



MERMAID MARITIME PUBLIC COMPANY LIMITED

บริษัท เมอร์เมด มารีไทม์ จำกัด (มหาชน)

(Reg. No. 0107550000017)

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EMPHASIS OF MATTER BY INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS OF MERMAID MARITIME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Board of Directors of Mermaid Maritime Public Company Limited ("Company") wishes to announce that the independent auditor of the Company, KPMG Phoomchai Audit Ltd., had included an emphasis of matter in the Independent Auditor's Report on the consolidated financial statements of the Company and its subsidiaries ("Group"), and on the separate financial statements of the Company, respectively, for the financial year ended 31 December 2015 ("FY2015 Financial Statements").

This is with respect to the Group's recorded impairment losses on property, plant and equipment and related supplies and spare parts including impairment loss on goodwill to the total of US Dollar 163 million and the Company's impairment loss on investments in subsidiaries of US Dollar 62 million, respectively, for the year ended 31 December 2015 ("Emphasis of Matter"). The Independent Auditor's Report remains unqualified.

A copy of the Independent Auditor's Report, together with the extracts of the relevant notes to the FY2015 Financial Statements, is attached as Appendix I and II to this announcement respectively.

The Independent Auditor's Report and the FY2015 Financial Statements will form part of the Annual Report of the Company for the financial year ended 31 December 2015 ("FY2015 Annual Report") which is scheduled to be dispatched to the shareholders of the Company on or before 4 April 2016.

Shareholders are advised to read the Independent Auditor's Report and the FY2015 Annual Report in their entirety and to read this announcement in conjunction with the Independent Auditor's Report and the FY2015 Annual Report.

BY ORDER OF THE BOARD

Vincent Siaw
Company Secretary
29 February 2016



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Independent Auditor's Report

To the Shareholders of Mermaid Maritime Public Company Limited

I have audited the accompanying consolidated and separate financial statements of Mermaid Maritime Public Company Limited and its subsidiaries (the "Group") and of Mermaid Maritime Public Company Limited (the "Company"), respectively, which comprise the consolidated and separate statements of financial position as at 31 December 2015, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



Opinion

In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Group and the Company, respectively, as at 31 December 2015 and their financial performance and cash flows for the year ended 31 December 2015 in accordance with Thai Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 15 to the consolidated and separate financial statements. The Group and the Company has recorded impairment charges of US Dollar 163 million and US Dollar 62 million, respectively, for the year ended 31 December 2015.

(Pornthip Rimdusit)
Certified Public Accountant
Registration No. 5565

KPMG Phoomchai Audit Ltd.
Bangkok
29 February 2016

Mermaid Maritime Public Company Limited and its Subsidiaries
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15 Impairment losses

Impairment losses on assets are classified as follows:

	Consolidated financial statements	
	<i>(in thousand US Dollar)</i>	<i>(in thousand Baht)</i>
Impairment loss on property, plant and equipment and related supplies and spare parts	155,205	5,561,911
Impairment loss on goodwill	8,070	289,196
Total	163,275	5,851,107
	Separate financial statements	
	<i>(in thousand US Dollar)</i>	<i>(in thousand Baht)</i>
Impairment loss on investments in subsidiaries	62,096	2,225,267
Total	62,096	2,225,267

The continuing drop in oil prices during the year 2015 impacted the Group's overall business as it led to reduced activity and contracts for subsea and offshore drilling services. Additionally, with more offshore rigs and subsea vessels in the market coming off contract and new builds yet to be delivered, the vessel supply and demand imbalance will continue to have a negative impact on utilisation and day rates. These have been important factors indicating that the Group's assets may be impaired.

Property, plant and equipment

During the year 2015, the Group recognised an impairment charge of US Dollar 152.5 million (equivalent to Baht 5,463.6 million) on certain offshore support vessels and tender rigs, tools and equipment, related dry-docking, and construction in progress as a result of lower recoverable amounts compared to carrying amounts.

The recoverable amounts of the property, plant and equipment were determined based on the higher of values in use and fair values less costs to sell. The fair values were determined based on data from a recognised independent valuation company. The values in use were determined using an income approach based on cash flow projections of each asset. The impairment test methodology and assumptions prepared by management were reviewed by an independent appraiser.

The key assumptions affecting cash flow projections include future utilisation rates, day rates, operating cash costs, remaining useful life and discount factor. A terminal growth rate of 0% was applied. A weighted average cost of capital ("WACC") of 10.75% was used as the discount rate in the value in use calculations. The cost of equity component was derived using the capital asset pricing model. The cost of debt was estimated based on current debt facilities of the Group.

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Goodwill

As at 31 December 2015, goodwill and impairment loss on goodwill was allocated to the following cash-generating units (“CGU”):

Seascope CGU

	Consolidated financial statements	
	<i>(in thousand US Dollar)</i>	<i>(in thousand Baht)</i>
1 January 2015	8,070	266,011
Impairment loss	(8,070)	(289,196)
Translation adjustments	-	23,185
31 December 2015	-	-

The recoverable amount of Seascope CGU estimated using the value in use method was less than the total carrying amount of Seascope CGU and the goodwill allocated to it. As a result, goodwill allocated to Seascope CGU was fully impaired as at 31 December 2015. The cash flows were projected over a period of 25 years before a terminal growth rate was applied to reflect management’s estimate of the cyclic nature of day rates earned by Seascope CGU. The key assumptions used in the estimation of Seascope CGU’s value in use were as follows:

The key assumptions used in the estimation of value in use were as follows:

Key assumptions	Value	Approach used to determine the value
Discount rate	10.75%	External sources of information
Terminal value growth rate	0%	Constant inflation
EBITDA growth	Up to 4.3%	Past experience

Mermaid Subsea Services (International) (“MSSI”) CGU

	Consolidated financial statements	
	<i>(in thousand US Dollar)</i>	<i>(in thousand Baht)</i>
1 January 2015	2,066	68,102
Impairment loss	-	-
Translation adjustments	-	6,457
31 December 2015	2,066	74,559

The recoverable amount of MSSI CGU estimated using the value in use method was greater than the total carrying amount of MSSI CGU and the goodwill allocated to it. As a result, goodwill allocated to MSSI CGU was not impaired as at 31 December 2015. The cash flows were projected over a period of 25 years before a terminal growth rate was applied to reflect management’s estimate of the cyclic nature of day rates earned by MSSI CGU. The key assumptions used in the estimation of MSSI CGU’s value in use were as follows:

Key assumptions	Value	Approach used to determine the value
Discount rate	10.75%	External sources of information
Terminal value growth rate	0%	Constant inflation
EBITDA growth	Up to 10.0%	Past experience

Mermaid Maritime Public Company Limited and its Subsidiaries

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Investments in subsidiaries

For the year ended 31 December 2015, the Company recognised impairment loss of US Dollar 62.1 million on its investments in certain subsidiaries as a result of lower recoverable amounts compared to carrying amounts.

The recoverable amounts of subsidiaries were determined based on their values in use. The values in use were determined using an income approach based on cash flow projections of each subsidiary.

The key assumptions affecting cash flow projections include future utilisation rates, day rates, operating cash costs, and discount factor. A terminal growth rate of 0% was applied. A WACC of 10.75% was used as the discount rate in the value in use calculations. The cost of equity component was derived using the capital asset pricing model. The cost of debt was estimated based on current debt facilities of the subsidiaries.

Reportable segments to which impaired assets belong are disclosed in Note 23.

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Mermaid Maritime Public Company Limited and its Subsidiaries

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23 Segment information

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different services and are managed separately because they require different marketing strategies. For each of the strategic divisions, the chief operating decision maker (CODM) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments.

Business segments

The Group comprises the following main business segments:

Segment 1	Subsea group
Segment 2	Drilling group
Segment 3	Holding

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Revenue and results, based on business segments, in the consolidated financial statements for the year ended 31 December 2015 and for the period from 1 October 2014 to 31 December 2014 were as follows:

Consolidated financial statements for the year ended 31 December 2015						
Subsea group	Drilling group	Holding	Total	Elimination	Group	
<i>(in thousand US Dollar)</i>						
Revenue from rendering of services	336,561	54	-	336,615	(29)	336,586
Operating loss	(68,854)	(92,108)	(15,377)	(176,339)	(703)	(177,042)
Share of profit (loss) of investments in associates and joint venture	661	-	(51,023)	(50,362)	-	(50,362)
Finance costs	(4,114)	-	-	(4,114)	704	(3,410)
Income tax (expense) benefit	44	(87)	(486)	(529)	-	(529)
Loss for the year	(72,263)	(92,195)	(66,886)	(231,344)	1	(231,343)

Consolidated financial statements as at 31 December 2015						
Subsea group	Drilling group	Holding	Total	Elimination	Group	
<i>(in thousand US Dollar)</i>						
Cash and cash equivalents	32,334	1,960	23,117	57,411	-	57,411
Trade accounts receivable	114,785	-	-	114,785	-	114,785
Investments in associates and joint venture	1,076	-	73,721	74,797	-	74,797
Property, plant and equipment	210,235	2,041	1,986	214,262	-	214,262
	358,430	4,001	98,824	461,255	-	461,255
Unallocated assets						38,550
Total assets						499,805

Mermaid Maritime Public Company Limited and its Subsidiaries
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	Consolidated financial statements as at 31 December 2015					
	Subsea group	Drilling group	Holding	Total	Elimination	Group
	<i>(in thousand US Dollar)</i>					
Interest-bearing liabilities	107,424	-	-	107,424	-	107,424
	107,424	-	-	107,424	-	107,424
Unallocated liabilities						71,342
Total liabilities						178,766
Capital expenditure	20,723	2,384	63	23,170	-	23,170
Depreciation	24,784	7,117	439	32,340	-	32,340
Amortisation	248	1	34	283	-	283
Gain (loss) on disposal and write-off property, plant and equipment and intangible asset	38	(11)	-	27	-	27
Impairment losses on property, plant and equipment and related supplies and spare parts	71,404	83,801	-	155,205	-	155,205
Impairment losses on goodwill	8,070	-	-	8,070	-	8,070

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Consolidated financial statements						
for the period from 1 October 2014 to 31 December 2014						
Subsea group	Drilling group	Holding	Total	Elimination	Group	
<i>(in thousand US Dollar)</i>						
Revenue from rendering of services	94,711	4,562	-	99,273	(383)	98,890
Operating profit (loss)	3,934	445	(3,097)	1,282	(381)	901
Share of profit of investment in associates and joint venture	153	-	6,873	7,026	-	7,026
Finance costs	(1,196)	(21)	-	(1,217)	358	(859)
Income tax expense	(1,100)	(59)	(1,567)	(2,726)	-	(2,726)
Profit for the period	1,791	365	2,209	4,365	(23)	4,342

Consolidated financial statements						
as at 31 December 2014						
Subsea group	Drilling group	Holding	Total	Elimination	Group	
<i>(in thousand US Dollar)</i>						
Cash and cash equivalents	27,397	3,769	58,242	89,408	-	89,408
Trade accounts receivable	108,042	3,054	-	111,096	(317)	110,779
Investment in associates and joint venture	415	-	138,248	138,663	-	138,663
Property, plant and equipment	287,338	87,853	3,071	378,262	-	378,262
	423,192	94,676	199,561	717,429	(317)	717,112
Unallocated assets						46,240
Total assets						763,352

Mermaid Maritime Public Company Limited and its Subsidiaries
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	Consolidated financial statements as at 31 December 2014					
	Subsea group	Drilling group	Holding	Total	Elimination	Group
			<i>(in thousand US Dollar)</i>			
Interest-bearing liabilities	112,713	-	-	112,713	-	112,713
	112,713	-	-	112,713	-	112,713
Unallocated liabilities						84,705
Total liabilities						197,418
Capital expenditure	10,640	685	17	11,342	-	11,342
Depreciation	5,568	1,813	116	7,497	-	7,497
Amortisation	94	-	8	102	-	102
Gain on disposal and write-off property, plant and equipment and intangible asset	167	-	-	167	-	167
Impairment losses (reversal) on property, plant and equipment	1,560	(47)	-	1,513	-	1,513

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Consolidated financial statements for the year ended 31 December 2015						
Subsea group	Drilling group	Holding	Total	Elimination	Group	
<i>(in thousand Baht)</i>						
Revenue from rendering of services	11,526,440	1,849	-	11,528,289	(993)	11,527,296
Operating loss	(2,484,314)	(3,287,581)	(526,627)	(6,298,522)	(24,076)	(6,322,598)
Share of profit (loss) of investments in associates and joint venture	22,638	-	(1,747,421)	(1,724,783)	-	(1,724,783)
Finance costs	(140,895)	-	-	(140,895)	24,110	(116,785)
Income tax (expense) benefit	1,507	(2,980)	(16,644)	(18,117)	-	(18,117)
Loss for the year	(2,601,064)	(3,290,561)	(2,290,692)	(8,182,317)	34	(8,182,283)

Consolidated financial statements as at 31 December 2015						
Subsea group	Drilling group	Holding	Total	Elimination	Group	
<i>(in thousand Baht)</i>						
Cash and cash equivalents	1,166,889	70,734	834,260	2,071,883	-	2,071,883
Trade accounts receivable	4,142,430	-	-	4,142,430	-	4,142,430
Investments in associates and joint venture	38,831	-	2,660,488	2,699,319	-	2,699,319
Property, plant and equipment	7,587,087	73,657	71,672	7,732,416	-	7,732,416
	12,935,237	144,391	3,566,420	16,646,048	-	16,646,048
Unallocated assets						1,391,215
Total assets						18,037,263

Mermaid Maritime Public Company Limited and its Subsidiaries
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	Consolidated financial statements as at 31 December 2015					
	Subsea group	Drilling group	Holding	Total	Elimination	Group
	<i>(in thousand Baht)</i>					
Interest-bearing liabilities	3,876,782	-	-	3,876,782	-	3,876,782
	3,876,782	-	-	3,876,782	-	3,876,782
Unallocated liabilities						2,574,633
Total liabilities						6,451,415
Capital expenditure	747,865	86,035	2,274	836,174	-	836,174
Depreciation	848,795	243,741	15,035	1,107,571	-	1,107,571
Amortisation	8,494	34	1,164	9,692	-	9,692
Gain (loss) on disposal and write-off property, plant and equipment and intangible asset	1,302	(377)	-	925	-	925
Impairment losses on property, plant and equipment and related supplies and spare parts	2,558,825	3,003,086	-	5,561,911	-	5,561,911
Impairment losses on goodwill	289,196	-	-	289,196	-	289,196

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Consolidated financial statements						
for the period from 1 October 2014 to 31 December 2014						
Subsea group	Drilling group	Holding	Total	Elimination	Group	
<i>(in thousand Baht)</i>						
Revenue from rendering of services	3,098,044	149,225	-	3,247,269	(12,528)	3,234,741
Operating profit (loss)	128,683	14,556	(101,305)	41,934	(12,463)	29,471
Share of profit of investments in associates and joint venture	5,005	-	224,819	229,824	-	229,824
Finance costs	(39,121)	(687)	-	(39,808)	11,710	(28,098)
Income tax expense	(35,982)	(1,930)	(51,257)	(89,169)	-	(89,169)
Profit for the period	58,585	11,939	72,257	142,781	(753)	142,028

Consolidated financial statements						
as at 31 December 2014						
Subsea group	Drilling group	Holding	Total	Elimination	Group	
<i>(in thousand Baht)</i>						
Cash and cash equivalents	903,087	124,238	1,919,831	2,947,156	-	2,947,156
Trade accounts receivable	3,561,388	100,669	-	3,662,057	(10,449)	3,651,608
Investments in associates and joint venture	13,680	-	4,557,069	4,570,749	-	4,570,749
Property, plant and equipment	9,471,523	2,895,898	101,229	12,468,650	-	12,468,650
	13,949,678	3,120,805	6,578,129	23,648,612	(10,449)	23,638,163
Unallocated assets						1,524,209
Total assets						25,162,372

Mermaid Maritime Public Company Limited and its Subsidiaries
Notes to the financial statements

	Consolidated financial statements as at 31 December 2014					
	Subsea group	Drilling group	 Holding	 Total	 Elimination	 Group
			<i>(in thousand Baht)</i>			
Interest-bearing liabilities	3,715,359	-	-	3,715,359	-	3,715,359
	3,715,359	-	-	3,715,359	-	3,715,359
Unallocated liabilities						2,792,131
Total liabilities						6,507,490
Capital expenditure	350,726	22,580	560	373,866	-	373,866
Depreciation	182,133	59,304	3,794	245,231	-	245,231
Amortisation	3,075	-	262	3,337	-	3,337
Gain (loss) on disposal and write- off property, plant and equipment and intangible asset	5,463	-	-	5,463	-	5,463
Impairment losses (reversal) on property, plant and equipment	51,029	(1,538)	-	49,491	-	49,491

Mermaid Maritime Public Company Limited and its Subsidiaries
Notes to the financial statements

Geographical information

Segments Subsea, Drilling and Holding are managed on a worldwide basis but mainly operate and provide services in Thailand, Singapore, Indonesia, Qatar and Saudi Arabia.

In presenting geographical information, revenue is based on the geographical location of customers. Assets are based on the geographical location of the assets.

	Revenue from rendering of services			
	Year ended 31 December 2015 <i>(in thousand US Dollar)</i>	Period from 1 October 2014 to 31 December 2014	Year ended 31 December 2015 <i>(in thousand Baht)</i>	Period from 1 October 2014 to 31 December 2014
Saudi Arabia	176,555	43,617	6,046,603	1,426,733
Thailand	56,923	17,087	1,949,482	558,924
Qatar	48,501	9,293	1,661,048	303,978
Indonesia	41,779	12,914	1,430,835	422,423
Russia	4,962	733	169,937	23,979
Singapore	4,247	489	145,450	15,996
UK	2,009	14,757	68,804	482,708
Other countries	1,610	-	55,137	-
Total	336,586	98,890	11,527,296	3,234,741

	Assets			
	2015 <i>(in thousand US Dollar)</i>	2014	2015 <i>(in thousand Baht)</i>	2014
Thailand	177,524	390,979	6,406,593	12,887,842
Saudi Arabia	86,729	120,991	3,129,928	3,988,226
Cayman	80,527	138,250	2,906,107	4,557,135
Singapore	79,518	79,826	2,869,693	2,631,304
Qatar	49,846	11,879	1,798,872	391,567
Indonesia	24,838	21,409	896,369	705,705
Other countries	823	18	29,701	593
Total	499,805	763,352	18,037,263	25,162,372

Major customer

Revenues from the major customer of the Group's Segments Subsea represents approximately US Dollar 131.9 million *(for the period from 1 October 2014 to 31 December 2014: US Dollar 42.6 million)* of the Group's total revenues.