiger Inspection Class ROV. The M.V. “**Endeavour**” is under Bureau Veritas/ BKI classification society, and is flying the Indonesia flag.

The M.V. “**Resolution**” is a DP2 ROV / Diving support vessel, under 3-year charter with 2 x 1 year options. Charter commenced 11 December 2013 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 20-tonne main crane, 3-tonne general purpose crane, 25-tonne A-frame and accommodation for 60 personnel. The Vessel is permanently fitted with a SMD Quasar Compact 100hp Work Class ROV and a Seeye Tiger Inspection Class ROV. The M.V. “**Resolution**” is under Bureau Veritas/ BKI classification society, and is flying the Indonesia flag.



MTR-1
(Built 1978)

MTR-2
(Built 1981)



AOD I / AOD II / AOD III

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

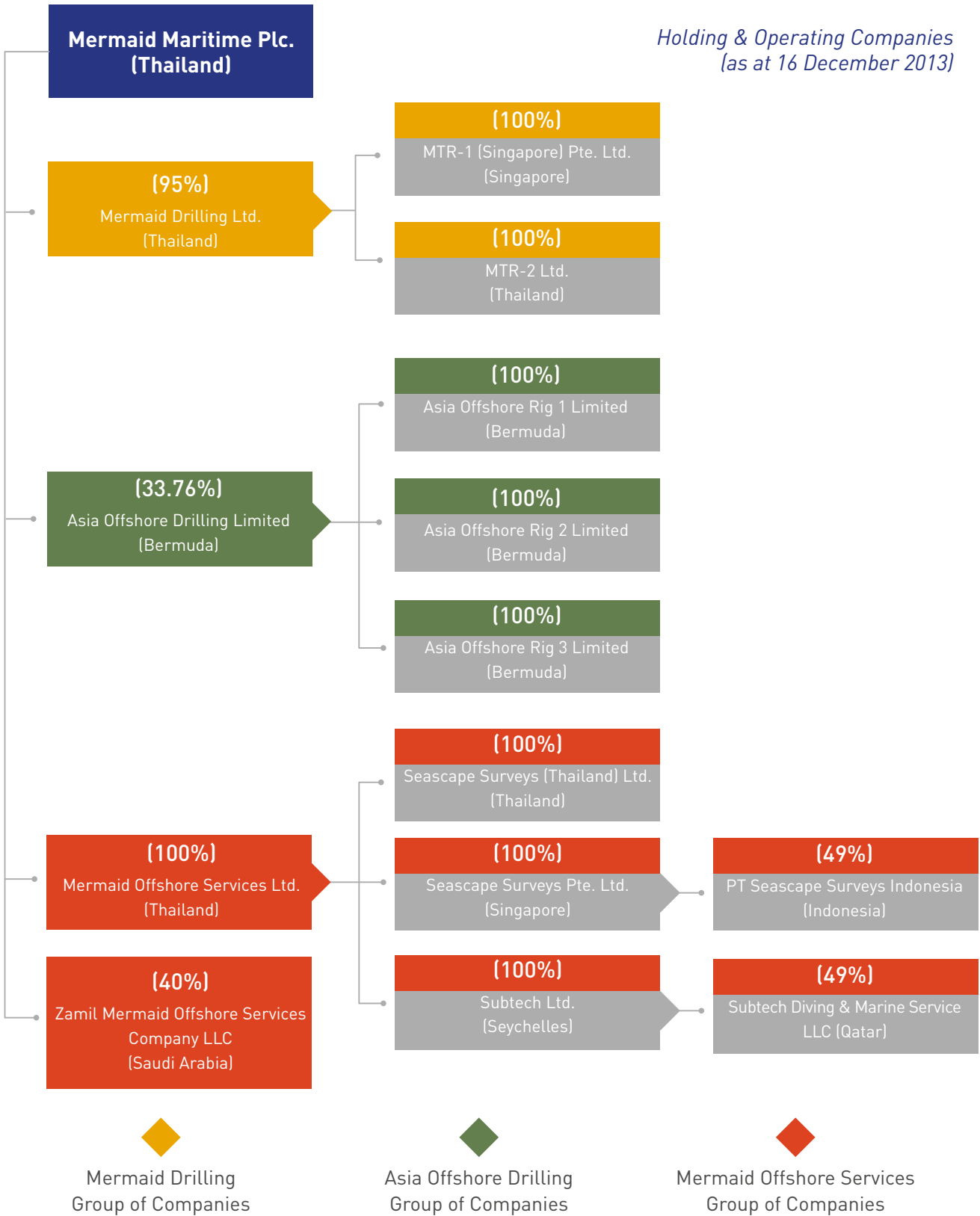
Rig Type	<i>Tender Assist Drilling Rig</i>
Year Built/Last Upgrade	<i>1981/1997/2007</i>
Classification Society	<i>Bureau Veritas</i>
Flag	<i>Thai</i>
Water Depth Rating (meters)	<i>100</i>
Drilling Depth Rating (meters)	<i>5,500</i>
Accommodation Quarters	<i>126 persons</i>

Mermaid's Jack-Up Rig Investments

AOD I / AOD II / AOD III

Rig Type	<i>Jack-Up Rig</i>
Design	<i>Keppel FELS Mod B Class</i>
Year Built/Last Upgrade	<i>2013</i>
Classification Society	<i>ABS</i>
Flag	<i>Panama</i>
Water Depth Rating (feet)	<i>400</i>
Drilling Depth Rating (feet)	<i>30,000</i>
Leg Length (feet)	<i>517</i>
Accommodation Quarters	<i>150 persons</i>

Corporate Structure



Mermaid Group Companies

No.	Company	Type of Business	Place of Incorporation	Date of Incorporation	Company Registration No.	Type of Share	Paid-up Capital	Shares Issued	% of Mermaid Shareholding
1.	Mermaid Maritime Public Company Limited	Holding Co.	Thailand	15 January 2007 (as public company)	0107550000017	Ordinary	THB1,413,081,038	1,413,081,038	-
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	THB34,000,000	3,400,000	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	49% (indirect)
6.	Subtech Ltd.	Subsea	Seychelles	05 March 2008	046418	Ordinary	US Dollar1	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	US Dollar 100	100	100% (indirect)
11.	Mermaid Drilling Ltd.	Holding Co.	Thailand	24 January 2005	0105548011196	Ordinary	THB410,000,000	41,000,000	95% (direct)
12.	Mermaid Drilling (Singapore) Pte. Ltd.	Holding Co.	Singapore	27 February 2007	200703192D	Ordinary	US Dollar 50,999,926	50,999,926	100% (direct)
13.	Mermaid Drilling (Malaysia) Sdn. Bhd.	Drilling	Malaysia	5 August 2005	705457A	Ordinary	RM500,000	500,000	95% (indirect)
14.	MTR-1 Ltd.	Drilling	Thailand	15 March 2005	0105548036890	Ordinary	THB240,000,000	24,000,000	95% (indirect)
15.	MTR-2 Ltd.	Drilling	Thailand	15 March 2005	0105548036881	Ordinary	THB350,000,000	35,000,000	95% (indirect)
16.	MTR-1 (Singapore) Pte. Ltd.	Drilling	Singapore	27 September 2007	200717860H	Ordinary	US Dollar40,000	40,000	95% (indirect)
17.	MTR-2 (Singapore) Pte. Ltd.	Drilling	Singapore	27 September 2007	200717875R	Ordinary	US Dollar 1	1	95% (indirect)
18.	MTR-3 (Singapore) Pte. Ltd.	Drilling	Singapore	30 July 2008	200814981N	Ordinary	US Dollar 100	100	100% (indirect)
19.	Asia Offshore Drilling Limited	Holding Co.	Bermuda	29 October 2010	44712	Ordinary	US Dollar 40,000,100	40,000,100	33.76% (direct)
20.	Asia Offshore Rig 1 Limited	Drilling	Bermuda	29 October 2010	44713	Ordinary	US Dollar 36,000,000	36,000,000	33.76% (indirect)
21.	Asia Offshore Rig 2 Limited	Drilling	Bermuda	29 October 2010	44714	Ordinary	US Dollar 36,000,000	36,000,000	33.76% (indirect)
22.	Asia Offshore Rig 3 Limited	Drilling	Bermuda	1 July 2011	45551	Ordinary	US Dollar 100	100	33.76% (indirect)

(As at 16 December 2013)

Business Overview

Mermaid Maritime Public Company Limited (the “Company” or “Mermaid”) and its subsidiaries (collectively the “Group”) is a leading international specialist subsea and offshore drilling services company listed on the Singapore Stock Exchange.

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

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. In the past decade, the Group has emerged to provide a full range of subsea services and tender rig drilling services for the offshore oil and gas industry.

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 customers 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 division operates eight (8) subsea vessels, three (3) of which are specialized dive support vessels (“DSVs”), five (5) saturation diving systems, twelve (12) air diving systems and seventeen (17) remotely operated vehicle (“ROV”) systems, all of which can be deployed to any region. The subsea group can serve customers across South East Asia, India, China, the Mediterranean, West Africa, the Middle East and the North Sea. In the 2014 financial year, we expect to charter-in two additional subsea vessels to serve our growing customer requirements.

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 recently delivered from the construction yard in Singapore and now deployed in the Middle East.

Mermaid’s corporate headquarters is located in Bangkok, Thailand and is linked to its 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 programs. 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 customer locations.

Furthermore, in order to sustain and support international expansion and to consolidate the Group’s competitiveness in South East Asia and the Middle East, the Group has shore based operations in Indonesia, Singapore, 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 its subsea and offshore drilling services businesses, 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 into those target countries. 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 2013 financial year, subsea services contributed 85.9% and offshore drilling services contributed 14.1% of the Group’s total revenues.

Key Developments

2013 Financial Year to 15 December 2013

The 2013 financial year saw significant development in Mermaid's turnaround story and has put Mermaid onto the foundation for stability and growth.

In October 2012, Mermaid announced the establishment of a new Saudi Arabian joint-venture company Mermaid Zamil Offshore Services LLC formed between Mermaid and Zamil Offshore Services Company and the award to this entity of a significant long term offshore inspection, repair and maintenance contract with Saudi Aramco, the largest oil and gas company in the world. The contract duration is for a minimum of five years plus a two-year option and total contract value for the five year period is estimated to be US Dollar 530 million with Mermaid's potential revenue share of between 60 to 70 percent. The 'Mermaid Asiana' commenced this contract in February 2013.

Also in October 2012, Mermaid's associate Asia Offshore Drilling Limited ("AOD") announced the award of a drilling contract, also with Saudi Aramco, for its premium jack-up rig 'AOD I' for a period of three years plus a one-year option. The potential revenue for the initial three year period is US Dollar 236.5 million inclusive of mobilisation and upgrades. In the same month, although Seadrill Ltd. ("Seadrill") acquired additional AOD shares and launched a mandatory takeover offer for AOD, Mermaid declined the offer and retained its strategic stake of 33.75 percent in order to benefit from this investment.

In February 2013, 'AOD I' was delivered from Keppel FELS' shipyard in Singapore and mobilized to the Middle East. The drilling contract for 'AOD I' subsequently commenced in May 2013.

Also in February 2013, Mermaid announced a contract extension for its accommodation barge 'MTR-1' in Indonesia for another five (5) months in a contract valued at US Dollar 4.7 million. 'MTR-1' subsequently completed this contract in July 2013 and the barge has been demobilized to Singapore.

In March 2013, Mermaid announced subscription of additional equity in AOD of US Dollar 33.78 million to complete its capitalization requirements and settled at the ownership level of 33.76 percent with Seadrill holding 66.23 percent. Mermaid also entered into agreement whereby, in relation to AOD, Mermaid shall be entitled to continued boardroom representation, anti-share dilution rights and a reporting routine for Mermaid's decision making and regulatory and audit compliance purposes.

In the same month, Mermaid also announced drilling contracts awarded to AOD for 'AOD-II' and 'AOD-III' with Saudi Aramco for an initial term of three years plus a one-year option. Together with the earlier contract award to 'AOD I', the contract value to AOD for all three rigs in the first three years of operations, inclusive of mobilization fees, is almost US Dollar 700 million.

Also in March 2013, Mermaid announced a two year drilling contract award for 'MTR-2' in Indonesia valued at US Dollar 72 million. This drilling contract subsequently commenced in May 2013.

Mermaid also announced a proposed rights issue and private placement to raise gross proceeds of approximately SGD 176.1 million. The intended use of proceeds would be for investment in drilling rigs and/or subsea vessels and related assets and/or investment in companies owning or otherwise having an interest in such assets and acquisitions of additional machinery, equipment and other tools and accessories, repayment of existing loans and general corporate purposes including general working capital. The private placement, which would be exclusively to independent third parties, would only be required should the rights issue not be fully subscribed.

In April 2013, the jack-up rig 'AOD II' was delivered from Keppel FELS' shipyard in Singapore and mobilized to the Middle East. The drilling contract for 'AOD II' subsequently commenced in July 2013.

In July 2013, in support of Mermaid's plan to further enhance the Group's position as a leading provider of drilling and subsea services for the offshore oil and gas industry, Mermaid's shareholders voted to approve the proposed rights issue and private placement.

In the same month, the jack-up rig 'AOD III' was delivered from Keppel FELS' shipyard in Singapore and mobilized to the Middle East. The drilling contract for 'AOD III' subsequently commenced in October 2013.

Also in July 2013, Mermaid announced the charter-in by its subsea unit PT Seascope Surveys Indonesia ("Seascope") of a new vessel 'Resolution' to be delivered in December 2013 to serve additional customer demand in South East Asia, and the establishment by its subsea unit Subtech Ltd. of a subsea cable lay division and a remotely operated vehicle ("ROV") division as the next step in the growth of service offerings in the Middle East.

In September 2013, Mermaid completed its rights issue with a 90.7 percent subscription rate and commenced its private placement to third parties for remaining unsubscribed rights shares. In the same month, Mermaid also announced the disposal of the 'Mermaid Performer', its smallest vessel, as part of its fleet renewal plan.

In October 2013, Mermaid announced the completion of the private placement for the remaining 9.3 percent unsubscribed rights shares to independent third parties and therefore the successful completion of the raising of SGD 175.8 million in gross proceeds, as intended.

In the same month, Mermaid also announced the early adoption of functional currency reporting in US Dollar to eliminate unrealized translation related foreign exchange gains and losses in its financial statements and also to allow Mermaid to present its financial statements in a currency that is more understandable to its international base of shareholders and investors.

During this period, Mermaid also made several outstanding subsea contract award announcements including a US Dollar 25 million contract award in Qatar for the 'Mermaid Siam'; a US Dollar 30 million contract award in China for the 'Mermaid Endurer'; a series of contract awards worth US Dollar 30 million for the 'Mermaid Sapphire' in Thailand and Sakhalin Islands, 'Mermaid Commander' in the Gulf of Thailand and 'Mermaid Siam' in Qatar; a US Dollar 28 million contract award for the 'Endeavour' in Indonesia; a US Dollar 40 million contract award for subsea cable lay services and also for subsea works for the 'Mermaid Siam' in Qatar; a US Dollar 30 million contract award for the 'Mermaid Endurer' in the North Sea; a US Dollar 55 million contract award for the 'Endeavour' in Indonesia; and a US Dollar 30 million contract award for subsea cable lay services using a chartered-in vessel 'Mubarak Supporter' and other subsea services in Saudi Arabia.

The multiple wins during the period and across various regions are outstanding as they reflect Mermaid's ongoing efforts to support its customers wherever they may operate and also the confidence and satisfaction that Mermaid's customers have in Mermaid's quality services. Furthermore, these contract awards did not include other smaller subsea projects awarded during the year using Mermaid's owned vessels, chartered-in vessels, or performed onboard third party vessels which in aggregate added further to Mermaid's earnings and order book.

In November 2013, Mermaid announced a 2013 financial year profit of US Dollar 15.4 million and an outstanding order book of US Dollar 650 million, excluding additional pro-rata potential revenues from associate investments such as AOD of an additional US Dollar 170 million, and all contract options which may potentially add further this number, if exercised.

(* All values cited are approximates)

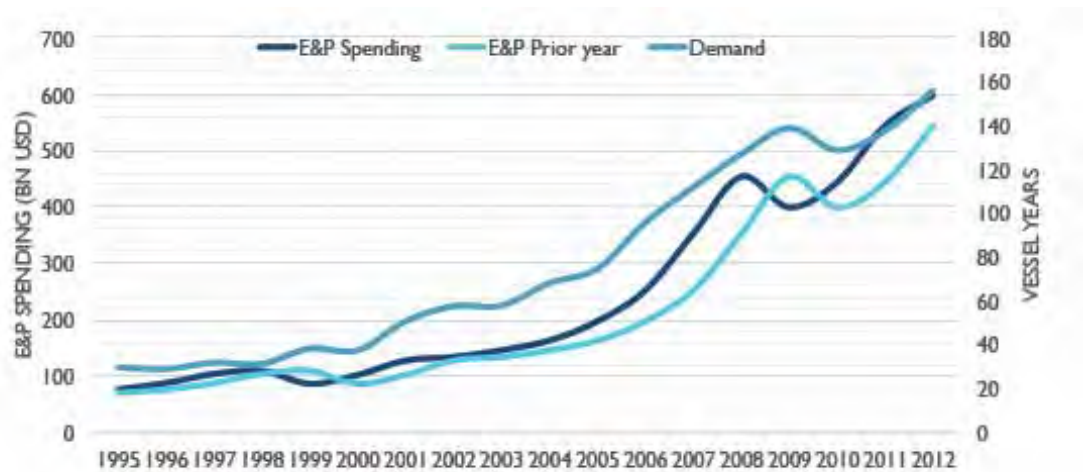
Industry Overview

1. Summary/Overview

The demand for subsea and drilling 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.

Exploration and production ("E&P") budgets saw double-digit growth from 2003 to 2008 which led to high levels of activity in the drilling and subsea services markets. After the temporal dip in 2009, the same annual growth continued from 2010 to 2012 and all signs point to a continued high activity level in the coming years. The chart below shows year-on-year increases in E&P spending and its effect on demand for offshore services.

Chart 1: Year-on-Year Increase in E&P Spending and Increase in Offshore Services Demand



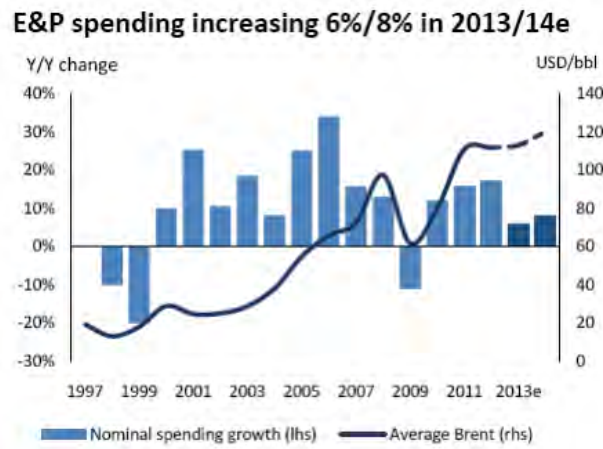
Source: Strategic Offshore Research

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. 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.

According to a recent survey of 23 oil and gas companies ("Survey"), Pareto predicts an 8 percent increase in global exploration and production ("E&P") spending in 2014 and 10 percent spending increase for offshore oil and gas activities.

The Survey also noted that with low production growth, organic reserve replacement ratio below 100 percent, marginal cost per barrel at US Dollar ~90/barrel, coupled with relatively high and increasing oil prices, spending will continue higher in the foreseeable future. The chart below shows E&P spending patterns and forecasts.

Chart 2: E&P Spending and Forecasts



Source: Pareto Securities

Subsea services are in demand in all phases of an oil/gas field's lifetime, with survey and installation during the field development phase; inspection, repair and maintenance in 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 large growth.

Drilling services have also experienced increased utilization and strengthening of day rates. In the Asia Pacific region, there has been increasing demand within the premium jack-up and tender rig market segment.

2. Offshore Market Drivers

2.1 Short and Medium Term Drivers

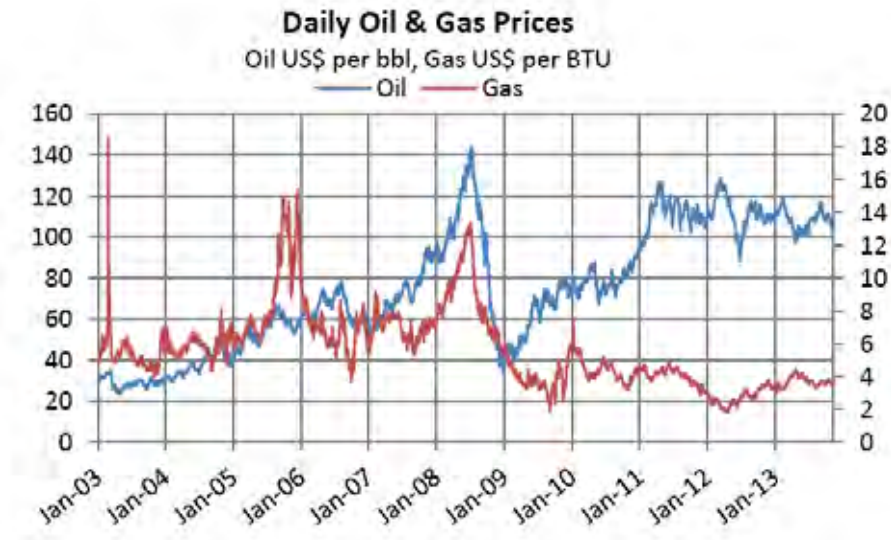
The Survey by Pareto reported that oil prices (Brent) have traded at US Dollar 90/bbl to US Dollar 120/bbl range the recent three years with yearly averages being stable at around US Dollar 110/bbl. This has been a supportive level for an increasing spending environment, where planning prices have increased from US Dollar 70/bbl in 2010 to US Dollar 98/bbl in 2013. Pareto noted that global E&P spending has increased around 40 percent since the previous peak in 2008 and with oil prices remaining stable in the recent three years, focus has shifted from discretionary spending potential to more focus on cash flow as production growth has failed to pick up materially. The higher spending levels have pushed oil company planning prices towards US Dollar 100/bbl, approaching actual oil price levels. With planning prices at US Dollar 98/bbl, oil price in the US Dollar 90-100/bbl range would indicate flat to negative spending growth whereas US Dollar 100-120/bbl continued growth.

Pareto observed that demand has been observed to be resilient to oil price increase and that as an example, the oil price was 314 percent higher in 2011-H1/2013 than in 2000-2003, and oil demand was still growing at a solid pace. In particular, the fact that oil demand growth has remained solid at about 1 percent per annum in 2011, 2012 and H1/2013 – despite weak macro, significant headwinds in Europe and the United States, and a “soft” China – suggest that an oil price of US Dollar 111-112/barrel is not too high. However, although the Survey suggests that oil price of US Dollar 120/barrel may still not be too high for the demand side.

In relation to gas prices, the Survey reported that US gas prices have rebounded over the past year, with the Henry Hub front month climbing from US Dollar ~2.8/mmbtu last summer to US Dollar 4.0-4.5/mmbtu in April-May 2013. Since then it has come down to around US Dollar 3.3/mmbtu. The price recovery from 2012 has been driven by a tighter supply demand balance. Pareto estimates that prices will climb from current levels in the long term, driven by growing demand and the need to incentivize supply from dry shale gas fields which should require a price of at least US Dollar 4-5/mmbtu.

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

Chart 3: Historical Oil and Gas Price

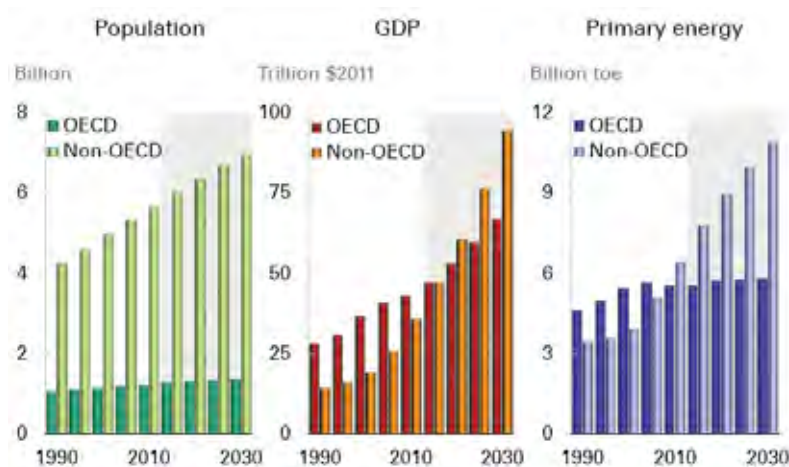


Source: Pareto Securities

2.2 Long Term Outlook

According to BP’s “Energy Outlook 2030” published in 2012, by 2030 world population is projected at 8.3 billion which means an additional 1.3 billion will need energy with emerging economies account for 90 percent of population growth. World income in 2030 is expected to roughly double 2011 in real terms with emerging economies contributing to 70 percent of global GDP growth. Due to rapid industrialization, urbanization and motorization, emerging economies will also contribute to over 90 percent of the global energy demand growth. The graphs below illustrate the forecast growth trends aforesaid.

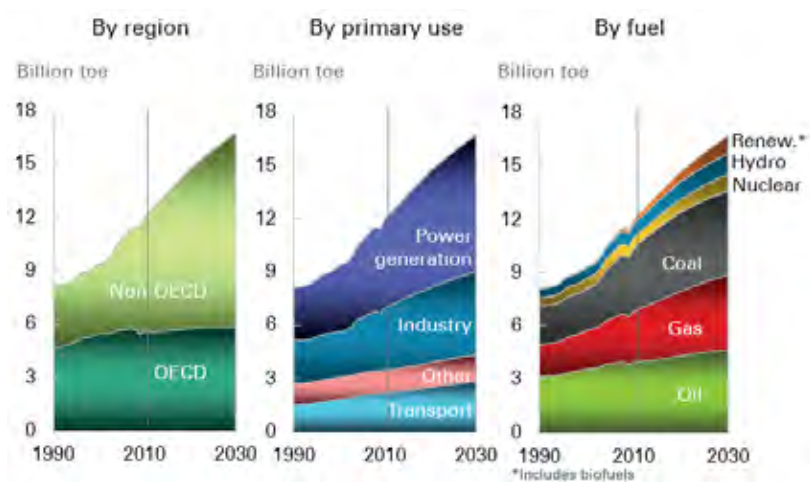
Chart 4: Population, GDP and Primary Energy Growth Trends



Source: BP

The outlook report also states that by 2030, energy demand is expected to be 36 percent higher than 2011 with almost all growth coming from emerging economies. Energy use in power generation and directly in industry and transportation will lead growth trends. Although renewable energy use will play a bigger role, oil and gas are still expected to be a dominant source of energy. The graphs below illustrate the forecasted growth trends aforesaid.

Chart 5: Growth Trends by Region, Primary Use and Fuel



Source: BP

3. Subsea Services Industry

The subsea services industry with respect to oil and gas E&P 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. Subsea vessels are also utilized during field decommissioning.

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.

3.1 Types of Subsea Vessels

The offshore subsea vessel market encompasses the various types of vessels utilized in the installation, inspection, repair 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 (“OCVs”) and offshore support vessels (“OSVs”). Vessels sorting under the OCV category are stable platforms with large cargo deck, accommodation facilities and larger tools such as larger active heave compensation subsea cranes, ROV handling equipment, moonpools, winches etc. Typically the customers 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 OSVs. The OCV will often perform the work as part of a larger subsea campaigns, but subsea contractors also charter smaller OSVs for parts of the work. The OSVs are also chartered in directly by the oil companies for inspection, maintenance and repair work. The OSVs encompass smaller multipurpose vessels, typically equipped with medium size cranes, ROV and also accommodation capacity. Most subsea vessels are also equipped with dynamic positioning systems.

3.2 The Subsea Market

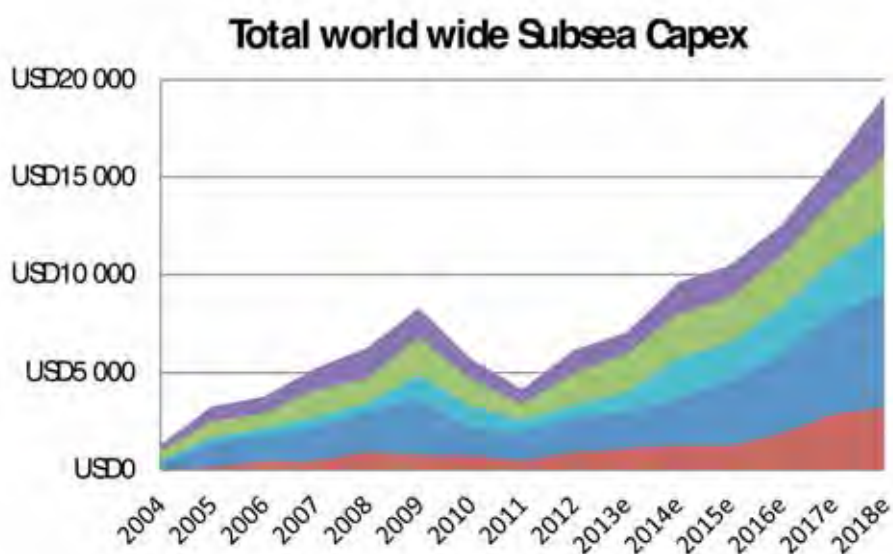
2013 was a busy year for the subsea contractors, with strong tendering activity for new subsea contracts. The markets with the most momentum are the North Sea, Middle East, South East Asia, Brazil and the Gulf of Mexico.

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.

Fearnley Offshore Supply points at four different development trends mainly affecting the demand for subsea vessels. First of all, the recent years of 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 will lead to more discoveries and increase the back-log further. Thirdly, new technology is potentially enabling producing fields to look for life extension and further development. Fourth, a substantial part of all new subsea development is expected to be installed in deep waters of 1,500 feet 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 and Gulf of Mexico the growth in deepwater development is on a rise, and subsea solutions are becoming more important.

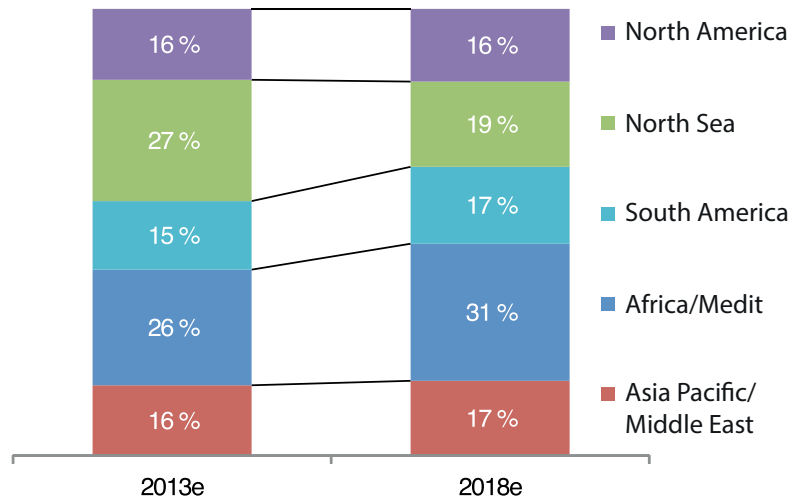
Whilst data relating to number of rigs and geographical location of exploration and production activities is a good indicator for the development activity, the repair and maintenance budgets are less available. A commonly used indicator for subsea activity is the number of subsea trees to be installed 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 and inspection, repair and maintenance capabilities.

Chart 6: Subsea Capital Expenditure Forecast



Source: Quest

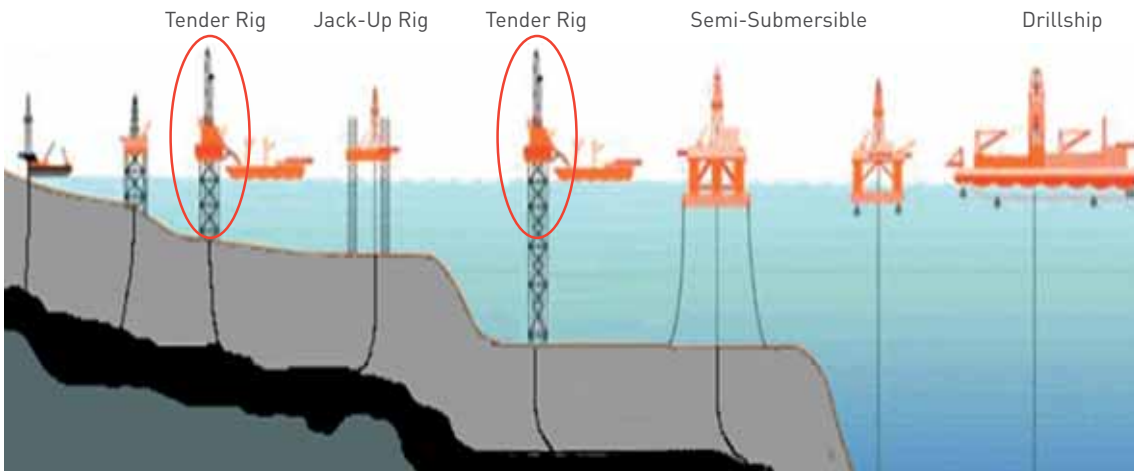
Chart 7: Forecasted Regional Market Share



Source: Quest

As can be seen in the chart above, Quest expects to see growth in all offshore regions with 17 percent of the world’s annual subsea investment pouring into the Asia Pacific and Middle Eastern market by 2018.

4. Drilling Services Industry



Demand for drilling and related services are 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.

4.1 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. A more advanced version of a tender rig is a semi tender rig. A semi tender rig 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.

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 DP systems 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.

4.2 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 mobile offshore drilling units ("MODUs") in general, and with jack-up rigs in particular.

South East Asia is the biggest market for tender rigs, followed by West Africa. Tender rigs provide production drilling capabilities and can work in any seabed condition including areas where jack-up rigs may not be able to access. The day rates of tender rigs are also lower than jack-up rigs, offering a low cost production drilling solution to customers. The level of activity for tender rigs in South East Asia has traditionally remained relatively high at 80-90 percent with utilization for newer units remaining close to 100 percent, as customers indicate preference for newer tender rigs over older ones.

The tender rig fleet is aging with around half of the global fleet over 30 years old. There are 25 available units globally with 17 on contract and eight off contract either stacked or waiting for next contract, mostly being older rigs. There are also an additional seven new build tender rigs under construction.

Day rates for tender rigs have strengthened since 2010 and now reported at around US Dollar 115,000 per day on average. Furthermore, it is expected that more tender rigs will be required to satisfy future potential demand and as substitutes to the phasing out of old rigs.

4.3 Jack-Up Rig Market

There are 443 jack-up rigs globally of which 396 are contracted and the remaining either warm stacked or cold stacked. The supply and demand dynamics for jack-up rigs is reported to remain tight with utilization around 90 percent, with utilization for newer and higher quality units remaining close to 100 percent. In particular, the market for high specification jack-up units has gained momentum as operators experience the improved performance of newer, more capable assets. In addition, due to the shortage of newer units, oil companies are beginning to grow concerned about their ability to contract these assets which has led to an increased trend in longer contracts being awarded.

Demand is expected to remain strong as evidenced by the increase in number of open tenders, upward pressure on day rates now reported at around US Dollar 160,000 per day on average and increased contract durations worldwide. During the next decade, more than 50 percent of the global contracted fleet, or approximately 200 units, are expected to become less marketable and eventually even phased out. There are currently 115 new build jack-ups under construction. Asia Pacific and the Middle East continue to be the primary source of demand for high specification jack-up rigs.

Management Discussion & Analysis

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 Financial Reporting Standards (“TFRS”) and guidelines promulgated by the Federation of Accounting Professions (“FAP”). 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 is 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 Baht 31.3907 to US Dollar 1.00 and Baht 30.4633 to US Dollar 1.00 were used to translate value in Baht currency to US Dollar currency to for the statement of financial position and statement of comprehensive income respectively, for 2013 financial numbers.

In this section, unless otherwise specifically stated to the contrary, all references to years (i.e. 2011, 2012 and 2013) 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, , Subtech Ltd., Subtech Qatar Diving and Marine Services LLC., and Subtech Saudi Arabia Limited (collectively “Subsea Group”).

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

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

Unit: Days

Calendar-Vessel-Days	FY 2013		FY 2012	
	No. of Days	% Change	No. of Days	% Change
Owned Vessels	2,899	-0.99%	2,928	0.27%
Chartered in Vessel	318	48.60%	214	100.00%
Total	3,217	2.39%	3,142	7.60%

The calendar-vessel-days of Subsea group increased by 2.39% due to a full year chartered in M.V. “Endeavour”, but M.V. “Mermaid Performer” had been sold in September 2013. Compared to prior year, the average size of the Subsea Group fleet increased 7.60 % in 2012, as additional chartered in vessel in March 2012.

Table 2: Fleet Utilisation for Offshore Service Vessels

Unit: Days

Item	FY 2013		FY 2012	
	No. of Days	% Change	No. of Days	% Change
Calendar-Vessel-Days	3,217	2.39%	3,142	7.60%
Planned Off-Hire Days	193	-33.90%	292	210.64%
Available Days	3,024	6.11%	2,850	0.85%
Operating Days	2,133	9.09%	1,955	2.75%
Fleet Utilisation	70.53%	2.82%	68.60%	1.89%

Service Revenues: Service revenues sharply increased 65.66% to US Dollar 246.04 million in 2013, or US Dollar 76,481 per Calendar-vessel-day from US Dollar 148.52 million in 2012, or US Dollar 47,268 per Calendar-vessel-day in 2012. The fleet utilisation slightly increased 2.82% to 70.53% in 2013. This is a result of more full subsea services, and additional diving contracts and IRM (inspection, repair, and maintenance) contracts in Middle East region.

Cost of Services: Cost of services consists of two major components, which are service expenses and depreciation. Cost of services increased 65.33% to US Dollar 194.53 million in 2013, compared to US Dollar 117.66 million in 2012.

Service Expenses: Service expenses increased 78.24% to US Dollar 173.82, or US Dollar 54,031 per Calendar-vessel-day, in 2013 from US Dollar 97.52 million, or US Dollar 31,036 per Calendar-vessel-day in 2012. The increased in service expenses was primarily due to increase of services revenue.

Depreciation: Depreciation expenses increased 2.83% to US Dollar 20.71 million in 2013 from US Dollar 20.14 million in 2012.

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 2013		FY 2012	
	No. of Days	% Change	No. of Days	% Change
Owned Rigs	730	-0.27%	732	0.27%
Chartered in Rigs	0	0.00%	0	0.00%
Total	730	-0.27%	732	0.27%

Table 4: Fleet Utilisation for Drilling Rigs

Unit: Days

Item	FY 2013		FY 2012	
	No. of Days	% Change	No. of Days	% Change
Calendar-Rig-Days	730	-0.27%	732	0.27%
Planned Off-Hire Days	151	0.00%	0	0.00%
Available Days	579	-20.90%	732	0.27%
Unplanned Off-Hire Days	0	0.00%	0	0.00%
Operating Days	428	-9.49%	473	35.14%
Fleet Utilisation	73.94%	14.43%	64.62%	34.77%

Service Revenues: Service revenues decreased 32.76% to US Dollar 23.56 million in 2013, compared to US Dollar 35.04 million in 2012. The decrease was primary due to MTR-2’s utilisation rate was only 43.3% in 2013, as it was back on-hire on 29 May 2013 after its special purpose survey (“SPS”). MTR1 was working as the accommodation barge in 2013.

Cost of Services: Cost of services consists of two major components, which are service expenses and depreciation. Cost of services decreased 0.56% to US Dollar 24.38 million in 2013, compared to US Dollar 24.52 million in 2012.

Service Expenses: Service expenses decreased 5.14% to US Dollar 18.27 million in 2013 compared to US Dollar 19.26 million in 2012.

Depreciation: Depreciation increased 16.16% to US Dollar 6.11 million in 2013, from US Dollar 5.26 million in 2012. This was primarily due to amortisation on SPS of MTR-2.

Other Operating Results

General and administrative expenses: Administrative expenses were US Dollar 28.87 million, an increase of US Dollar 3.85 million, or 15.41% from 2012. This was primarily due to the start up cost and services expanded in Middle East region

Finance costs: Finance costs in 2013 were US Dollar 4.97 million, a sharply decrease of US Dollar 4.05 million, or 44.87%, compared to 2012. The average loan balance was US Dollar 133.63 million in 2013 compared to US Dollar 128.21 million in 2012, but benefited from the cancellation of a currency swap in 2012 and a lower average LIBOR in 2013

Interest income: Interest income decreased 49.93% to US Dollar 0.18 million in 2013, from US Dollar 0.36 million in 2012.

Foreign Exchange Gains (Losses): The foreign exchange rates were US Dollar 0.99 million gains compared to US Dollar 0.11 million losses in 2012.

Net gains on disposals and write off property, plant, and equipment and intangible assets: A net loss of US Dollar 0.25 million in 2013, compared to a net loss of US Dollar 0.08 million in 2012.

Other Income: Other revenues slightly decreased to US Dollar 0.57 million in 2013, from US Dollar 0.59 million in 2012.

Share of profits on investment in associated company: Share of profits from AOD investment was US Dollar 4.43 million, as a results of AOD I and AOD II commenced work on 1 May 2013 and 13 July 2013, respectively. AOD III was on contract from 10 October 2013.

Share of losses of investment in jointly-controlled entity: Share of losses of investment in jointly-controlled entity: was US Dollar 0.21 million, jointly-controlled entity was set up in 2013.

Income taxes: Income tax expenses in 2013 were US Dollar 7.13 million, an increase of US Dollar 3.35 million or 88.64% from last year due to higher profits from Subtech, and the reversal of deferred tax benefits from MTR-2.

As a result of the factors discussed above, the result was reported net gain of US Dollar 15.43 million in 2013, which was a significant improvement from net gains of US Dollar 4.01 million in 2012.

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: US Dollar'000

Item	As at 30 September	
	2013	2012
Cash and cash equivalents	148,819	62,314
Debt		
Bank overdrafts		
Short-term debt		
Current portion, long-term debt (including finance leases)	19,254	6,695
Long-term debt (including finance leases)	117,439	124,037
Total Debt Shareholders' Equity	136,693	130,732

Unit: US Dollar'000

Item	As at 30 September	
	2013	2012
Ordinary shares, Baht 1 par value 1,354.44 million shares (2012: 784.75 million shares) issued and fully paid-up	45,429	27,287
Additional paid-in capital	411,613	303,300
Retained earnings	57,184	42,156
Others	2,561	3,139
Total Shareholders' Equity	516,787	375,882
Total Capitalisation	653,480	506,614
Total Debt to Total Capitalisation	0.21	0.26

As at 30 September 2013, the Group's total cash and cash equivalents equalled US Dollar 148.82 million, an increase of US dollar 86.51 million from US Dollar 62.31 million as at 30 September 2012.

The Company had net cash from operating activities for 2013 of US Dollar 24.98 million, compared to net cash from operating activities of US Dollar 31.39 million for 2012. The decrease was due to the outstanding receivables of US Dollar 41.42 million. But offset against an increased of accrued expenses of US Dollar 14.91 million.

The Company had net cash used in investing activities of US Dollar 70.02 million, primarily the investment in AOD of US Dollar 33.78 million, and the purchase of equipments and a special periodic survey of MTR-2 totalling of US Dollar 42.16 million.

The Company had net cash from financing activities of US Dollar 131.53 million, primarily due to rights issue of US Dollar 126.46 million.

As of 30 September 2013, the Company had total debt including financial lease of US Dollar 136.69 million, equivalent to US dollar loans of 132.99 million, Qatari Dollar loans of 3.62 million and financial lease of 0.08 million. Compared to 30 September 2012, the Company had total debt including financial lease of US Dollar 130.73 million, equivalent to US dollar loans of US Dollar 130.65 million and financial lease of 0.08 million. Outstanding loans were mainly for acquisitions of vessels, rigs, and equipment.

Capital Expenditures

The major capital expenditure in 2013 were for operation requirements which comprised of mandatory dry-docking of vessels, new equipment purchases, and mandatory special periodic survey of MTR-2 totalling of US Dollar 42.16 million.

On 12 March 2013, the Company participated in a private placement of Asia Offshore Drilling Limited ("AOD") by subscribing for 6,756,225 new ordinary shares at US Dollar 5.00 per share for a total investment of US Dollar 33.78 million, or equivalent to Baht 1,060.44 million. After the private placement, which raised US Dollar 100 million in proceeds for AOD, the Company's ownership in AOD increased to 20,256,425 ordinary shares, equivalent to 33.76 percent of all outstanding ordinary shares.

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 almost of the Group's loans are denominated in US Dollars and set against LIBOR, those interest incurred were paid under the existing credit facilities at a rate of LIBOR plus a certain margin. Except minor loans in Qatari Dollar, the interest paid at fixed rate.

Risk Management

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 improvement and recovery from 2010 to 2013, 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.

Risk Management Response: The Group predominantly services the production side of offshore oil and gas activity in shallow water zones thus providing a platform of greater stability to oil and gas price fluctuations compared to exploration side activity and deepwater zones. The Group has also focused on longer-term contracts for its subsea and drilling services in order to secure greater assurance of revenue stream over time. The Group prudently manages its financial resources to ensure that it has sufficient working capital to continue ordinary course of business and remains nimble to finding niche opportunities with customers and in areas with more resilience to foreseeable adverse macro-economic factors, as appropriate.

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 may be 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.

Risk Management Response: The Group's geographical diversification out of South East Asia to the South China Sea, the Middle East and the North Sea allows the Group to reduce exposure to seasonal fluctuations. The Group also maintains an excellent safety and performance track record which customers may value over competition that may have newer assets but without the comparable credentials. In the event that a vessel or rig is idle, there are systems in place to minimize costs until such time as they resume contract. Most of the Group's contracts are chargeable on a day-rate basis which provides greater assurance on regularity and certainty of payment.

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.

Risk Management Response: The Group adopts mutual hold harmless provisions when contracting with customers in order to mitigate the effect of any liability to customers and/or third parties. Where liability for customer and/or third party property or personnel is undertaken, the Group takes initiatives to impose caps on liability. The Group also maintains insurance for hull and machinery, protection and indemnity, commercial general liability and workers compensation to adequate levels to reduce the financial impact of any adverse incidents. The Group's vessels, rigs and equipment complies with applicable international standards and the Group has regular maintenance and upgrade programs in order to ensure operating efficiency and safety of life at sea.

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 rigs (one of which is operationally ready for offshore drilling and the other is operationally ready for work as an accommodation barge) 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.

Risk Management Response: The Group is qualified to serve a large customer base and also operate in different geographical areas thus reducing the risk of reliance on a single customer. The Group has worked hard to earn a track record of successful projects and have developed systems in place to allow dedicated customer support to finding customized solutions and to allow for quick response to emergency call outs and variation orders at all times and in all situations. As a result, the Group continues to receive repeat business from its customers. The Group has also invested in Asia Offshore Drilling Limited ("AOD") which will alleviate reliance on the two tender rigs as the sole source of revenue for its drilling division.

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

The Group may from time to time order new build drilling rigs and/or subsea vessels. There will be a time lag between the time the Group purchases a newbuild 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.

Risk Management Response: The Group studies supply and demand trends and consults with its key customers prior to making acquisition decisions to reduce the risk of changes in the industry between the time of order and delivery. Furthermore, marketing initiatives generally start after the placement of such order and the Group will begin to find service contracts for the drilling rigs and subsea vessels prior to their delivery, to the extent permitted by market conditions. The Group offers a competitive compensation structure to attract and maintain selected talent to its rank and file. The Group's exemplary safety record and family approach to its work culture has contributed to making the Group a choice employer for many.

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.

Risk Management Response: The Group provides first-tier service at competitive prices and is a leading specialist provider in its core areas of expertise. It has the capability and resources to handle large and small projects as required, and to this end provides a 'one-stop-shop' service point convenient to customers. It also has the flexibility of a smaller company to allow for dedicated customer support to finding customized solutions and to provide quick response to emergency call outs and variation orders at all times and in all situations.

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.

Risk Management Response: When contracting for the longer term, the Group has a policy of reviewing cost escalation issues and has a tendering procedure that incorporates cost escalation into price quotations or insertion of cost escalation provisions into service contracts with customers. Where costs of certain services and/or materials are more prone to short term fluctuations, the Group may engage in cost plus margin arrangements instead of fixed cost arrangements.

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.

Risk Management Response: The Group sets a budget for scheduled maintenance and repair and is in the process of implementing a formal cost control and reporting framework to ensure efficiency in project supervision and cost management to reduce the risk of delays and cost-overruns in maintenance and repair. The Group also maintains hull and machinery insurance to mitigate adverse financial impact on repairs due to damage and had secured full reimbursement for claims from insurance underwriters for such repairs on two previous occasions.

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.

Risk Management Response: Protection of health, safety and the environment remains at the core of the Group's business and culture. The Group implements a Zero Incident Program and other safety-related programs and conducts safety related training and audits on a regular basis. The Group's safety record exceeds industry standards and the Group has been the recipient of a number of safety awards for no loss time incidents. The Group has in place dedicated officers responsible for health, safety and the environment and also provides appropriate medical insurance cover for its personnel and sponsors medical examinations on an annual basis and also from time to time.

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.

Risk Management Response: The Group regularly reviews applicable laws and regulations of its operating host country and has a Code of Conduct that mandates compliance. The Group is also not subject to the Foreign Business Act B.E. 2542 (1999) of Thailand as it has a majority Thai-ownership shareholding base.

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.

Risk Management Response: The Group discloses a reconciliation of material differences between Thai GAAP and IFRS each year in the Annual Report under General Disclosures to allow interpretation of its financial statements against IFRS.

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.

Risk Management Response: The Group has been able to retain its key operations management teams notwithstanding previous changes in top management and the Board, which has now stabilized. Furthermore, the Group offers a competitive compensation structure to attract and maintain selected talent to its rank and file. The Group's exemplary safety record and family approach to its work culture has contributed to making the Group a choice employer for many.

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.

Risk Management Response: Most of the Group's customers are blue chip international and national oil and gas companies and also top-tier contractors. Many of these are repeat customers who already have a track record of settlement of payment. Furthermore, outstanding payments due to the Company do not normally comprise a material part of their expenditure. The Group also reviews the credit-worthiness of its customers from time to time to determine if customers can continue to satisfy credit terms. Due to regular invoicing, the Group is able to monitor accounts receivables and initiate steps to follow through on payment. Where appropriate, new customers may be required to submit a payment guarantee or render payment in advance.

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.

Risk Management Response: The Group regularly reviews its financing commitments from time to time to consider if refinancing opportunities exist to secure more competitive financing terms. The Group's payment track record on loan commitments has also contributed to it being a preferred customer to financial institutions thus allowing the Group to secure favourable interest rates and other terms and conditions. The Group is also able to leverage on relationships with local and regional financial institutions that can provide competitive credit vis-a-vis the international credit market.

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.

Risk Management Response: The Group has a system of conducting due diligence on selected shipyards that will undertake such conversions or upgrades, or new builds and repairs in order to review technical capability and ability and resources to complete projects on time and on budget. The Group is also in the process of implementing a formal cost control and reporting framework to ensure efficiency in project supervision and cost management in order to reduce the risk of delays and cost-overruns.

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.

Risk Management Response: Most of the Group's expenditures are also in US Dollars thereby providing a natural currency hedge. As a result, the exposure to currency fluctuations and exchange rate risks arising from commitments in non-US Dollar currencies is generally not material. In the event that there are any material transactions in non-US Dollar currency from time to time, the Group considers exchange rate movements and may initiate forward contracts to mitigate against such exchange rate risks, as appropriate.

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.

Risk Management Response: The Group generally does not operate in pirate-infested waters. The Group also maintains insurance cover for hull and machinery, protection and indemnity and commercial general liability and workers' compensation to adequate sums with reputable insurance underwriters for loss or damage to property or injury or loss of life of personnel, should they occur.

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.

Risk Management Response: The Group's cash management practices ensure that funds are deployed to areas where they are required. Revenue centres are also matched with cost centres to facilitate settlement. The Group regularly reviews its corporate structures from a tax perspective and engages in corporate restructuring from time to time to ensure legitimate tax benefits are secured. The Group is presently not exposed to any capital calls in its subsidiaries and has the right to veto against any capital calls in its associated companies. The Group generally does not have shareholders in its businesses who may have competing interests, and in the case where there may exist any competing interests, adequate agreements have been introduced to address them accordingly.

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.

Risk Management Response: The Group regularly reviews its loan covenants before entering into loan commitments to ensure financial flexibility is maintained. The Group's low debt to equity ratio is low thus reflecting lower debt exposure. At present, there are no Debt/EBITDA covenants or restrictions imposed on dividend payments to 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.

Risk Management Response: The Group's business model is to be the majority owner and operator of all of its businesses. To the extent where local partnerships are required, the Group has negotiated legally permissible agreements to protect the Group's assets and economic interests. For the case of the Group's minority investment in AOD, there is a shareholders agreement in place which assures the Group of continued boardroom representation, anti-dilution, reporting of information and participatory rights to future capital increases.

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 and the political unrest in late-2013. 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.

Risk Management Response: Most of the Group's business is conducted in various countries outside Thailand and its key assets are all located offshore and can be mobilized from one location to another, as appropriate. The Group's operations base in Thailand is located outside Bangkok and therefore does not come within proximity of the location of potential protests which are mostly concentrated in certain parts of Bangkok. The Bangkok office, although near certain areas of potential protests from time to time, has itself not been subject to any physical incidents in the past.

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.

Risk Management Response: The Company is listed on the main board of the SGX-ST and complies with the Singapore's Code of Corporate Governance 2012 ("Code") to the extent legally permissible. Both the Listing Rules of the SGX-ST and the Code imposes compliance and reporting requirements on the Company and its substantial shareholders, Directors and officers thus keeping shareholders and the general public abreast of the Group's best practice standards in transparency and accountability in the conduct of its business.

General Disclosures

1. Mermaid Shares held by Directors

As at 16 December 2013, Mermaid Maritime Public Company Limited (the “Company” or “Mermaid”) had a total of 1,413,081,038 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
Mr. Prasert Bunsumpun	None	n/a	None	n/a
Mr. Chalermchai Mahagitsiri	150,461,660	10.65	807,145,813	57.12
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
Dr. Jean Paul Thevenin	None	n/a	None	n/a
Dr. Jan Skorupa	None	n/a	None	n/a

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

Name	Direct	% of Issued Share Capital	Deemed	% of Issued Share Capital
M.L. Chandchutha Chandratat	477,000	0.034	None	n/a
Mr. Surasak Khaoroptham	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 2013 or still subsisting as at 30 September 2013.

3. Shareholder Base and Voting Rights

The only class of equity securities in Mermaid are ordinary shares. As at 16 December 2013, there were 4,724 shareholders holding a total of 1,413,081,038 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 16 December 2013, the distribution of ordinary shares amongst all shareholders was as follows:

No. of Shares	No. of Shareholders
1-999	284
1,000-10,000	2,093
10,001-1,000,000	2,321
1,000,001 and above	26

5. Details of Substantial Shareholders

As at 16 December 2013, 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)	590,000,000 (41.75%)	217,145,813 (15.37%)	807,145,813 (57.12%)
Soleado Holdings Pte. Ltd. ("Soleado")	217,145,813 (15.37%)	-	217,145,813 (15.37%)
Thailand Equity Fund ("TEF") (see Notes 2, 3, 4 and 5)	118,285,229 (8.37%)	-	118,285,229 (8.37%)
Mr. Chalermchai Mahagitsiri (see Note 6)	150,461,660 (10.65%)	807,145,813 (57.14%)	942,880,227 (67.77%)

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: As at 29 November 2013, Mr. Chalermchai Mahagitsiri was the registered holder of 155,681,388 ordinary shares (15.67%) in TTA, Mermaid’s majority shareholder. His associates are Ms. Ausana Mahagitsiri who is a registered holder of 40,383,940 ordinary shares (4.06%) in TTA, Ms. Suvimol Mahagitsiri who is the registered holder of 14,900,427 ordinary shares (1.50%) in TTA and Mr. Prayudh Mahagitsiri who is the registered holder of 2,713,500 ordinary shares (0.27%) in TTA. The combined interest of Mr. Chalermchai Mahagitsiri and his three above mentioned associates in TTA is therefore 213,679,255 ordinary shares (21.51%).

In addition, Mr. Chalermchai Mahagitsiri acquired ownership and control of Raffles Resources 1 Limited, a company that is the registered holder of 52,293,275 ordinary shares (5.26%) in TTA. This resulted in an increase in the collective interest of Mr. Chalermchai Mahagitsiri and his associates in TTA to 265,972,530 ordinary shares (26.77%). Accordingly, Mr. Chalermchai Mahagitsiri has a deemed interest in the 590,000,000 shares and 217,145,813 shares held in aggregate by TTA and Soleado Holdings Pte. Ltd. (“Soleado”) in the Company. Soleado is a wholly-owned subsidiary of TTA.

On 15 July 2013, Mr. Chalermchai Mahagitsiri acquired 20,000 shares in the Company and exercised the Rights Issue for additionally 135,714,214 ordinary shares (9.60%) in September 2013. Subsequently he acquired 14,727,446 ordinary shares by way of transfer from his immediate family member, therefore he owned 150,461,660 ordinary shares (10.65%) and has a deemed interest in Mermaid shares held by TTA and wholly owned Soleado for 807,145,813 ordinary shares (57.12%).

6. Top 20 Largest Shareholders

As at 16 December 2013, 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	590,000,000	41.75	41.75
2	SOLEADO HOLDINGS PTE LTD	217,145,813	15.37	57.12
3	HL BANK NOMINEES (S) PTE LTD	151,749,035	10.74	67.86
4	THAILAND EQUITY FUND	118,285,229	8.37	76.23
5	HSBC (SINGAPORE) NOMS PTE LTD	59,142,500	4.19	80.41
6	CITIBANK NOMS S'PORE PTE LTD	23,975,820	1.70	82.11
7	DBS VICKERS SECS (S) PTE LTD	18,954,796	1.34	83.45
8	UOB KAY HIAN PTE LTD	13,162,350	0.93	84.38
9	MAYBANK KIM ENG SECS PTE LTD	9,153,371	0.65	85.03
10	DBS NOMINEES PTE LTD	8,969,715	0.63	85.67
11	DB NOMINEES (S) PTE LTD	8,769,310	0.62	86.29
12	BNP PARIBAS NOMS S'PORE PL	8,766,200	0.62	86.91
13	ABN AMRO NOMS S'PORE PTE LTD	7,100,000	0.50	87.41
14	OCBC SECURITIES PRIVATE LTD	6,217,808	0.44	87.85

No.	Name	Shares	%	Culm. %
15	PHILLIP SECURITIES PTE LTD	5,626,202	0.40	88.25
16	BNP PARIBAS SECURITIES SVCS	4,831,900	0.34	88.59
17	RAFFLES NOMINEES (PTE) LTD	3,890,249	0.28	88.87
18	CIMB SEC (S'PORE) PTE LTD	3,533,250	0.25	89.12
19	LEE GEOK HWA	3,065,400	0.22	89.33
20	OW HUN MENG	2,948,000	0.21	89.54

7. Shareholding Held by Public

As at 16 December 2013, the percentage of ordinary shares held in the hand of the public was 23.81%. 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 KPMG group during the financial year that ended on 30 September 2013 amounted to US Dollar 176,726 (One Hundred Seventy Six Thousand Seven Hundred and Twenty Six United States Dollars).

Non-audit fee paid to KPMG group during the financial year that ended on 30 September 2013 amounted to US Dollar 58,050 (Fifty Eight Thousand and Fifty United States Dollars). This was for work related to agreed-upon procedures in relation to Thailand Board of Investment (“BOI”) related certification, the consulting for TAS 21 adoption, corporate income tax filing and professional secondment services for subsidiaries. The Audit Committee had reviewed these transactions and was of the opinion that these transactions did not affect the independence of KPMG Phoomchai Audit 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 2013.

	Group	
	2013 US Dollar	2012 US Dollar
Audit fees :		
- Auditors of the Company *	176,726	135,961
- Other auditors	15,000	69,207
Non-audit fees :		
- Auditors of the Company *	58,050	18,263
- Other auditors	12,500	2,227
Total audit and non-audit fees	262,276	225,658

* PricewaterhouseCoopers ABAS Ltd. was auditors of the Company for the financial year that ended on 30 September 2012.

11. Appointment of Auditor

KPMG Phoomchai Audit Ltd. was appointed by a resolution of the Company’s shareholders on 28 January 2013 to audit the Company’s financial statements and the Company and its subsidiaries’ consolidated financial statements for the year that ended on 30 September 2013.

The following names are audit partners whom were appointed to engage in audit of the consolidated and Company financial statements for the year that ended on 30 September 2013.

- | | |
|-----------------------------------|----------------------|
| 1. Ms. Siripen Sukcharoenyingyong | CPA License No. 3636 |
| 2. Mr. Charoen Phosamritlert | CPA License No. 4068 |
| 3. Mr. Veerachai Ratanajaratkul | CPA License No. 4323 |
| 4. Ms. Pornthip Rimdusit | CPA License No. 5565 |

Mr. Charoen Phosamritlert was the audit partner in charge of auditing and expressed his opinion on the consolidated and Company financial statements for the year that ended on 30 September 2013. This is the first year that he audited and expressed his opinion on the consolidated and Company financial statements.

KPMG group was appointed to audit all of the Company’s significant subsidiaries for the year ended 30 September 2013. There was a significant associated company, Asia Offshore Drilling Limited, for the year ended 30 September 2013. PricewaterhouseCoopers LLP was appointed to engage in audit of the non-statutory financial statements for the year ended 30 September 2013 of this significant associated company.

For the purposes of the preceding paragraph, an entity is significant if its net tangible assets represent 20% or more of the Company's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the Company's consolidated pre-tax profits.

In appointing the auditing firms for the Company, subsidiaries and significant associated company, we have complied with Rules 712 and Rule 715 or 716 of the SGX-ST Listing Manual.

12. Interested Person Transactions

Mermaid's aggregate value of all interested person transactions for the year that ended on 30 September 2013 pursuant to Rule 907 of the SGX-ST Listing Manual were as follows:

Interested persons transactions for the year that ended on 30 September 2013		
Name of interested persons	Aggregate value of all interested persons transactions during the year ended on 30 September 2013 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 SGD100,000*)
	US Dollar'000	US Dollar'000
Administrative expenses		
Thoresen Shipping Singapore Pte Ltd	331	-

* Exchange rate US Dollar 0.7995 per SGD 1.00

13. Land, Buildings and Key Movable Assets

As at 30 September 2013, land and buildings owned by Mermaid and held for investment purposes were as follows:

No.	Description	Location	Calendar Year	Million US Dollar		Ownership
			Purchase Year	Cost	Net Book Value	
1.	Land	Pinthong Industrial Estate, Chonburi, Thailand	2003	0.59	0.59	Freehold
2.	Land	Laem Chabang, Chonburi, Thailand	2001	0.25	0.25	Freehold
3.	Buildings	Built on land at no. (1) above	2005	4.51	2.26	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 2013, Mermaid's key movable assets were seven vessels and two tender rigs owned by its subsidiaries as follows:

No.	Subsidiary Name	Name of Vessels/Rigs	Calendar Year		Million US Dollar	
			Build Year	Purchase Year	Cost	Net Book Value
1.	Mermaid Offshore Services Ltd.	Mermaid Commander	1987	2005	23.35	7.61
2.	Mermaid Offshore Services Ltd.	Mermaid Challenger	2008	2008	17.49	13.57
3.	Mermaid Offshore Services Ltd.	Mermaid Sapphire	2009	2009	31.87	27.35
4.	Mermaid Offshore Services Ltd.	Mermaid Siam	2002	2010	29.50	24.05
5.	Mermaid Offshore Services Ltd.	Mermaid Endurer	2010	2010	96.38	84.02
6.	PT Seascope Surveys Indonesia	Barakuda	1982	2010	1.02	0.86
7.	Mermaid Offshore Services Ltd.	Mermaid Asiana	2010	2010	80.97	70.95
8.	MTR-1 (Singapore) Pte. Ltd.	MTR-1	1978	2005	25.98	5.71
9.	MTR-2 Ltd.	MTR-2	1981	2005	29.53	10.54

14. Use of IPO Proceeds

In October 2007, Mermaid's total proceeds received from the Initial Public Offering ("IPO") of its shares was US Dollar 158.00 million after deduction of issuing costs.

The total actual accumulative uses of IPO proceeds as at 30 September 2009 was US Dollar 158.00 million, or 100% of the IPO proceeds and is summarised as follows:-

No.	Description	US Dollar (Million)
1.	Subscription of shares in Worldclass Inspiration Sdn. Bhd.	11.08
2.	Refurbishment expenses of the tender rig, MTR-2	26.83
3.	Construction cost of the newbuild tender rig, KM-1	55.65
4.	Subscription of shares in Seascope Surveys	7.92
5.	Construction cost of the newbuild sub-sea vessel, Mermaid Sapphire	12.78
6.	Purchase of ROVs and a saturation dive system	10.44
7.	Purchase of 2 deepwater construction class ROVs	6.39
8.	Construction cost of the newbuild sub-sea vessel, Mermaid Endurer	26.91
	Total	158.00

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.

15. Use of Rights Issue Proceeds

In November 2009, Mermaid's total proceeds received from the Rights Issue of its shares was US Dollar 108.20 million after deduction of issuing costs.

The total actual accumulative uses of Rights Issue proceeds as at 30 November 2010 was US Dollar 108.20 million, or 100% of the Rights Issue proceeds and is summarised as follows:-

No.	Description	US Dollar (Million)
1.	Construction cost of the newbuild subsea vessel, "Mermaid Endurer"	19.38
2.	Construction cost of the newbuild subsea vessel, "Mermaid Asiana"	25.50
3.	Purchase of the subsea vessel, "Mermaid Siam"	7.38
4.	Subscription of shares in Subtech Ltd.	6.95
5.	Subscription of shares in Asia Offshore Drilling Ltd.	49.00
	Total	108.20

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

16. Use of Rights Issue and Private Placement Proceeds

In September 2013, Mermaid's total proceeds received from the Rights Issue of its shares was US Dollar 126.37 million after deduction of issuing costs.

In October 2013, Mermaid's total proceeds received from the Private Placement of its shares was US Dollar 12.78 million after deduction of issuing costs.

The total actual accumulative uses of Rights Issue and Private Placement proceeds as at 30 November 2013 was US Dollar 35.00 million, or 25.15% of the Rights Issue and Private Placement proceeds and is summarised as follows:-

No.	Description	US Dollar (Million)
1.	The repayment of short-term loans which was taken up for the subscription of additional shares in Asia Offshore Drilling Ltd.	35.00

The use of proceeds is in accordance with the Company's intended use as stated in the Circular.

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

As at 16 December 2013, the registered capital of Mermaid was Baht 1,416,700,697. This is represented by 1,416,700,697 ordinary shares with a par value of Baht 1 each. The issued and paid-up capital was Baht 1,413,081,038 represented by 1,413,081,038 ordinary shares with a par value of Baht 1 each.

The difference between registered capital and issued and paid-up capital is therefore Baht 3,619,659 ordinary shares represented by 3,619,659 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 16 December 2013, only 1,709,474 of these registered but unissued ordinary shares remain reserved under the ESOPs. The balance of 1,910,185 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. Ng Cher Yan	19 June 2012	25 January 2011*	AGM 2014
2	Dr. Jan Skorupa	21 October 2013	26 January 2012*	AGM 2014
3	Mr. Toh Wen Keong Joachim	26 June 2012	26 January 2012*	AGM 2014
4	Mr. Chia Wan Huat Joseph	26 June 2012	26 January 2012*	AGM 2015
5	Mr. Chalermchai Mahagitsiri	28 January 2013	28 January 2013	AGM 2015
6	Mr. Prasert Bunsumpun	28 January 2013	28 January 2013	AGM 2015
7	Dr. Jean Paul Thevenin	28 January 2013	28 January 2013	AGM 2016

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

19. 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 recognize 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 recognize 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 recognize 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 16 December 2013, 535,115 options have been exercised by 6 participants and 209,997 options have been expired.

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 2013. As at 16 December 2013, 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 2013, 622,037 of those Options remained exercisable amongst 11 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 2013. As at 16 December 2013, 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 2013, 388,773 of those Options remained exercisable amongst 13 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 2013. As at 16 December 2013, 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 16 December 2013, 698,664 of those Options remained exercisable amongst 19 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 2013. As at 16 December 2013, none of the said Directors are participants of ESOP 2011.

(h) Summary of ESOP Distributions

In early October 2013, Mermaid completed a capitalization exercise in the form of a non-renounceable non-underwritten rights issue and private placement of 627,798,180 rights shares. Accordingly, the total number of options granted pursuant to ESOP 2008, ESOP 2009, ESOP 2010 and ESOP 2011 have subsequently been adjusted to be as follows:

	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*	-	622,037	388,773	698,664
No. of Participants Remaining*	-	11	13	19

(* as at 16 December 2013)

As at 16 December 2013, 535,115 Options of ESOP 2008 have been exercised and the remaining options have been expired. 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 2013.

Corporate Governance Report

The Board of Directors (the “Board”) of Mermaid Maritime Public Company Limited (the “Company” or “Mermaid”) recognizes the importance of good corporate governance and the offering of high standards of accountability to shareholders. It has adopted the revised Code of Corporate Governance 2012 (the “2012 Code”) even though the 2012 Code will only take effect in respect of annual reports for the Company’s financial year commencing 1 October 2013.

This report described the Company’s corporate governance framework and practices in compliance with the principles and guidelines of the 2012 Code.

Board Matters

The Board’s conduct of its affairs

Principle 1

The Board oversees and manages the Company’s business under the control of the resolutions of the shareholder’s meeting in good faith and due care for the best interest of the Company.

The principal functions of the Board are:

1. responsible for overall management and strategic direction;
2. performing duties with knowledge, competence, transparency, due care and accountability for the Company and its shareholders;
3. bringing an expertise, capability and experience that are beneficial to the Company’s operation;
4. having a leadership skill, vision and independent decision-making ability to ensure the utmost benefit to the Company and the shareholders; and
5. meet on a quarterly basis to review and monitor the Company’s financial position, management performance and business operation.

Matters Requiring Board Approval

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 equal to or exceeding US Dollar 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’s approval will be required instead.

Board Orientation and Training

The Company conducts a comprehensive induction to new Directors. This orientation program is conducted by the management of the Company to ensure that they are familiar with the Company’s business and governance practices. The Company supports the training for all Directors on relevant new laws. All Board members are encouraged to receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. During the financial year, some of the Directors of the Company attended Remuneration Committee Essentials course.

Upon the appointment of new Director, the Company Secretary, apart from the induction, provides an official letter to clarify the terms of appointment, the Director’s roles and the disclosures to the Company towards the conflict of interest and change of shareholdings interest including the Company’s policies.

As at 16 December 2013, the number of Board and Board Committee meetings held in the year, as well as the attendance of every Board member at these meetings, including participation through teleconference, are as follows:

Name	Type of Meetings					
	Board	Audit Com.	Rem. Com.	Nom. Com.	Exec. Com.	Risk Com.
Mr. Prasert Bunsumpun	8/8	-	-	-	8/8	-
Mr. Chalermchai Mahagitsiri	8/8	-	-	-	8/8	0/1
M.L. Chandchutha Chandratat*	7/7	-	-	-	5/6	-
Mr. Chia Wan Huat Joseph**	8/8	4/4	3/3	5/5	8/8	-
Mr. Surasak Khaoroptham***	5/5	-	-	-	-	-
Mr. Ng Cher Yan	8/8	5/5	3/3	5/5	-	1/1
Mr. Toh Wen Keong Joachim	7/8	5/5	3/3	5/5	-	-
Dr. Jean Paul Thevenin****	7/7	3/3	2/2	3/3	1/2	1/1
Dr. Jan Skorupa *****	1/1	-	-	-	-	-

* M.L. Chandchutha Chandratat resigned from an Executive Director on 21 October 2013.

** Mr. Chia Wan Huat Joseph was appointed as Executive Director on 21 October 2013. He has resigned from a member of Audit Committee, Remuneration Committee and Risk Management Committee, effective from 21 October 2013.

*** Mr. Surasak Khaoroptham resigned from Non-Executive Director on 31 July 2013.

**** Dr. Jean Paul Thevenin was appointed as a member of Audit Committee, Remuneration Committee and Nomination Committee on 13 February 2013. He was appointed as a member of Executive Committee and Risk Management Committee on 21 October 2013.

***** Dr. Jan Skorupa was appointed as an Independent Director on 21 October 2013.

Board Composition and Guidance

Principle 2

Each year, the Nomination Committee reviews and determines periodically whether or not the Director is independent and procure that at least one-third (1/3) for the Board shall comprise of Independent Directors.

As at 16 December 2013, the Board comprises of seven (7) Directors including three (3) Independent Directors, two (2) Non-Executive Directors, and two (2) Executive Directors.

During the financial year 2013, Dr. Jean Paul Thevenin was appointed as Independent Director on 28 January 2013 who subsequently was appointed as a Non-Executive Director on 21 October 2013. Dr. Jan Skorupa was appointed as an Independent Director on 21 October 2013.

There are five (5) committees on the Board: the Audit Committee, the Nomination Committee, the Remuneration Committee, the Executive Committee and the Risk Management 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. The Risk Management Committee was formed on 18 September 2013. Details of each Board Committee are as follows:

Audit Committee:

As at 16 December 2013, the Audit Committee comprises Non-Executive Directors, namely Mr. Ng Cher Yan, Mr. Toh Wen Keong Joachim and Dr. Jean Paul Thevenin. The Chairman of the Audit Committee was Mr. Ng Cher Yan. The majority of the Audit Committee members, including the Chairman are Independent Directors.

The Audit Committee is responsible; among other things:

- a) to review the quarterly financial statements prior to approving or recommending their release to the Board, as applicable;
- b) to oversee the system of internal controls;
- c) to assess risk management framework and its implementation;
- d) to oversee Internal Audit Department;
- e) to oversee the integrity of financial statements and other disclosures;
- f) to review the engagement and independence of the external auditors, non-audit services rendered by the external auditors; and
- g) to review Interested Persons Transactions (“IPT”) and Related Party Transactions (“RPT”)

The Audit Committee takes measures to keep abreast of changes in accounting standards and issues which have a direct impact on financial statements.

Remuneration Committee:

As at 16 December 2013, the Remuneration Committee comprises Non-Executive Directors, namely Mr. Ng Cher Yan, Mr. Toh Wen Keong Joachim and Dr. Jean Paul Thevenin. The Chairman of the Remuneration Committee was Mr. Ng Cher Yan. The majority of the Remuneration Committee members, including the Chairman are Independent Directors.

The Remuneration Committee is responsible, among other things, to:

- a) to recommend to the Board a framework of remuneration for the Directors and key executives of the Company;
- b) to determine performance-related elements of remuneration for the Board’s consideration; and
- c) to administer the share award or bonus schemes, if any.

Nomination Committee:

During the fiscal year, the Nomination Committee comprises one (1) Non-Executive Director and three (3) Independent Directors, namely Mr. Toh Wen Keong Joachim, Mr. Ng Cher Yan, Mr. Chia Wan Huat Joseph and Dr. Jean Paul Thevenin. The Chairman of the Nomination Committee was Mr. Toh Wen Keong Joachim.

The Nomination Committee is responsible, among other things, to:

- a) to put in place the board succession plans for Directors, in particular, the Chairman and the CEO;
- b) to identify or make recommendations to the Board on all candidates nominated for appointment to the Board;
- c) to review Board structure, size, composition, core competencies and performance from time to time;
- d) to review all candidates nominated for key positions in the Company; and
- e) to determine annually whether or not a Director is independent.

Executive Committee:

As at 16 December 2013, the Executive Committee members were Mr. Prasert Bumsumpun, Mr. Chalermchai Mahagitsiri, Mr. Chia Wan Huat Joseph, and Dr. Jean Paul Thevenin. The Chairman of the Executive Committee was Mr. Prasert Bunsumpun.

The Executive Committee is responsible, among other things, to:

- a) approve transactions with a value of up to US Dollar 25 million;
- b) exercise powers of the Board to act upon any specific matters delegated by the Board from time to time;
- c) consider the Company’s business plan and annual budget for recommendation to the Board; and
- d) consider the overall performance of the Company and provide recommendations to enhance performance.

Risk Management Committee:

The Risk Management Committee is responsible to:

- a) review on principles, strategies, processes, and control frameworks for the management of key risks faced by the Company; and
- b) review and consider to change the level of risk taken by the group for approval from the Board.

As at 16 December 2013, the Risk Management Committee members were Dr. Jean Paul Thevenin, Mr. Ng Cher Yan, Mr. Chalermchai Mahagitsiri, and Ms. Siriwan Chamnannarongsak. The Chairman of the Risk Management Committee was Dr. Jean Paul Thevenin.

Board Independence

The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company.

Board composition and size

The Nomination Committee review the Board's structure, size and composition annually, and as and when circumstances require. The Nomination Committee is of the view that the Board is of the appropriate size and with the right mix of skills and experience given the nature and scope of the Group's operations. With majority of the Board comprising Non-Executive Directors and Independent Directors, there is a strong and independent element on the Board. This is to ensure that there is effective representation for shareholders and issues of strategy, performance and resources are fully disclosed and examined to take into account long-term interest of the shareholders, employees, customers, suppliers and the industry in which the Group conducts its business. The Board is able to exercise objective judgment independently from management and no small group of individuals dominates the decisions of the Board.

The profile of each Director and other relevant information are set out under "the Board of Directors" section of this Annual Report.

Meeting of Directors without Management

The Non-Executive Directors met regularly without the presence of Management.

Chairman and Chief Executive Officer

Principle 3

There is a clear separation of responsibilities between the Chairman and Chief Executive Officer ("CEO") to ensure an appropriate balance of power, and increased accountability and greater capacity of the Board for independent decision making.

The Executive Chairman and CEO of the Company are not related to each other.

The role of the Chairman includes:

- (a) leading the Board to ensure its effectiveness on all aspects of its role;
- (b) setting the agenda and ensuring adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) promoting a culture of openness and debate at the Board;
- (d) ensuring that the Directors receive complete, adequate and timely information;
- (e) ensuring effective communication with shareholders;
- (f) encouraging constructive relations within the Board and between the Board and Management;
- (g) facilitating the effective contributions of Non-Executive Directors; and
- (h) promoting high standards of corporate governance.

The CEO has full executive responsibilities over the business direction and operations of the Group, and is responsible for the executive of the Board's adopted strategies and policies.

Board Membership

Principle 4

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 Article of Association and makes recommendations to the Board.

The Nomination Committee considers that the multiple Board representation held presently by the Directors do not impede their performance in carrying out their duties to the Company. The Nomination Committee has ascertained that for the period under review, the Directors have devoted sufficient time and attention to the Company's affairs.

The Nomination Committee has conducted an annual review of Directors' independence based on the Code's criteria for independence and is of the view that Mr. Ng Cher Yan and Mr. Toh Wen Keong Joachim are independent. The Nomination Committee has conducted a formal assessment of the Board's performance as a whole for the financial year 2013.

In the selection and nomination for new Directors, the Nomination Committee taps on the Directors' resources to ensure the potential candidates possess relevant experience and have the caliber to contribute to the Company and its business, having regard to the attributes of the existing Board and the requirements of the Company. The potential candidates will go through a shortlisting process and thereafter, set up the interviews with the shortlisted candidates. Executive recruitment agencies may also be appointed to assist in the search process where necessary. As recommended by the Nomination Committee, a new Director can be appointed by way of Board resolution in case of replacement.

Board Performance

Principle 5

On the initiative of the Nomination 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.

Based on the reviews by the Nomination Committee, the Board is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

Access to Information

Principle 6

The Board is provided complete, adequate and timely information prior to the Board Meetings. Board meeting agenda and papers are prepared by the management and circulated to the Board in advance by the Company Secretary on an on-going basis.

The Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for supporting the corporate secretarial functions to the Board to ensure the board procedures are followed. He attends all Board Meetings and also provides advice to the Board in relation to the compliance of regulatory requirements to the Company.

The Company Secretary was appointed by the Board of Directors on 13 August 2008. The appointment and removal of Company Secretary should be a matter for the Board as a whole.

With the approval of the Chairman, Director may seek independent professional advice, at the Company's expense, on any matter connected with the discharge of his/her responsibilities as a Director. Copies of this advice must be made available to, and for the benefit of, all Board members, unless the Chairman otherwise agrees.

Procedure for Developing Remuneration Policies

Principle 7

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

The Remuneration Committee has full authority to engage any external professional advice on matters relating to the remuneration as and when the need arises and expenses of such advice shall be borne by the Company. Where such external professional is appointed, the Company shall disclose the names and firms of the remuneration consultants herein, and include a statement on whether the remuneration consultants have any relationships with the Company that will affect the independence and objectivity of the remuneration consultants.

Level and Mix of Remuneration

Principle 8

The Remuneration Committee establishes a formal and transparent procedure for developing policy on executive remuneration and the remuneration packages of individual Directors of the Company, provided that no Director shall be involved in deciding his own remuneration.

The Remuneration Committee shall recommend the framework and propose specific remuneration package to the Board.

The Group's remuneration policy is to provide remuneration packages which will reward performance and attract, retain and motivate Directors and key executives to run the Group successfully. In setting the remuneration packages, the Remuneration Committee takes into consideration the pay and employment conditions within the same industry and in comparable companies, the Group's and the individual's performance.

The Non-Executive Director and Independent Directors do not have service agreements with the Company. They are paid Directors' fees, which are determined by the Board, appropriate to the level of their contribution, taking into account factors such as the responsibilities, effort and time spent for serving the Board and Board Committees. The Non-Executive Director and Independent Directors do not receive any other remuneration from the Company. Directors' fees are tabled for shareholders' approval at the Annual General Meeting, if there are changes in remuneration.

The Executive Directors are paid based on their service agreements with the Company.

Disclosure of Remuneration

Principle 9

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. Surasak Khaoroptham	●	-	-
Mr. Chia Wan Huat Joseph*	●	-	-
Dr. Jean Paul Thevenin	●	-	-
Mr. Ng Cher Yan	●	-	-
Mr. Toh Wen Keong Joachim	●	-	-
Dr. Jan Skorupa**	●	-	-

Directors who receive remuneration as executive of the Company includes Mr. Chalermchai Mahagitsiri in his capacity as Executive Vice Chairman and Interim-Chief Executive Officer, and Mr. Chia Wan Huat Joseph* who served as Executive Director effective on 21 October 2013.

** Dr. Jan Skorupa was appointed as an Independent Director on 21 October 2013.

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).

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	-	79%	13%	8%	-
M.L. Chandchutha Chandratat	-	86%	14%	-	-
Mr. Surasak Khaoroptham	100%	-	-	-	-
Mr. Chia Wan Huat Joseph	100%	-	-	-	-
Dr. Jean Paul Thevenin	100%	-	-	-	-
Mr. Ng Cher Yan	100%	-	-	-	-
Mr. Toh Wen Keong Joachim	100%	-	-	-	-
Dr. Jan Skorupa	100%	-	-	-	-

The names and remuneration of the key executives 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. Chalermchai Mahagitsiri	-	●	-
M.L. Chandchutha Chandratat	●	-	-
Mr. Paul Witley	-	-	●
Mr. Michael Van Ambrose	-	-	●
Mr. Peter Reichlmeier	-	●	-
Mr. Stephen Gregor Lenz	●	-	-
Ms. Siriwan Chamnannarongsak	●	-	-

Mr. Chalermchai Mahagitsiri was appointed as an interim Chief Executive Officer on 16 August 2012, M.L. Chandchutha Chandratat resigned from an Executive Director on 21 October 2013, Mr. Paul Witley assumed the position of Executive Director for Mermaid's subsea business division covering Subtech Ltd., Mermaid Offshore Services Ltd. effective 16 August 2012, Mr. Michael Van Ambrose was appointed as Managing Director of Mermaid Offshore Services Ltd. effective 1 September 2012, Mr. Peter Reichlmeier served as Managing Director of Seascope Surveys Group since 16 August 2012, Mr. Stephen Gregor Lenz resumed employment by serving as Executive Director for Mermaid Drilling Ltd. since 2 May 2012, and Ms. Siriwan Chamnannarongsak was appointed as Group Chief Financial Officer effective 14 May 2013.

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. Chalermchai Mahagitsiri	79%	13%	8%	-
M.L. Chandchutha Chandratat	86%	14%	-	-
Mr. Paul Whiley	78%	13%	9%	-
Mr. Michael Van Ambrose	78%	13%	9%	-
Mr. Peter Reichlmeier	71%	12%	17%	-
Mr. Stephen Gregor Lenz	75%	12%	13%	-
Ms. Siriwan Chamnannarongsak	78%	13%	9%	-

Remuneration of employees who are immediate family members of a Director or the Chief Executive Officer of the Company, and whose remuneration exceeds SGD 50,000 during the year.

There are no employees who are immediate family members of a Director or the Chief Executive Officer (Managing Director) of Mermaid.

Employee Share Option Plan

The Employee Share Option Plan is administered by the Remuneration. The Employee Share Option Plan is to reward, retain and motivate employees of the Group who excel in their performance and encourages greater dedication, loyalty and higher standards of performance. More details of the Employee Share Option Plan are provided in the General Disclosures.

Accountability

Principle 10

The Board is accountable for providing a balanced and understandable assessment of the Company's performance. The Company releases its quarterly and full year financial results via SGXNet on a timely basis.

Financial report and business updates are provided to the Executive Committee members on a monthly basis in order to review and assess the operation's performance. The Executive Committee provides the updates report to the Board on a regular basis.

Risk Management and Internal Controls

Principle 11

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.

On 18 September 2013, the Board has established a Risk Management Committee to oversee risk management standards, practices, and systems.

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 Internal Audit Department to continuously improve Mermaid's internal control systems and provides progress reports to the Board on a quarterly basis.

The Risk Management Committee reviews the effectiveness of the Enterprise Risk Management system within the Group and evaluate the adequacy and effectiveness of administrative, operating, and accounting controls used by the Group.

The Board has received assurances from the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances. The Board has also received assurance from the CEO and CFO that the risk management and internal control systems of the Company is adequate and effective to deal with major risks relating to financial, operational and compliance aspects.

Based on the internal controls established and maintained by the Company, work performance by the internal and external auditors, and reviews performance by the Management, the Audit Committee and the Board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks were adequate and effective as at 30 September 2013.

Audit Committee

Principle 12

As at 16 December 2013, the Audit Committee held five (5) meetings. The management of Mermaid, including the CEO, Financial Director, Senior Finance and Accounting Manager, General Counsel, and concerned Managers also participated in those meetings when invited. Mermaid's external auditors from KPMG Phoomchai Audit 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 has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its function.

The Audit Committee carried out its functions as stated in the Audit Committee's scope of responsibilities as set out in Principle 2 above.

Apart from the above functions, the Audit Committee shall commission and review the findings of internal investigations and/or review and discuss with the external auditors any matters where there is suspicion of fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on operating results and/or financial position. The Audit Committee will also ensure that the appropriate follow-up actions are taken. In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee he will abstain from reviewing that particular transaction or voting on that particular resolution.

The Audit Committee meets with the external and internal auditors, in each case, without the presence of management, on a quarterly basis.

Internal Audit

Principle 13

The Company resources its own internal audit. Internal audit function is adequately resourced and has appropriate standing within the company. Internal audit function is staffed with persons with the relevant qualifications and experience.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. The internal audit activities are governed itself by adherence to The Institute of Internal Auditors ("IIA")' mandatory guidance.

The internal audit reports for non-compliance and internal control weaknesses which include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations are reported to the Audit Committee through periodic activity reports.

To ensure the adequacy and effectiveness of the internal audit function, the Audit Committee reviews the internal auditor's scope of work at least annually.

Shareholders' Rights

Principle 14

The Company continues the disclosure obligations pursuant to the SGX-ST Listing Manual to provide the adequate and timely information of all major developments to the shareholders. The Company provides information to the shareholders through SGXNet, Annual Reports and Notice of Annual General Meeting of Shareholders.

At the general meeting, the shareholders have the opportunity to participate and vote on the resolutions. A notice, agenda, voting procedures and papers shall be sent to the shareholders as well as releasing on the SGXNet prior to the meetings. Proxy can be given by the shareholders to attend the meeting.

Communication with Shareholders

Principle 15

In addition to the continuous announcements made through SGXNet and a corporate website, each year the Company organizes the Shareholders Forum in Singapore. At this event, the shareholders will be given the opportunity, particularly those based in Singapore, to meet and discuss the Company's business on an informal basis.

Conduct of Shareholder Meetings

Principle 16

The Annual General Meeting (“AGM”) is the principal forum for dialogue and interaction with all shareholders. All shareholders will receive the notice of AGM, which is also advertised on the newspapers and issued via SGXNet. The Board welcomes questions and comments relating to the Group’s business or performance from shareholders at AGMs. Shareholders are given the opportunity to air their views and direct questions to the Board on matters affecting the Group.

The Company does not practise bundling of resolutions at general meetings. Each item of special business included in the notice of the general meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Directors, including the chairman of the Board Committees are present at all general meetings to address shareholders’ queries. External auditors will also be present at such meeting to assist the Directors to address any relevant queries from the shareholders, if necessary.

The Company prepares minutes of all general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes will be available to shareholders upon their request.

The Company has implemented the system by voting by poll at its AGM. Results of the resolution at the AGM are announced on SGXNet. Shareholders are allowed to appoint proxy to attend and vote in his/her stead.

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

	Consolidated financial statements			Separate financial statements		
	Exercise price SGD per shares	30 September 2013 Thousand shares	30 September 2012 Thousand shares	Exercise price SGD per shares	30 September 2013 Thousand shares	30 September 2012 Thousand shares
Expired date:						
20 November 2013	0.27	745	673	0.27	745	673
16 November 2014	0.72	622	599	0.72	622	599
1 December 2015	0.40	389	370	0.40	389	370
15 December 2016	0.21	699	890	0.21	699	890
		<u>2,455</u>	<u>2,532</u>		<u>2,455</u>	<u>2,532</u>

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 adoption of TFRS 2 "Share-based Payment", grant on or after 1 October 2011 were 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 over 3 years. The projected accounting expense calculated by an actuary which is recognised as a component of equity in the statement of changes in equity for the year ended 30 September 2013 amounted to US Dollar 14,719.7 (2012 : US Dollar 11,866.8)

36 Events after the reporting period

Issue and listing of 58,105,821 placement shares

Further to the announcement made by the Company on 30 September 2013, on 3 October 2013, the Board of Directors announced that the Company has completed the allotment and issue of 58,105,821 Placement Shares. The Placement Shares will, upon issue, rank *pari passu* in all respects with and carry all rights similar to the Shares in issue as at 4 October 2013, except that they will not rank for any dividends, rights allotments or other distributions which may be declared or paid, the record date in respect of which falls on or before the day immediately prior to the date on which the Placement Shares are issued. The Placement Shares were listed for quotation on the Main Board of the SGX-ST on 4 October 2013 and the trading commenced on the same date.

Dividend payment proposal

At the Board of the director of the Company held on 26 November 2013, the Board approved to propose an annual dividend payment of US Dollar 0.005 per share and good performance dividend payment of US Dollar 0.0036 per share, total amounting of US Dollar 12.15 million or equivalent to Baht 371.64 million to the shareholders of the Company. The dividend shall be proposed to the Annual General Meeting of Shareholders in January 2014 for their consideration and approval.

37 Thai Financial Reporting Standards (TFRS) not yet adopted

The Group has not adopted the following new and revised Thai Financial Reporting Standards ("TFRS") that have been issued as of the reporting date but are not yet effective. The new and revised TFRS become effective for annual financial periods beginning on or after 1 January in the year indicated.

TFRS	Topic	Year effective
TAS 12 (revised 2012)	Income Taxes	2014
TFRIC 4	Determining whether an Arrangement contains a Lease	2014
TFRS 8	Operating Segments	2013
TFRIC 10	Interim Financial Reporting and Impairment	2014

Management expects to adopt and apply these new and revised TFRS in accordance with the Federation of Accounting Professions' announcement. These standards are as follows:

TAS 12 (revised 2012) – Income taxes

Management is of the opinion that the adoption of TAS 12 (revised 2012) will not have significant impact on the Group's financial statements.

TFRIC 4 – Determining whether an Arrangement contains a Lease

TFRIC 4 addresses arrangements that do not take the legal form of a lease, but convey rights to use items for agreed periods of time in return for a payment or series of payments. TFRIC 4 provides guidance for evaluating whether such arrangements are, or contain, leases that should be accounted for under TAS 17 Leases. If an agreement is determined to contain a lease, then TFRIC 4 requires TAS 17 to be applied to classify and account for the lease.

TFRS 8 - Operating segments

The principal change introduced by TFRS 8 is the introduction of the concept of presenting operating segments based on the information that internally is provided to the Group's chief operating decision maker. Since the change in accounting policy only impacts disclosure aspects, there is no impact on the Group's financial statements.

TFRIC 10 - Interim Financial Reporting and Impairment

Management is of the opinion that the adoption of TFRIC 10 will not have significant impact on the Group's financial statements.

The Company

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 th 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 1,416,700,697
Paid-up Capital	Baht 1,413,081,038
No. of Issued Shares	1,413,081,038 ordinary shares
Par Value/Share	Baht 1
Corporate Website:	http://www.mermaid-maritime.com
Investor Relations E-mail:	irelations@mermaid-maritime.com



(as at 16 December 2013)



Mermaid Maritime Public Company Limited

26/28-29, Orakarn Building, 9th Floor, Soi Chidlom, Ploenchit Road,
Lumpinee, Pathumwan, Bangkok 10330, Thailand

Tel. +66 (0) 2255-3115 Fax +66 (0) 2255-1079

www.mermaid-maritime.com

